



6550 N. Federal Highway
4th Floor
Fort Lauderdale, FL 33308



support@KMCcpa.com



www.KMCcpa.com



954.771.0896

PROJECT PROPOSAL

for Auditing Services

Prepared for

City of Key West

1300 White Street
Key West, FL 33040

P: 305.809.3819 E: dsermak@cityofkeywest-fl.gov

Issued date

05.23.2018



PROPOSAL FOR ANNUAL FINANCIAL AUDIT SERVICES

Issued on May 23, 2018

Keefe McCullough
6550 N Federal Highway, 4th Floor
Fort Lauderdale, FL 33308

Phone: 954-771-0896

Contact: Bill Benson
Email: Bill.Benson@kmccpa.com





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TRANSMITTAL LETTER





May 23, 2018

Mr. David Sermak, City Purchasing Agent
and Members of the Audit Selection Committee
City of Key West
1300 White Street
Key West, FL 33040

Dear Mr. Sermak and Audit Selection Committee members:

Keefe McCullough appreciates the opportunity to respond to your Request for Proposal (RFP) to provide independent auditing services to the City of Key West (the "City") for the fiscal years ending September 30, 2018, 2019, 2020, 2021 and 2022 with the option of auditing its financial statements for additional fiscal years.

At Keefe McCullough, our mission is to be your most highly valued advisor, by demonstrating our unique understanding of your needs, and exceeding your expectations in every interaction and solution we present. We offer deep industry experience, a full spectrum of resources, a collaborative approach, and exceptional client service. We encourage you to consider the following factors that differentiate us in the marketplace and that we believe are most relevant to you.

Governmental Experience

Keefe McCullough has been dedicated to the public sector for over 45 years by providing professional services to municipalities, special taxing districts, charter schools and other governmental entities helping many achieve the Certificate of Achievement for Excellence in Financial Reporting. By making the public sector a primary focus of our firm, we have the technical expertise to keep our clients informed of any upcoming technical pronouncements well in advance. We provide custom templates for our clients regarding new pronouncements including pensions and OPEB. This commitment allows us to deliver an unmatched level of service to our clients, with some municipalities being our client for over thirty years.

Experienced Professionals

Our proposed audit team for this engagement has extensive governmental experience, including municipalities comparable to the size and scope of the City of Key West. The professionals assigned to your engagement have exceeded the mandatory continuing professional education requirements and are dedicated to the public sector by working almost exclusively on governmental entities. Because of our time spent working with governments, we are specialists when it comes to the particulars of governmental accounting and the increasing amount of other issues facing many local governments.

Scope of Services

In preparing our proposed audit plan, we reviewed the City's RFP, prior financial statements and the 2017-2018 budget. The following proposal reflects our understanding of your needs and illustrates the approach we will take in providing the professional services required for your City.

Our audit of these financial statements will be conducted in accordance with:

1. Generally accepted auditing standards (GAAS), as set forth by the American Institute of Certified Public Accountants (AICPA).
2. Government Auditing Standards issued by the Comptroller General of the United States.
3. Subpart F of Title 2 U.S. CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
4. Federal Single Audit Act, as amended.
5. Florida Single Audit Act.
6. Rules of the Auditor General, State of Florida.
7. Rules of the Florida Department of Financial Services.
8. Section 218.39, Florida Statutes and any other applicable Florida Statutes.
9. Any other federal, state, and local laws, regulations, or professional guidance not specifically listed above, as well as any additional requirements which may be adopted by these organizations in the future.

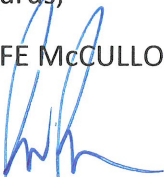
Keefe McCullough is committed to performing the auditing services within the prescribed time frame as outlined in the City's request for proposal. We hereby attest to our authority to submit this proposal and to individually bind Keefe McCullough to perform this audit in accordance with the resulting contract agreement should the firm be selected. Our proposal is made without collusion with any other person or entity submitting a proposal pursuant to the RFP. This proposal is a firm and irrevocable offer for ninety (90) days as of the date of this proposal.

Our goal is to provide valuable services and contribute to your success by delivering solutions that are just right for you, all at a very competitive rate. We hope that our client service philosophy, expertise, and reputation for quality will be major factors you consider when evaluating our firm.

If you have any questions or would like to schedule an oral presentation, please do not hesitate to contact us. Simply put, we want to be your auditors and would be honored to serve the City of Key West.

Regards,

KEEFE McCULLOUGH



William G. Benson, C.P.A.
Managing Partner



Successful auditors
share the City's
commitment to
excellence



INDEPENDENCE

Tab I





The firm should provide an affirmative statement that it is independent of the City of Key West as defined by generally accepted auditing standards and the U.S. General Accounting Office's Government Auditing Standards (1988).

Keefe McCullough is independent of the City of Key West as defined by generally accepted auditing standards and the U.S. General Accounting Office's Governing Auditing Standards.

The firm should also list and describe the firm's (or its proposed subcontractors') professional relationships involving the City of Key West or any of its agencies or component units or oversight unit for the past five (5) years. If applicable, a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit will be included.

Our firm has been the independent auditor of the City of Key West for the past five (5) years. We have not had any other professional relationships with the City or any of its agencies or component units or oversight unit for the past five (5) years. We have rotated our engagement team periodically in accordance with our independent relationship with the City of Key West.

In addition, the firm shall commit to giving the City of Key West written notice of any potentially conflicting professional relationships entered into during the period of this agreement.

We agree to give the City written notice of any professional relationships entered into during the period of this agreement.





FIRM'S QUALIFICATIONS, KNOWLEDGE & EXPERIENCE

Tab II



The proposal should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement on a full-time basis and the number and nature of the staff to be so employed on a part-time basis.

Our office consists of eight partners, approximately seventy-five (75) professional accounting staff members and administrative support personnel. Our governmental audit staff consists of thirty-five professionals. Our office is located in downtown Fort Lauderdale at 6550 N Federal Hwy, 4th Floor, Ft. Lauderdale, FL 33308. The following individuals will be assigned to this engagement on a full-time basis:

| | |
|---------------------------|--------------------------|
| Israel J. Gomez, C.P.A. | Engagement Partner |
| Marc A. Grace, C.P.A. | Technical Review Partner |
| William G. Benson, C.P.A. | Quality Control Partner |
| Stephen P. Emery, C.P.A. | Manager |
| Ralph B. Arrojo | Supervisor |

If the Proposer is a joint venture or consortium, the qualifications of each firm comprising the joint venture or consortium shall be separately identified and the firm that is to serve as the principal Auditor should be noted, if applicable.

Keefe McCullough is not a joint venture or consortium.

The firm is required to submit a copy of the report on its most recent external quality control review, with a statement whether that quality control review included a review of specific government engagements.

Our firm participates in the American Institute of Certified Public Accountants Peer Review Program and we have received unmodified opinions on all of our previous peer reviews. We have provided the most recent quality control review documentation for your reference at the end of this section. This quality control review included a specific review of the Town of Davie and the City of Sunny Isles Beach, Florida audit workpapers, financial statements and reports.

The firm shall provide information on the results of any federal or state desk reviews or field reviews of its audits during the past three (3) years. In addition, the firm shall provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with state regulatory bodies or professional organizations.

Because our firm performs a substantial number of "Yellow Book" type engagements, we routinely receive desk reviews from various State of Florida departments (DCF, FDOT or DOEA). We have had no field reviews during the last three years, and we are not aware of any disciplinary action ever taken or now pending against our firm or any of our professional accounting staff. We are not aware of any pending local office litigation or litigation related to our firm's audits of State or Local Government entities.

Neither our firm, nor any of our employees present or past, or anyone acting on our behalf, has ever been convicted of any crime or offense arising directly or indirectly from the conduct of our firm's business, nor have any of our firm's officers, director or persons exercising substantial policy discretion ever been convicted of any crime or offense involving business or financial misconduct or fraud for the entire forty-six (46) year history of our firm.



The firm shall identify the principal supervisory and management staff, including engagement partners, managers, other supervisors, specialists and the assigned "in-charge" who would be assigned to the engagement and indicate whether each such person is registered/licensed to practice as a certified public accountant in Florida. The firm shall provide information in the form of resumes on the government auditing experience of each person, *including information on relevant continuing professional education for the past three (3) years* and membership in professional organizations relevant to the performance of this audit.

The firm shall provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education of the specific staff to be assigned to this engagement. The firm also shall indicate how the quality of staff over the term of the agreement will be assured.

Our proposed audit team is comprised of the following principal supervisory and management staff:

| <u>Audit Team Member</u> | <u>Engagement Role</u> | <u>Years of Experience</u> |
|---------------------------|--------------------------|----------------------------|
| Israel J. Gomez, C.P.A. | Engagement Partner | 17 |
| Marc A. Grace, C.P.A. | Technical Review Partner | 12 |
| William G. Benson, C.P.A. | Quality Control Partner | 34 |
| Stephen P. Emery, C.P.A. | Manager | 8 |
| Ralph B. Arrojo | Supervisor | 7 |

All members of the firm that are designated as Certified Public Accountants are properly licensed in the State of Florida.

A profile of each audit team member is included at the end of this section, which lists specific governmental experience, qualifications, continuing professional education and memberships in professional organizations relevant to the performance of the audit.

Due to our firm's concentration of governmental and not-for-profit clients, we sponsor continuing professional education courses annually regarding a variety of governmental subjects, including Governmental Accounting Standards Board (GASB) pronouncements. One eight-hour governmental seminar is offered to our governmental clients. In addition, our entire professional governmental accounting staff takes eighty hours of "governmental qualified" continuing education courses every two years.

We have experienced very low turnover of our professional accounting staff members and our firm philosophy emphasizes direct partner involvement in each engagement including various phases of the audit fieldwork and review processes. We believe this partner involvement positively impacts engagement staff continuity.

The Proposer shall identify the extent to which staff to be assigned to the audit reflect the City of Key West's commitment to affirmative action.

Keefe McCullough (KMC), a Partnership established in the State of Florida, is an Equal Employment Opportunity and Affirmative Action employer. This commitment affirms KMC's policy to provide equal employment opportunity in accordance with all applicable Equal Employment Opportunity/Affirmative Action laws, directives and regulations to all employees and qualified applicants without regard to race, ethnicity, color, religion, national origin, sex, age, disability status, pregnancy, sexual orientation, gender identity, genetic information, protected veteran status, or any other protected status under Federal, State or Local laws. KMC acknowledges its status as an Equal Opportunity/Affirmative Action employer in employment postings and advertisements, and on application forms.



KMC will not tolerate discrimination or sexual harassment in its workplace and will take all reasonable steps necessary to ensure nondiscriminatory treatment throughout its programs and business practices to include, but not limited to the following: recruiting/posting/advertising, selection and hiring; disciplinary actions; involuntary and voluntary terminations and layoffs; position upgrades and promotions; rates of pay and other compensation; training programs and participation/selection criteria; and apprenticeships. Also, KMC will provide reasonable accommodations to applicants and employees with disabilities in accordance with Federal, State or Local regulations and laws.

Keefe McCullough personnel consists of 50% women and 30% minorities.

Engagement partners, manager, consultants, other supervisory staff, specialists and “in-charge” may be changed if those personnel leave the firm, are promoted or are assigned to another office. Those personnel may also be changed for other reasons with the express prior written permission of the City of Key West. However, the City of Key West retains the right to approve or reject replacements.

We understand engagement partners, manager, consultants, other supervisory staff, specialists and “in-charge” may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City. We also understand the City retains the right to approve or reject replacements.

Other audit personnel may be changed at the discretion of the Proposer provided that replacements have substantially the same or better qualifications or experience.

We understand that other audit personnel may be changed at our discretion provided that replacements have substantially the same or better qualifications or experience.



AJK

AJK, LLC

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 609 □ 405 Second Street □ Manchester, GA 31816
(706) 846-8401 □ Fax (706) 846-3370

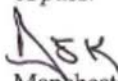
SYSTEM REVIEW REPORT

To the owners
Keefe, McCullough & Co., LLP
And the Peer Review Committee of the Florida Institute of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Keefe, McCullough & Co., LLP (the firm) in effect for the year ended August 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Keefe, McCullough & Co., LLP in effect for the year ended August 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Keefe, McCullough & Co., LLP has received a peer review rating of *pass*.


Manchester, Georgia
December 4, 2014

MEMBERS OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS





FICPA Peer Review Program
Administered in Florida by the
Florida Institute of CPAs



AICPA Peer Review Program
Administered in Florida by the
Florida Institute of CPAs

March 26, 2015

Joseph D. Leo, CPA
Keefe, McCullough & Co., LLP
6550 N Federal Hwy., Ste. 410
Fort Lauderdale, FL 33308

Dear Mr. Leo:

It is my pleasure to notify you that on March 19, 2015 the Florida Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is February 28, 2018. This is the date by which all review documents should be completed and submitted to the administering entity. If your due date falls between January and April, you can arrange to have your review a few months earlier to avoid having a review during tax season.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

Paul N. Brown, CPA, CGMA
Director of Technical Services

cc: David C. Jordan, CPA

Firm Number: 10036786

Review Number: 366979





PEER REVIEW PROGRAM

is proud to present this
Certificate of Recognition
to

KEEFE, MCCULLOUGH & COMPANY, LLP

For having a system of quality control for its accounting and auditing practice in effect for the year ended August 31, 2014 which has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and which was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

Anita Ford, Chair
AICPA Peer Review Board
2015





ISRAEL J. GOMEZ, C.P.A.

Partner

EXPERIENCE

- 17 years at Keefe McCullough

EDUCATION

- B.B.A. (Accounting) University of Puerto Rico

PROFESSIONAL ORGANIZATIONS

- American Institute of Certified Public Accountants
- AICPA Governmental Audit Quality Center, Designated Audit Partner
- AICPA Employee Benefit Plan Audit Quality Center, Designated Audit Partner
- Florida Institute of Certified Public Accountants
- Government Finance Officers Association (U.S., Florida, South Florida Chapter and Palm Beach Chapter)

CONTINUING PROFESSIONAL EDUCATION

- Total CPE hours for the last three years are 132, of which 113 directly relate to governmental continuing education.

COMMUNITY LEADERSHIP

- North Springs Little League (sponsor and coach)
- Coral Springs Winter Baseball (sponsor and coach)
- Leadership Broward Class of XXXV

EXPERIENCE

Israel Gomez has managed large and complex engagements in the governmental sector. He is experienced and qualified with respect to “Yellow Book”, Uniform Guidance and Rules of the Auditor General of the State of Florida compliance auditing reporting. He has assisted governmental entities with new pronouncements, including GASBs 67 and 68. He has also assisted various municipalities regarding their participation in the Certificate of Achievement for Excellence in Financial Reporting program. He has been a speaker at various governmental seminars pertaining to GASB pronouncements and internal controls over financial reporting.

ENGAGEMENT ROLE

Israel will oversee all services provided and ensure that they are delivered in a timely and efficient manner. He will be responsible for all matters concerning accounting and auditing policy and practice, participate in all segments of our engagement, review all working papers and reports prepared by the engagement team, and attend meetings with management or designated personnel.

PARTIAL LISTING OF GOVERNMENTAL EXPERIENCE

- * City of Aventura
- * City of Key West
- * City of Marathon
- * City of Sunny Isles Beach
- * Village of Pinecrest
- * Town of Davie
- * Town of Golden Beach
- * City of Coconut Creek
- * City of Lake Worth
- * City of South Miami
- * City of Weston
- * Islamorada, Village of Islands
- * Village of Sea Ranch Lakes
- * Many other Special Districts, Authorities and Schools



MARC A. GRACE, C.P.A.

Partner

EXPERIENCE

- 12 years at Keefe McCullough
- 1 year at City of Plantation
- 2 years at Morgan Stanley

EDUCATION

- B.A. (Business Administration) Nova Southeastern University
- MACC (Accounting) Nova Southeastern University

PROFESSIONAL EXPERIENCE

- American Institute of Certified Public Accountants
- Florida Institute of Certified Public Accountants
- Florida Government Finance Officers Association
- GFOA Special Review Committee

CONTINUING PROFESSIONAL EDUCATION

- Total CPE hours for the last three years are 133, of which 98 directly relate to governmental continuing education.

COMMUNITY INVOLVEMENT

- Coconut Creek Little League Coach
- Coconut Creek Youth Flag Football Coach

EXPERIENCE

Marc Grace has extensive experience managing governmental audit engagements. He provides guidance on governmental accounting and auditing, compliance audits, internal control assessments and financial reporting. He is experienced and qualified with respect to "Yellow Book", Uniform Guidance and Rules of the Auditor General of the State of Florida compliance auditing reporting. Marc has assisted municipalities and other governmental entities in planning for and implementing upcoming governmental pronouncements. He regularly attends and speaks at seminars dealing with accounting and audit problems, reporting and disclosure issues. Marc is actively involved in training for the professional staff and is responsible for developing internal training programs for the governmental sector, financial reporting and operational matters.

ENGAGEMENT ROLE

Marc will play a significant role on the engagement team by providing a secondary review of all deliverables and critical engagement decisions, and leading the preparation and review of the City's CAFR. He is responsible for ensuring that all reports issued by the firm are in compliance with professional standards. Marc will be available throughout the engagement to consult and review on any auditing and/or accounting questions that may arise.

PARTIAL LISTING OF GOVERNMENTAL EXPERIENCE

- * City of Lake Worth
- * City of Key West
- * City of Margate
- * City of Plantation
- * City of Marathon
- * Islamorada, Village of Islands
- * City of Sunny Isles Beach
- * Many other Special Districts, Authorities and Schools



WILLIAM G. BENSON, C.P.A.

Partner

EXPERIENCE

- 34 years at Keefe McCullough

EDUCATION

- B.S. (Business Administration & Accounting)
Washington and Lee University

PROFESSIONAL ORGANIZATIONS

- American Institute of Certified Public Accountants
- Florida Institute of Certified Public Accountants
- Florida Government Finance Officers Association

CONTINUING PROFESSIONAL EDUCATION

- Total CPE hours for the last three years are 168, of which 140 directly relate to governmental continuing education.

COMMUNITY LEADERSHIP

- Food for the Poor (vice chair of board, treasurer, vice president)
- Catholic Community Foundation (board chair, past treasurer)
- Executives at Broward (past president, treasurer)
- Leadership Broward

EXPERIENCE

Bill Benson has more than 34 years of governmental audit experience. He has a proven track record of delivering high quality audit and advisory services to large and intricate governmental entities. He is experienced and qualified with respect to "Yellow Book", Uniform Guidance and Rules of the Auditor General of the State of Florida compliance auditing reporting. Bill assists his clients in many areas of accounting including restructuring their existing loan agreements and bond indentures, developing annual operating budgets, assisting with their dealings with financial institutions and the development of business plans, financial planning and proforma financial statements. He has assisted municipalities and other governmental entities with accounting standard implementation and internal control assessments.

ENGAGEMENT ROLE

Bill will add another layer of review to the engagement while utilizing his extensive experience serving governmental entities. He will serve as a valuable technical resource for the engagement team to draw upon throughout the audit. He will ensure that the City receives timely audit services by providing any and all resources necessary.

PARTIAL LISTING OF GOVERNMENTAL EXPERIENCE

- * City of Aventura
- * City of Marathon
- * City of Miami
- * City of Weston
- * City of South Miami
- * Village of Pinecrest
- * Town of Davie
- * Many other Special Districts, Authorities and Schools
- * City of Hollywood (Internal audit)
- * City of Margate
- * City of Plantation
- * Islamorada, Village of Islands
- * Town of Surfside
- * City of Key West
- * City of Lake Worth



STEPHEN P. EMERY, C.P.A.

Manager

EXPERIENCE

- 8 years at Keefe McCullough

EDUCATION

- BA (Accounting) University of Florida
- Masters (Accounting) University of Florida
- Advanced Single Audits Certificate Holder

PROFESSIONAL ORGANIZATIONS

- American Institute of Certified Public Accountants
- Florida Institute of Certified Public Accountants

CONTINUING PROFESSIONAL EDUCATION

- Total CPE hours for the last three years are 139, of which 92 directly relate to Government Auditing Standards.

COMMUNITY INVOLVEMENT

- Pompano Beach Rotary Club
- Ghost Light Society (Host Committee, Steering Committee and Support Committee)

EXPERIENCE

Stephen has over 8 years of accounting and auditing experience with Keefe McCullough, focused primarily in the public sector. He has managed numerous large governmental engagements, assisting many in obtaining the Certificate of Achievement for Excellence in Financial Reporting. He provides strategic planning and implementation services for governmental entities. He has attended and participated in numerous seminars regarding governmental auditing, governmental pension plans, single audits and current governmental pronouncements.

ENGAGEMENT ROLE

Stephen will be involved in every segment of the audit. Beginning with the initial planning of the audit through the issuance of the financial statements. He will oversee the day-to-day performance of the audit and manage the audit team. He will perform technical reviews of all workpapers and is responsible for reviewing all financial statements and reports issued.

PARTIAL LISTING OF GOVERNMENTAL EXPERIENCE

- * City of Aventura
- * City of Sunny Isles Beach
- * Village of Pincrest
- * Many other Special Districts, Authorities and Schools
- * City of Key West
- * City of Weston
- * City of Wilton Manors



RALPH ARROJO

Supervisor

EXPERIENCE

- 7 years at Keefe McCullough

EDUCATION

- BS (Accounting and Finance) Florida State University

CONTINUING PROFESSIONAL EDUCATION

- Total CPE hours for the last three years are 130, of which 58 directly relate to governmental continuing education.

EXPERIENCE

Ralph has over 7 years of accounting and auditing experience with Keefe McCullough, focused primarily in the public sector. He has supervised audit engagements of large and complex governmental entities. He specializes in internal control assessments, compliance audits, and preparing Comprehensive Annual Financial Reports (CAFRs) for governmental entities. He has attended and participated in numerous seminars regarding governmental auditing, governmental pension plans, and current governmental pronouncements.

ENGAGEMENT ROLE

Ralph will perform a significant amount of fieldwork, supervise all staff accountants, participate in the planning phase of the engagement, including the development of the overall audit plan and programs, and be heavily involved in the review and preparation of all reports.

PARTIAL LISTING OF GOVERNMENTAL EXPERIENCE

- * City of Key West
- * City of Dania Beach
- * North Bay Village
- * Many other Special Districts, Authorities and Schools
- * City of Lighthouse Point
- * City of South Miami
- * Town of Golden Beach



AUDIT APPROACH

Tab III



The proposal shall set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section II of this request for proposals. In developing the work plan, reference shall be made to such sources of information as the City of Key West's budget and related materials, organizational charts, manuals and programs, and financial and other management information systems.

Proposers will be required to provide the following information on their audit approach:

- Describe proposed segmentation of the engagement. Specific target dates must be offered for each segment. The plan proposed must be structured to meet these proposed dates. Timing of the engagement must be planned so that the City deadlines, as noted in Section 1.9, will be met.
- Show level of staff and number of hours to be assigned to each proposed segment of the engagement. The adequacy of proposed staffing plan for various segments of the engagement will be evaluated. Commitment to continuity of the proposed audit team for following years of the agreement will be considered favorably.
- Describe sample size and the extent to which statistical sampling is to be used in the engagement. Show each segment and its part in the overall audit plan. Define the specific audit procedures to be followed and how they are applicable to each audit plan segment.
- Describe the extent of use of paperless technology in the engagement.
- Define type and extent of analytical procedures to be used in the engagement. Include specific examples of audit procedures to be used in each segment of the engagement.
- Demonstrate approach to be taken to gain and document an understanding of the City of Key West's internal control structure.
- Identify approach to be taken in determining laws and regulations that will be subject to audit test work.
- Describe approach to be taken in drawing audit samples for purposes of tests of compliance.

Keefe McCullough has a steadfast commitment to accuracy, our audit process is based on a thorough initial planning process, open and honest lines of communication throughout the year, and a specific methodology of analysis and quality review that will ensure a successful audit, as well as a successful relationship with the City and its professionals year after year. We have developed this successful methodology and are recognized for the quality and thoroughness of our audit process.

Our audit approach is focused on listening to and understanding you and your organization, not only the flow of transactions and internal controls, but also your strategies and risks. This enables us to identify key audit components and tailor our procedures to the unique aspects of the City's business. We hire the most competent people and invest heavily in systems that ensure consistency, objectivity, and accountability for results in strict compliance with professional standards. We also rely on experience. Our senior people are extensively involved in the audit process and will seek active dialogue with the City's leadership. The benefit to the City is an effective, cost-efficient, independent audit performed within your time requirements by experienced professionals.

Our audit process is continuous, whereby we address and resolve issues, throughout the year, not just at year end. We encourage client communication throughout the year.



As part of our commitment to you, we have developed a business advisory approach to audit services, which looks beyond accounting entries to underlying transactions and business systems. We place substantial emphasis on understanding your operations and fundamental business strategies. We don't view your audit as a commodity. Instead, we see it as a tool that you can use to improve your operations and service delivery. We contribute recommendations about your internal controls, operating and accounting procedures, and other important matters.

In summary, development of the specific audit plan is accomplished through:

- Meeting with City management to obtain an understanding of your business concerns and challenges.
- Thoroughly understanding and documenting the financial management and information systems.
- Evaluating economic and industry factors affecting operations.
- Identifying major areas of audit risk.
- Coordinating the audit process with the accounting and finance personnel.
- Performing testing on interim balances to minimize the amount of year-end testing.

Our audit approach is conducted in three segments and involves communication throughout:

Segment 1 - Strategic Planning and Risk Assessment - Completed in November

Planning is the most critical segment to a successful audit. This segment will commence with a joint meeting between Keefe McCullough, City Management, and its Finance Department. This meeting is important to ensure a coordinated audit and will cover our preliminary plan for conducting the audit to meet the City's timing requirements and reporting issues.

During this segment, we will obtain a thorough understanding of your organization and its operations. We will document your systems and perform tests of controls to evaluate their effectiveness. We will obtain certain documents for our permanent files. Confirmation requests will be selected, and we will work with the City's personnel to determine the timing of the final audit fieldwork. We will also perform the risk assessments required to determine our audit approach and procedures. After this segment is completed, we will provide the City and accountants with a list of items needed for the year-end work and meet with management to provide a status update.

Segment 2 - Comprehensive Testing and Analysis - Completed in January

This segment will occur when the City's Finance Department have prepared a trial balance of its year-end general ledger accounts and completed the working papers agreed upon during planning. This phase includes substantive audit procedures that involve obtaining or examining evidence to verify the propriety of such balances. Throughout audit fieldwork, we will meet with members of the management team to discuss the results of the audit.

Segment 3 - Report Delivery and Follow Up - Completed in February

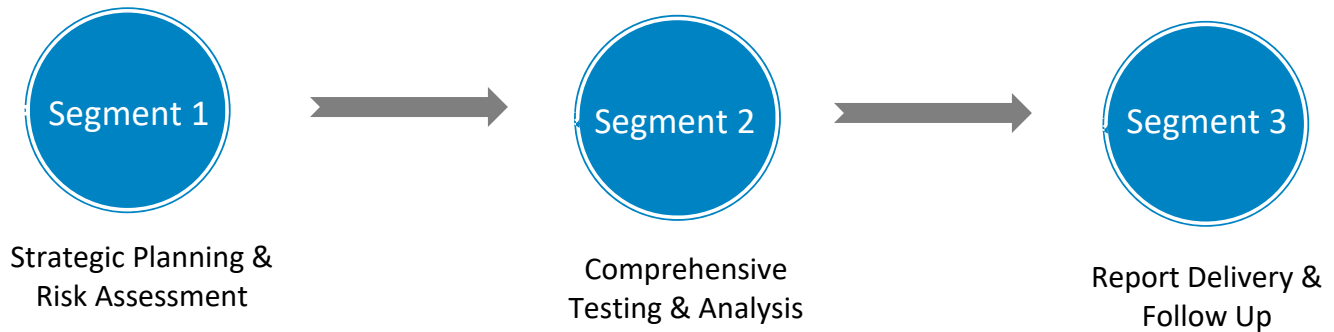
The final segment involves the independent partner quality control review of your financial statements and completion of the report on internal control and other required reports. All draft reports will be reviewed with City Management before issuance. We will adhere to the report timelines you have outlined in your request for proposal. All partners will be available to present final audit report to City Commission.

Segments of our audit approach:

The following section gives an overview of the procedures we anticipate will be implemented during the audit. It does not include every step of the audit, but indicates our understanding of the intricacies of governmental entities. Audit procedures are continually evaluated throughout the audit process and adjustments made based on the City's operations, internal controls, and any significant issues that are identified.



SPECIFIC AUDIT APPROACH



Segment 1

Strategic Planning & Risk Assessment

Engagement Planning

Joint meeting with members of City Management and Finance Department to discuss audit approach, scheduling, and any questions or concerns.

Document our understanding of all financially significant laws and regulations, and identify any new laws or regulations that require audit testing.

Make preliminary assessments of the City and its operations by identifying significant accounts, critical audit areas, and relevant internal controls over operations.

Review and update status of the prior-year audit recommendations or findings, if any.

Obtain items for permanent file such as: debt agreements, lease agreements and other significant contract agreements.

Review the working papers of the predecessor auditor.

Identify and review all state and federal financial award agreements.

Assessment and Evaluation of Internal Controls

Perform entity-wide risk assessment by obtaining an understanding of all the City's activities and services.

Review major sources of information such as the City's budgets, organization charts, process and procedure manuals, and information systems.



Segment 1

Strategic Planning &
Risk Assessment

Review all relevant regulatory, statutory, and compliance requirements that could potentially impact the City.

Obtain and review minutes of City Commission and other relevant committees.

Document and perform testing of controls of areas that are deemed to have financial significance. Generally, these areas would be on cash disbursements, cash receipts, payroll, utility billing, journal entries and financial closing.

Document and evaluate information technology controls, including general application controls, user controls, identify critical transaction processing systems, disaster recovery plans, and physical security environment.

Complete information technology risk assessment and communicate to management any findings or recommendations.

Perform preliminary analytical procedures to assist in planning the nature, timing and extent of auditing procedures.

Identify and resolve accounting, auditing or other reporting matters with City personnel.

Provide City personnel with detailed list of schedules and working papers to be prepared by City personnel.

Segment 2

Comprehensive Testing
& Analysis

Cash and Investments

Review ledger account entries and compare cash account balances.

Confirm year-end cash and investment balances with depositories.

Obtain bank reconciliations and substantiate reconciling items.

Substantiate cash cut-offs and interbank transfers.

Determine that investment gains, losses and interest earned are properly recorded.

Determine if investments are in accordance with City investment policy.

Ascertain if cash and investments are in compliance with applicable laws, regulations, and restrictions.

Determine that cash and investments are properly disclosed in the financial statements.



Segment 2

Comprehensive Testing & Analysis

Revenue and Receivables

Compare revenues to prior-year actual, current budget, or other expectations deemed necessary. Analyze accounts with significant variations.

Confirm or otherwise validate revenues and accounts receivable, as well as allocations to funds.

Verify the City has satisfied the relevant legal requirements to receive all revenues recorded.

Verify amounts billed for services rendered are valid and have been billed at the authorized rates.

Perform a search for unrecorded receivables by reviewing subsequent cash receipts.

Verify unbilled service revenues are reflected in the proper accounting period.

Review functional classifications of revenues for government-wide financial statements.

Analyze allowances for doubtful accounts for adequacy.

Determine that revenue and receivable disclosures are properly presented in the financial statements.

Expenses and Accounts Payable

Compare expenses to prior-year actual, current budget, or other expectations deemed necessary. Analyze accounts with significant variations.

Determine that recorded expenses and cash disbursements are for goods and services authorized and received.

Verify disbursements have been properly recorded as to account, budget category, period and amount.

Perform a search for unrecorded payables by reviewing subsequent cash disbursements.

Determine contracts and retainage payable are properly recorded.

Review other significant accruals, including any contingent liabilities and management's estimation process.

Determine that expenses and liabilities are properly presented and disclosed in the financial statements.



Segment 2

Comprehensive Testing & Analysis

Payroll and Related Liabilities

Compare payroll to prior-year actual, current budget, or other expectations deemed necessary. Analyze accounts with significant variations.

Perform payroll reasonableness procedures to validate account balances.

Verify that payroll disbursements are made only for authorized work performed by authorized personnel.

Verify payroll is calculated using rates in accordance with contracts, laws and regulations.

Ascertain that accrued payroll, compensated absences and other payroll liabilities are recorded in the proper period.

Determine that payroll expenses and liabilities are properly presented and disclosed in the financial statements.

Property, Plant and Equipment

Obtain schedules of property and equipment, including additions, retirements, and accumulated depreciation.

Verify that schedules represent a valid and complete listing of all assets.

Obtain capitalization policy and verify that assets are recorded in accordance with policy.

Determine that additions and deletions have been properly approved in accordance with the policies and procedures of the City.

Recalculate depreciation and verify consistency throughout.

Determine that capitalizable costs are excluded from repairs and maintenance type accounts.

Determine that capital assets are properly secured.

Determine that capital assets and related expenditures are properly presented and disclosed in the financial statements.

Inventory

Inventory observations will be performed on September 30th for significant inventory balances.

Verify that inventory listings are valid and complete.



Segment 2

Comprehensive Testing & Analysis

Determine that inventory is properly secured.

Determine that inventory is properly valued and recorded.

Determine that inventories are properly presented and disclosed in the financial statements.

Long Term Debt

Confirmation of debt with financial institutions.

Review of interest expense for reasonableness.

Review of compliance with debt covenants.

Obtain and review arbitrage calculations.

Determine that long term debt is properly presented and disclosed in the financial statements.

Fund Balance and Net Position

Balances will be rolled forward from the prior year and recalculated.

Restricted balances will be agreed to external restrictions or enabling legislation.

Committed and assigned balances will be agreed to ordinances and resolutions of the City Commission.

Determine that fund balance and net position is properly presented and disclosed in the financial statements.

Pensions, OPEB Liabilities and Self-Insurance

Obtain valuation reports from actuaries.

Evaluate the methods and assumptions used to calculate the liabilities, including the assumptions used in developing the models.

Testing of the inputs given to the City's actuaries will be conducted to determine that the valuations were created with accurate data.

We will evaluate the professional credentials of the City's actuaries and confirm their independence.

Keefe McCullough will provide custom templates for City to perform appropriate entries as needed.

Determine that information is properly presented and disclosed in the financial statements.



Segment 2

Comprehensive Testing
& Analysis

Grants and Single Audits

Obtain and review all grant agreements of the City.

Test grant revenue through confirmation with grantor agencies.

Review OMB Compliance Supplement.

Perform risk assessment of federal program or state projects based on nature of programs, external environments, internal factors, irregularities and other noncompliance matters.

Determine if the City is a low or high risk auditee.

Identify Type A and B programs or projects.

Assess the appropriateness and completeness of the Schedule of Federal Awards or State Projects.

Perform tests of compliance and internal controls over compliance for each major program or project.

Determine status and resolution of prior year findings and questioned costs.

Determine grant and single audit disclosure are presented properly.

Segment 3

Report Delivery &
Follow Up

Report Delivery and Follow Up

Exit conference discussing the results of the audit.

Obtain and review MD&A, statistical section, and transmittal letter.

Preparation of Basic Financial Statements.

Preparation of auditor's reports.

Complete financial statement disclosure checklists.

Provide current year findings and recommendations for review by City management.

Provide preliminary drafts of financial statements for review by City management before issuance.

Issuance of final financial statements.

Written communication to those charged with governance.

Partner presentation of financial statements to City Commission.



The following table summarizes each staff levels and approximate hours in the various segments of the audit engagement:

| Segment | Partners | Manager | Supervisor | Staff | Total |
|--|----------|---------|------------|-------|-------|
| Strategic Planning and Risk Assessment | 10 | 20 | 120 | 120 | 270 |
| Comprehensive Testing and Analysis | 20 | 40 | 300 | 300 | 660 |
| Report Delivery and Follow Up | 20 | 40 | 205 | 205 | 470 |
| Total Hours | 50 | 100 | 625 | 625 | 1,400 |

Sampling and Sample Sizes

Audit sampling will be utilized throughout each segment of the audit to ensure that the most effective and efficient procedures are performed. Sample sizes in the various phases of the engagement, including compliance testing, would be determined based on population sizes, audit objectives and nature of transaction and/or account. We have customized checklists and audit software that assists in the selection of these samples. Additionally, we would utilize both "statistical" and "non-statistical" methods to select certain test transactions. Sample selections are reviewed and evaluated to ensure that they are representative of the population and of adequate size based on a variety of factors.

Analytical Procedures

Analytical procedures may range from simple comparisons to complex models involving many relationships and elements of data. Generally accepted auditing standards require the use of analytical procedures in all audits of financial statements.

Our analytical procedures are conducted in each segment of the engagement. Analytical procedures are performed during our interim work to help us plan the audit and determine where we might need to focus additional attention. Preliminary procedures are performed using the City's trial balance and budget report prior to audit entries. The engagement team reviews the current-year information and compare it to prior year actual amounts, the current budget, and other expected results.

Final analytical review takes place after all audit entries are posted. The partners and managers review the financial statements, looking for variances to our expectations. Items that exceed our predetermined variance threshold are highlighted for further investigation. This investigation includes reviewing detail transactions, vouching a sample of transactions, discussions with management, and validation techniques. Explanations of variances are documented in our file, with the results used to determine the extent of any additional audit testing or financial statement disclosures.

Use of Technology

Keefe McCullough minimizes fees by conducting a completely paperless audit using proven processes and comprehensive auditing software. This investment in technology supports real-time communication with our engagement team at any time and from anywhere. This provides a seamless trail from initial planning through the final financial statement issuance.

In addition, we have certified network engineers (CNE) on our staff to assist with our assurance engagement. They assist during risk assessment of key internal controls and in various other phases of fieldwork.





FLORIDA ENGAGEMENTS

Tab IV





For the firm's office that will be assigned responsibility for the audit, a separate list of all engagements of audit work in which the firm has participated for Florida governmental entities shall be submitted. Include the most significant engagements performed in the last five years that are similar to the engagement described in this request for proposals.

These engagements shall be ranked based on total staff hours. Indicate the scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

Below are our most significant engagements performed in the last five years:

Ms. Nancy S. Kielman, Finance Director

City of Key West

3104 Flagler Avenue

Key West, FL 33040

Phone: 305-809-3821

Scope of services:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Assistance in helping the City comply with the requirements of Governmental Accounting Standards Board Statements and related pronouncements

Date of project: 2013 through present

Hours: 1,400

Engagement Partners: William G. Benson, C.P.A. / Israel J. Gomez, C.P.A. / Marc A. Grace, C.P.A.

Ms. Mary Fowler, Audit & Finance Reporting Manager

City of Plantation, Florida

400 N.W. 73rd Avenue

Plantation, FL 33317

Phone: 954-797-2229

Scope of services:

Annual financial and compliance audits of the City and its blended component units

Assistance in helping the City comply with the requirements of Governmental Accounting Standards Board Statements and related pronouncements

Date of project: 1994 through present

Hours: 900

Engagement Partners: William G. Benson, C.P.A. / Cynthia L. Calvert, C.P.A. / Marc A. Grace, C.P.A.

Ms. Corinne V. Elliott, Assistant Finance Director

City of Lake Worth, Florida

7 North Dixie Highway

Lake Worth, FL 33460

Phone: 561-586-1654

Scope of services:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Date of project: 2014 through present

Hours: 850

Engagement Partners: William G. Benson, C.P.A. / Israel J. Gomez, C.P.A. / Marc A. Grace, C.P.A.





Mr. William W. Ackerman, Budget and Finance Director

Town of Davie

6591 Orange Drive

Davie, FL 33314

Phone: 954-797-1050

Scope of services:

Annual financial and compliance audits of the Town

Assistance in helping the Town obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Date of project: 2013 through Present

Hours: 800

Engagement Partners: Israel J. Gomez, C.P.A. / William G. Benson, C.P.A. / Cynthia L. Calvert, C.P.A.

Ms. Mary Beazley, Finance Director

City of Margate, Florida

5790 Margate Boulevard

Margate, FL 33063

Phone: 954-972-6454

Scope of services:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Date of project: 1971-2006, 2016 through present

Hours: 765

Engagement Partners: Cynthia L. Calvert, C.P.A. / Marc A. Grace, C.P.A. / William G. Benson, C.P.A.

In addition to the above, we also provide services to the following governmental entities:

We currently provide audit services to the following municipal clients with a fiscal year end date of September 30.

City of Lauderdale Lakes
City of Lighthouse Point
City of Marathon
City of Margate
City of North Bay Village
City of South Miami
City of Sunny Isles Beach
Town of Golden Beach
Village of Sea Ranch Lakes

North Springs Improvement District
Coral Springs Improvement District
Hillsboro Inlet District
Key Largo Fire Rescue and EMS District
Lexington Oaks Community Development District
VillaSol Community Development District
Fiddlers Creek II Community Development District





The firm shall list separately all engagements within the last five years for the City of Key West by type of engagement. For each engagement, the firm shall indicate the scope of work, date, engagement partners, total hours by staff type, the location of the firm's office from which the engagement was performed.

Ms. Nancy S. Kielman, Finance Director

City of Key West

3104 Flagler Avenue

Key West, FL 33040

Phone: 305-809-3821

Scope of services:

Annual financial and compliance audits of the City

Assistance in helping the City obtain the Certificate of Achievement for Excellence in Financial Reporting issued by the Government Finance Officers Association

Assistance in helping the City comply with the requirements of Governmental Accounting Standards Board Statements and related pronouncements

Date of project: 2013 through present

Hours: 1,400

Engagement Partners: William G. Benson, C.P.A. / Israel J. Gomez, C.P.A. / Marc A. Grace, C.P.A.



REPORT FORMAT

Tab V





The proposal shall include sample required reports.

We have included a copy of the Comprehensive Annual Financial Report for the City of Key West for the year ended September 30, 2017.





PROPOSAL FORM

Tab VI



PART V RFP SUBMITTALS

5.1 PRICE PROPOSAL FORM

Respondents are to make no changes to the table below and are to fill the table out completely. Values must be provided for all categories below and must represent the total cost for each service in Group A. The Total Fee for each audit period includes all out-of-pocket expenses for firm personnel (e.g. travel, lodging, copies, etc.). As specified in Section 1.21 additional work shall be included reflecting hourly rates in Group B. The estimated (projected) hours by type of staff member for the first year (2018) of the audit must be included in Group C.

| GROUP A | | | |
|---|----------------------------|------------------------------|------------------|
| ITEM # | AUDIT PERIOD ENDING | TOTAL PROJECTED HOURS | TOTAL FEE |
| Initial 3 Year Term | | | |
| 1 | September 30, 2018 | 1,400 | \$ 125,000 |
| 2 | September 30, 2019 | 1,400 | \$ 125,000 |
| 3 | September 30, 2020 | 1,400 | \$ 125,000 |
| Additional Two-Year Contract Extension | | | |
| 4 | September 30, 2021 | 1,400 | \$ 130,000 |
| 5 | September 30, 2022 | 1,400 | \$ 130,000 |
| OVERALL TOTAL (Items 1-5) | | 7,000 | \$ 635,000 |

Company Name Keefe McCullough

| GROUP B | | |
|----------------|--------------------|--------------------|
| ITEM | DESCRIPTION | HOURLY RATE |
| 8 | Partner | \$ 175 |
| 9 | Manager | \$ 120 |
| 10 | Supervisory Staff | \$ 80 |
| 11 | Staff | \$ 70 |

| GROUP C | | |
|----------------|-----------------------------|------------------------|
| ITEM | PROJECTED 2018 AUDIT | ESTIMATED HOURS |
| 12 | Partner | 50 |
| 13 | Manager | 100 |
| 14 | Supervisory Staff | 625 |
| 15 | Staff | 625 |
| TOTAL | | 1,400 |

The Respondent certifies that as a condition of proposing he will hold good his proposal prices for a minimum period of **ninety** (90) calendar days from the date proposals are opened.

Company Name Keefe McCullough



INSURANCE

Tab VII



Provide a statement agreeing to obtain (prior to award) insurance with coverages as detailed in Section 5.2. Provide proof of insurance indicating that the firm has coverage in accordance with the requirements herein set forth may be furnished by the firm to the City along with their qualification data. A properly completed Accord Form is preferable. The City of Key West must be named as an additional insured for all General Liability prior to entering into a contract. The Firm shall either cover any sub-contractors on its policy or require the sub-contractors to conform to all requirements for insurance contained herein. Subcontractors must be provided in Tab 1.

Our firm has insurance coverage in accordance with the requirements detailed in Section 5.2 of the Request for Proposal and have attached the declaration pages for your review. We will name the City of Key West as an additional insured for General Liability prior to entering into a contract. In addition, we will not be using any sub-contractors on this engagement.





BANKERS INSURANCE COMPANY
PO BOX 33060
ST. PETERSBURG, FL 33733-8060
800-627-0000

BBOP99.001 0916 1016
5527444
10/18/17

5000 00000 BBOP BPOP AMENDED

EFFECTIVE: 10/11/17
Page 1 of 5

**BUSINESSOWNERS POLICY
COMMON POLICY DECLARATIONS**

Date of Issue
10/18/17

| |
|----------------------|
| Policy Number |
| 09 0004999611 5 03 |

| Policy Period | Term | Inception Date | Agent | Agent's Phone |
|---|--------|------------------|------------|----------------|
| From: 7/02/17 To: 7/02/18 12:01 Standard Time | 12 mos | 7/02/14 12:01 AM | 00-0102092 | (954) 752-8610 |

Agent (954) 752-8610
FULTON AGENCY INC
5401 N UNIVERSITY DR STE 202
CORAL SPRINGS FL 33067

KEEFE MCCULLOUGH COMPANY
6550 N FEDERAL HWY STE 410
FORT LAUDERDALE FL 33308-1417

FORM OF BUSINESS: Partnership

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY INCLUDING THE ENDORSEMENTS AS INDICATED ON THE SUMMARY OF ENDORSEMENT PAGE WITHIN YOUR POLICY.

Policy Limits (Coverage provided only where limits are indicated)

THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS INDICATED. THIS PREMIUM IS SUBJECT TO ADJUSTMENT.

COVERAGE SECTIONS

| | |
|------------------------------------|-------------------|
| BUSINESSOWNERS PROPERTY COVERAGES | \$7,459.00 |
| BUSINESSOWNERS LIABILITY COVERAGES | \$1,682.00 |
| TERRORISM PREMIUM | \$0 |
| ANNUAL PREMIUM SUBTOTAL | \$9,141.00 |

| | |
|---|--------|
| CLAIM FREE RENEWAL DISCOUNT | |
| EMPATF | \$4.00 |
| STATE FIRE MARSHALL REGULATORY ASSESSMENT | \$9.00 |

| | |
|-----------------------------|-------------------|
| MANAGING GENERAL AGENT | \$25.00 |
| TOTAL FEES | \$38.00 |
| TOTAL ANNUAL PREMIUM | \$9,179.00 |

| | |
|-----------------------|--------|
| TOTAL CHANGED FEES | \$.00 |
| TOTAL CHANGED PREMIUM | \$.00 |

This document forms a part of, completes, and executes the referenced policy. The declarations or information pages, together with the common policy conditions, coverage parts, forms and endorsements, if any, issued to form a part thereof, completes the policy. In witness thereof, the Company attests these documents as the entire contract of insurance; and executes same on behalf of the company.

This policy shall not be valid unless also countersigned by the duly authorized Agent of this company at the agency hereinbefore mentioned, if required by state law.

Deborah S Brcka
Countersigned by Authorized Representative

10/18/17
Date



Includes copyrighted material of Insurance Services Office, Inc. with its permission.





Policy Number: 557-103571-2

INSURER: United States Fire Insurance Company
305 Madison Avenue
Morristown, NJ07962-1973

**ACCOUNTANTS PROFESSIONAL LIABILITY
 PLATINUM PROTECTION**

NOTICE: THIS IS A CLAIMS MADE AND REPORTED POLICY. EXCEPT AS OTHERWISE PROVIDED HEREIN, THIS POLICY PROVIDES COVERAGE FOR **CLAIMS** FIRST MADE AGAINST THE **INSUREDS** AND REPORTED TO THE **INSURER** DURING THE **POLICY PERIOD**. PLEASE READ THIS POLICY CAREFULLY. WORDS AND PHRASES WHICH ARE PRINTED IN **BOLD ITALIC TYPEFACE** HAVE SPECIFIC MEANING AND ARE DEFINED IN SECTION IV. OF THE POLICY. UNLESS STATED OTHERWISE BY SPECIFIC ENDORSEMENT, **DEFENSE EXPENSES** ARE INCLUDED IN THE LIMIT OF LIABILITY AND REDUCE THE LIMIT OF LIABILITY AVAILABLE TO PAY **DAMAGES**.

| | |
|---------|--|
| Item 1. | Named Insured & Street Address: Keefe, McCullough & Company 6500 N. Federal Hwy., Suite 410 Fort Lauderdale, FL 33308 |
| Item 2. | Policy Period: From: October 11, 2017 (Effective) To: October 11, 2018 (Expiration) (12:01 a.m. local time at the address shown in Item 1) |
| Item 3. | Limit of Liability: \$ 4,000,000 each <i>Claim</i> \$ 4,000,000 <i>Policy Aggregate</i> These amounts include Defense Expenses unless this Section is amended by specific endorsement of this policy. |
| Item 4. | Deductible: \$ 25,000 each <i>Claim</i> This amount applies to Defense Expenses unless this Section is amended by specific endorsement of this policy. This amount applies to each <i>Claim</i> unless this Section is amended by specific endorsement of this policy. |
| Item 5. | Premium: \$ 40,000 for the <i>Policy Period</i> |
| Item 6. | Prior Acts Date: February 1, 1971 |
| Item 7. | Optional Extended Reporting Period: (a) 12 Months (b) Additional Premium: 100 % of the annual premium |
| Item 8. | The following endorsements, if any, are made a part of this policy at issuance: <ul style="list-style-type: none"> • MI 07 001 01 15 Signature Page • IL P 001 01 04 U.S. Treasury Department's OFAC Advisory Notice to Policyholders • APL-AMEND-FL (01/10) Florida Amendatory Endorsement • APL-108-2010 – Accountants Professional Liability Broad Advantage Endorsement • APL-128 (05/12) – Specified Accountant or Entity Exclusion Endorsement |



NP 83738108

Associated Industries Insurance Company, Inc.

A Stock Insurance Company
PO Box 310704
Boca Raton, FL 33431-0704

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

WC 00 00 01 A

INFORMATION PAGE

1. Insured: Keefe McCullough & Co LLP
6550 N Federal Highway
Ste 410
FT Lauderdale, FL 33308
Other workplaces not shown above: See Extension of Information Page
Producer: AmTrust North America, Inc.
c/o Plastridge Agency, Inc. (The) - Delray Beach
The Plastridge Agency, Inc.
820 NE 6th Avenue
Delray Beach, FL 33483
Policy Number: AWC1096308
Federal Tax ID: 591363792
Board File Number:
Renewal Of: AWC1074672
Entity: Limited Liability Partnership
Interim Adjustment: Annual
Neci Code: 25372
SIC Code: 8721

2. The policy period is from 1/1/2018 to 1/1/2019 12:01 a.m. at the insured's mailing address.

3. A. Workers Compensation Insurance: Part One of the policy applies to the Workers Compensation Law of the states listed here: Florida
B. Employers Liability Insurance: Part Two of the policy applies to work in each stated listed in item 3.A. The limits of our liability under Part Two are:
Bodily Injury by Accident \$ 100,000 each accident
Bodily Injury by Disease \$ 500,000 policy limit
Bodily Injury by Disease \$ 100,000 each employee
C. Other States Insurance: Part Three of the policy applies to the states, if any, listed here: All states except ND, OH, WA, WY and State(s) Designated in Item 3A.
D. This policy includes these endorsements and schedules: See attached endorsement schedule.

4. The premium for this policy will be determined by our Manuals of Rules, Classifications, Rates and Rating Plans. All information required below is subject to verification and change by audit.

Table with 2 columns: Description and Amount. Rows include: See Extension of Information Page, TOTAL ESTIMATED ANNUAL PREMIUM (5,803), STATE ASSESSMENT (0), TOTAL ESTIMATED COST (5,803), Minimum Premium (223), Deposit Premium (583)

Issue Date: 12/8/2017 Countersigned By: _____ Authorized Representative

01 / 1/1/2018 1:00:00 PM

REFERENCES

Tab VIII



In order to be eligible to respond to this Request for Proposal, the interested firm must have successfully completed entity wide financial audits of at least five (5) municipal governmental entities. These audits shall have been of similar complexity to the technical specifications contained in this Request for Proposal. This experience shall be reflected in the proposal along with contact names and telephone numbers for those municipalities. Each respondent shall meet all legal, technical and professional requirements for expressing an audit opinion on the annual financial statements of the City of Key West. Letters of references shall not be older than three (3) years.

We have listed our five most significant engagements of similar complexity in Tab IV. Attached are recent letters of references for your review.



Issue Date _____

REFERENCE QUESTIONNAIRE

It is the responsibility of the contractor/vendor to provide a minimum of three (3) similar type references using this form and to provide this information with your submission. Failure to do so may result in the rejection of your submission.

Giving reference for: Keefe McCullough

Firm giving Reference: Town of Davie

Address: 6591 Orange Drive, Davie, FL 33314

Phone: 954-797-1050

Fax: 954-797-1049

Email: William Ackerman@davie-fl.gov

1. Q: What was the dollar value of the contract?
A: \$71,500/year
2. Have there been any change orders, and if so, how many?
A: None
3. Q: Did they perform on a timely basis as required by the agreement?
A: Yes
4. Q: Was the project manager easy to get in contact with?
A: Yes
5. Q: Would you use them again?
A: Yes
6. Q: Overall, what would you rate their performance? (Scale from 1-5)
A: 5 Excellent 4 Good 3 Fair 2 Poor 1 Unacceptable
7. Q: Is there anything else we should know, that we have not asked?
A: They've done a great job for the Town of Davie

The undersigned does hereby certify that the foregoing and subsequent statements are true and correct and are made independently, free from vendor interference/collusion.

Name: William Ackerman Title: Budget and Finance Director

Signature: *William W. Ackerman* Date: August 3, 2016



Issue Date _____

REFERENCE QUESTIONNAIRE

It is the responsibility of the contractor/vendor to provide a minimum of three (3) similar type references using this form and to provide this information with your submission. Failure to do so may result in the rejection of your submission.

Giving reference for: Keefe McCullough

Firm giving Reference: City of Plantation, Florida

Address: 400 NW 73rd Avenue, Plantation, FL 33317

Phone: 954-797-2202

Fax: 954-797-2756

Email: AOTiniano@plantation.org

- 1. Q: What was the dollar value of the contract?
A: \$95,750/year
- 2. Have there been any change orders, and if so, how many?
A: None
- 3. Q: Did they perform on a timely basis as required by the agreement?
A: Yes
- 4. Q: Was the project manager easy to get in contact with?
A: Yes
- 5. Q: Would you use them again?
A: Absolutely
- 6. Q: Overall, what would you rate their performance? (Scale from 1-5)
A: 5 Excellent 4 Good 3 Fair 2 Poor 1 Unacceptable
- 7. Q: Is there anything else we should know, that we have not asked?
A: Keefe McCullough are reliable, thorough, and easy to work with.

The undersigned does hereby certify that the foregoing and subsequent statements are true and correct and are made independently, free from vendor interference/collusion.

Name: Anna C. Otiniano Title: Finance Director

Signature:  Date: August 3, 2016



| | |
|--|--|
| Name and Title of Person providing reference information: | City of Lighthouse Point Mr. Frank DiPaolo, CPA, Finance Director |
| Telephone Number of Person providing reference: | 954-784-3432 |
| E-mail Address | fdipaolo@lighthousepoint.com |
| Please list name of project and detailed services: | 1994 through Present Date Annual financial and compliance audit |

Please answer the following questions regarding services provided by the proposer.

QUESTIONS:

PLEASE RATE BELOW FOR ITEMS 1 THROUGH 14, A SCORE FROM 1 TO 5, (1 BEING LOWEST, AND 5 BEING HIGHEST), FOR THE SERVICES RENDERED.

1. Rate the firm's success in providing Audit Services.

| | | | | |
|----------|---|---|---|-----------|
| | | | | |
| 1 Lowest | 2 | 3 | 4 | 5 Highest |

2. Rate the firm's knowledge of Audit practices and procedures.

| | | | | |
|----------|---|---|---|-----------|
| | | | | |
| 1 Lowest | 2 | 3 | 4 | 5 Highest |



REFERENCE CHECK FORM

3. Rate the level of commitment of the firm toward your audit. Did the firm devote the time and personnel necessary to successfully complete your audit?

| | | | | |
|----------|---|---|---|-----------|
| | | | | |
| 1 Lowest | 2 | 3 | 4 | 5 Highest |

4. Rate the competence and accessibility of the personnel directing, supervising and performing the work on your audit.

| | | | | |
|----------|---|---|---|-----------|
| | | | | |
| 1 Lowest | 2 | 3 | 4 | 5 Highest |

5. Rate the firm's success at keeping you updated and informed about the progression of the audit. Particularly, when special needs or problems arose.

| | | | | |
|----------|---|---|---|-----------|
| | | | | |
| 1 Lowest | 2 | 3 | 4 | 5 Highest |

6. Rate the firm's success at minimizing any issues.

| | | | | |
|----------|---|---|---|-----------|
| | | | | |
| 1 Lowest | 2 | 3 | 4 | 5 Highest |

7. Rate the firm's success at accomplishing the tasks established as required by the Agreement.

| | | | | |
|----------|---|---|---|-----------|
| | | | | |
| 1 Lowest | 2 | 3 | 4 | 5 Highest |



REFERENCE CHECK FORM

8. Rate the firm's success at completing tasks within the timeline established for completion of your audit.

| | | | | |
|----------|---|---|---|-----------|
| | | | | |
| 1 Lowest | 2 | 3 | 4 | 5 Highest |

9. Rate the firm's success at completing your audit within the contract price.

| | | | | |
|----------|---|---|---|-----------|
| | | | | |
| 1 Lowest | 2 | 3 | 4 | 5 Highest |

10. Rate the firm's success at completing your audit according to specifications and contract requirements.

| | | | | |
|----------|---|---|---|-----------|
| | | | | |
| 1 Lowest | 2 | 3 | 4 | 5 Highest |

11. Rate the overall performance of the firm on your audit.

| | | | | |
|----------|---|---|---|-----------|
| | | | | |
| 1 Lowest | 2 | 3 | 4 | 5 Highest |

12. Rate the firm's willingness/success to work to solve audit related issues that might fall outside of the scope of work/project outlined.

| | | | | |
|----------|---|---|---|-----------|
| | | | | |
| 1 Lowest | 2 | 3 | 4 | 5 Highest |



REFERENCE CHECK FORM

13. Did your firm and the Project Manager work well together?

| | | | | |
|----------|---|---|---|-----------|
| | | | | |
| 1 Lowest | 2 | 3 | 4 | 5 Highest |

14. How would you rate the firms overall based on your experience with the audit.

| | | | | |
|----------|---|---|---|-----------|
| | | | | |
| 1 Lowest | 2 | 3 | 4 | 5 Highest |

15. If you had a similar project to undertake in the future, would the firm be considered to perform the work?

| | |
|--------------------------------------|--------------------------|
| <input checked="" type="radio"/> YES | <input type="radio"/> NO |
|--------------------------------------|--------------------------|

ADDITIONAL COMMENTS:

| |
|---|
| Keefe McCullough is a great firm to work with. Staff are very knowledgable and complete audit taks on time. When new issues or pronouncements arise they research and are eager to provide implementation information and guidance. |
|---|

| | |
|--|------------------|
| PERSON PROVIDING REFERENCE PLEASE PRINT NAME: | Frank DiPaolo |
| PLEASE PRINT TITLE: | Finance Director |

SIGNATURE:  Date: 6/6/17





SUBMITTAL FORMS & REQUESTED INFORMATION

Tab IX



Section 1.19 Business Tax Receipt requirements for their business location. A copy of business tax receipt or proof of exemption shall be included with response submittal and IRS W-9 Form.

Section 5.3 Request for Information to Submit with IRS W-9 Form.

Section 5.6 Public entity Crimes.

We have included the completed submittal forms and the above items on the following pages for your review.



SWORN STATEMENT PURSUANT TO SECTION 287.133 (3) (a), FLORIDA STATUTES, ON PUBLIC ENTITY CRIMES

THIS FORM MUST BE SIGNED AND SWORN TO IN THE PRESENCE OF A NOTARY PUBLIC OR OTHER OFFICIAL AUTHORIZED TO ADMINISTER OATHS.

1. This sworn statement is submitted to CITY OF KEY WEST, KEY WEST, FLORIDA by: William G. Benson, C.P.A.,
(print individual's name and title) Partner

for: Keefe McCullough

(print name of entity submitting sworn statement)

whose business address is: 6550 N Federal Hwy, 4th Floor, Ft. Lauderdale, FL 33308

and (if applicable) its Federal Employer Identification Number (FEIN) is: 59-1363792

(If the entity has no FEIN, include the Social Security Number of the individual signing this sworn statement:

____ - ____ - ____.)

2. I understand that a "public entity crime" as defined in Paragraph 287.133(1)(g), Florida Statutes, means a violation of any state or federal law by a person with respect to and directly related to the transaction of business with any public entity or with an agency or political subdivision of any other state or of the United States, including but not limited to, any bid or contract for goods or services to be provided to any public entity or an agency or political subdivision of any other state or of the United States and involving antitrust, fraud, theft, bribery, collusion, racketeering, conspiracy, or material misrepresentations.
3. I understand that "convicted" or "conviction" as defined in Paragraph 287.133(1)(b), Florida Statutes, means a finding of guilt or a conviction of a public entity crime, with or without an adjudication of guilt, in any federal or state trial court of record relating to charges brought by indictment or information after July 1, 1989, as a result of a jury verdict, non-jury trial, or entry of a plea of guilty or nolo contendere.
4. I understand that an "affiliate" as defined in Paragraph 287.133(1)(a), Florida Statutes, means:
 - a. A predecessor or successor of a person convicted of a public entity crime; or
 - b. An entity under the control of any natural person who is active in the management of the entity and who has been convicted of a public entity crime. The term "affiliate" includes those officers, directors, executives, partners, shareholders, employees, members, and agents who are active in the management of an affiliate. The ownership by one person of shares constituting a controlling interest in another person, or a pooling of equipment or income among persons when not for fair market value under an arm's length agreement, shall be a prima facie case that one person controls another person. A person who knowingly enters into a joint venture with a person who has been convicted of a public entity crime in Florida during the preceding 36 months shall be considered an affiliate.
5. I understand that a "person" as defined in Paragraph 287.133(1)(e), Florida Statutes, means any natural person or entity organized under the laws of any state or of the United States with the legal power to enter into a binding contract and which bids or applies to bid on contracts for the provision of goods or services let by a public entity, or which otherwise transacts or applies to transact business with a public entity. The term "person" includes those officers, directors, executives, partners, Shareholders, employees, members, and agents who are active in management of an entity.
6. Based on information and belief, the statement which I have marked below is true in relations to the entity submitting this sworn statement. (Indicate which statement applies).

- Neither the entity submitting this sworn statement, nor any of its officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity, nor any affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 1, 1989.
- The entity submitting this sworn statement, or one or more of its officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity, or an affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 1, 1989.
- The entity submitting this sworn statement, or one or more of its officers, directors, executives, partners, shareholders, employees, members, or agents who are active in the management of the entity, or an affiliate of the entity has been charged with and convicted of a public entity crime subsequent to July 1, 1989. However, there has been a subsequent proceeding before a Hearing Officer of the State of Florida, Division of Administrative Hearings and the final Order entered by the Hearing Officer determined that it was not in the public interest to place the entity submitting this sworn statement on the convicted vendor list (attach a copy of the final order).

I UNDERSTAND THAT THE SUBMISSION OF THIS FORM TO THE CONTRACTING OFFICER FOR THE PUBLIC ENTITY IDENTIFIED IN PARAGRAPH 1 ABOVE IS FOR THAT PUBLIC ENTITY ONLY AND THAT THIS FORM IS VALID THROUGH DECEMBER 31 OF THE CALENDAR YEAR IN WHICH IT IS FILED. I ALSO UNDERSTAND THAT I AM REQUIRED TO INFORM THE PUBLIC ENTITY PRIOR TO ENTERING INTO A CONTRACT IN EXCESS OF THE THRESHOLD AMOUNT PROVIDED IN SECTION 287.017, FLORIDA STATUTES FOR CATEGORY TWO OF ANY CHANGE IN THE INFORMATION CONTAINED IN THIS FORM.

William R. CPA

 Signature

Sworn to and subscribed before me this 21ST day of MAY, 20 18.

Personally known X OR Produced Identification _____

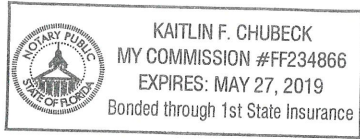
Kaitlin F. Chubeck

Notary Public – State of Florida

Type of Identification Known

My Commission Expires: 5-27-19

SEAL OR STAMP



INDEMNIFICATION

To the fullest extent permitted by law, the CONSULTANT expressly agrees to indemnify and hold harmless the City of Key West, their officers, directors, agents, and employees (herein called the "indemnitees") from liabilities, damages, losses and costs, including, but not limited to, reasonable attorney's fees and court costs, such legal expenses to include costs incurred in establishing the indemnification and other rights agreed to in this Paragraph, to persons or property, to the extent caused by the negligence, recklessness, or intentional wrongful misconduct of the CONSULTANT, its Sub-consultants or persons employed or utilized by them in the performance of the Contract. Claims by indemnitees for indemnification shall be limited to the amount of CONSULTANT's insurance or \$1 million per occurrence, whichever is greater. The parties acknowledge that the amount of the indemnity required hereunder bears a reasonable commercial relationship to the Contract and it is part of the project specifications or the bid documents, if any.

The indemnification obligations under the Contract shall not be restricted in any way by any limitation on the amount or type of damages, compensation, or benefits payable by or for the CONSULTANT under workers' compensation acts, disability benefits acts, or other employee benefits acts, and shall extend to and include any actions brought by or in the name of any employee of the CONSULTANT or of any third party to whom CONSULTANT may subcontract a part or all the Work. This indemnification shall continue beyond the date of completion of the work.

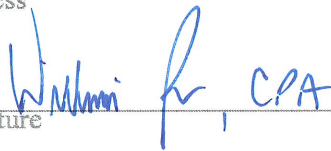
CONTRACTOR: Keefe McCullough _____

SEAL:

6550 N Federal Hwy, 4th Floor
Ft. Lauderdale, FL 33308

Address _____

Signature _____



William G. Benson, C.P.A.
Print Name _____

Managing Partner
Title _____

Date _____

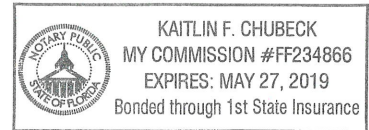
5/2/2018

EQUAL BENEFITS FOR DOMESTIC PARTNERS AFFIDAVIT

STATE OF Florida)
 : SS
COUNTY OF Broward)

I, the undersigned hereby duly sworn, depose and say that the firm of Keefe McCullough provides benefits to domestic partners of its employees on the same basis as it provides benefits to employees' spouses per City of Key West Ordinance Sec. 2-799.

By: *William R. CPA*



Sworn and subscribed before me this

21st day of May, 2018.

Kaitlin F. Chubeck
NOTARY PUBLIC, FLORIDA at Large
State of

My Commission Expires: 5-27-19

Requirements for City Contractors to Provide Equal Benefits for Domestic Partners

(a) Definitions. For purposes of this section only, the following definitions shall apply:

- (1) **Benefits** means the following plan, program or policy provided or offered by a contractor to its employees as part of the employer's total compensation package: sick leave, bereavement leave, family medical leave, and health benefits.
- (2) **Bid** shall mean a competitive bid procedure established by the city through the issuance of an invitation to bid, request for proposals, request for qualifications, or request for letters of interest.
- (3) **Cash equivalent** means the amount of money paid to an employee with a domestic partner in lieu of providing benefits to the employee's domestic partner. The cash equivalent is equal to the employer's direct expense of providing benefits to an employee for his or her spouse.

The cash equivalents of the following benefits apply:

- a. For bereavement leave, cash payment for the number of days that would be allowed as paid time off for the death of a spouse. Cash payment would be in the form of the wages of the domestic partner employee for the number of days allowed.
 - b. For health benefits, the cost to the contractor of the contractor's share of the single monthly premiums that are being paid for the domestic partner employee, to be paid on a regular basis while the domestic partner employee maintains such insurance in force for himself or herself.
 - c. For family medical leave, cash payment for the number of days that would be allowed as time off for an employee to care for a spouse who has a serious health condition. Cash payment would be in the form of the wages of the domestic partner employee for the number of days allowed.
- (4) **Contract** means any written agreement, purchase order, standing order or similar instrument entered into pursuant to the award of a bid whereby the city is committed to expend or does expend funds in return for work, labor, professional services, consulting services, supplies, equipment, materials, construction, construction related services or any combination of the foregoing.
 - (5) **Contractor** means any person or persons, sole proprietorship, partnership, joint venture, corporation, or other form of doing business, that is awarded a bid and enters into a covered contract with the city, and which maintains five (5) or more full-time employees.
 - (6) **Covered contract** means a contract between the city and a contractor awarded subsequent to the date when this section becomes effective valued at over twenty thousand dollars (\$20,000).
 - (7) **Domestic partner** shall mean any two adults of the same or different sex, who have registered as domestic partners with a governmental body pursuant to state or local law authorizing such registration, or with an internal registry maintained by the employer of at least one of the domestic partners. A contractor may institute an internal registry to allow for the provision of equal benefits to employees with domestic partner who do not register their partnerships pursuant to a governmental body authorizing such registration, or who are located in a jurisdiction where no such governmental domestic partnership

registry exists. A contractor that institutes such registry shall not impose criteria for registration that are more stringent than those required for domestic partnership registration by the City of Key West pursuant to Chapter 38, Article V of the Key West Code of Ordinances.

- (8) **Equal benefits** mean the equality of benefits between employees with spouses and employees with domestic partners, and/or between spouses of employees and domestic partners of employees.

(b) Equal benefits requirements.

- (1) Except where otherwise exempt or prohibited by law, a Contractor awarded a covered contract pursuant to a bid process shall provide benefits to domestic partners of its employees on the same basis as it provides benefits to employees' spouses.
- (2) All bid requests for covered contracts which are issued on or after the effective date of this section shall include the requirement to provide equal benefits in the procurement specifications in accordance with this section.
- (3) The city shall not enter into any covered contract unless the contractor certifies that such contractor does not discriminate in the provision of benefits between employees with domestic partners and employees with spouses and/or between the domestic partners and spouses of such employees.
- (4) Such certification shall be in writing and shall be signed by an authorized officer of the contractor and delivered, along with a description of the contractor's employee benefits plan, to the city's procurement director prior to entering into such covered contract.
- (5) The city manager or his/her designee shall reject a contractor's certification of compliance if he/she determines that such contractor discriminates in the provision of benefits or if the city manager or designee determines that the certification was created, or is being used for evading the requirements of this section.
- (6) The contractor shall provide the city manager or his/her designee, access to its records for the purpose of audits and/or investigations to ascertain compliance with the provisions of this section, and upon request shall provide evidence that the contractor is in compliance with the provisions of this section upon each new bid, contract renewal, or when the city manager has received a complaint or has reason to believe the contractor may not be in compliance with the provisions of this section. This shall include but not be limited to providing the city manager or
his/her designee with certified copies of all of the contractor's records pertaining to its benefits policies and its employment policies and practices.
- (7) The contractor may not set up or use its contracting entity for the purpose of evading the requirements imposed by this section.

(c) Mandatory contract provisions pertaining to equal benefits. Unless otherwise exempt, every covered contract shall contain language that obligates the contractor to comply with the applicable provisions of this section. The language shall include provisions for the following:

- (1) During the performance of the covered contract, the contractor certifies and represents that it will comply with this section.
- (2) The failure of the contractor to comply with this section will be deemed to be a material breach of the covered contract.
- (3) If the contractor fails to comply with this section, the city may terminate the

covered contract and all monies due or to become due under the covered contract may be retained by the city. The city may also pursue any and all other remedies at law or in equity for any breach.

- (4) If the city manager or his designee determines that a contractor has set up or used its contracting entity for the purpose of evading the requirements of this section, the city may terminate the covered contract.

(d) Enforcement. If the contractor fails to comply with the provisions of this section:

- (1) The failure to comply may be deemed to be a material breach of the covered contract;
or
- (2) The city may terminate the covered contract; or
- (3) Monies due or to become due under the covered contract may be retained by the city until compliance is achieved; or
- (4) The city may also pursue any and all other remedies at law or in equity for any breach;
- (5) Failure to comply with this section may also subject contractor to the procedures set forth in Division 5 of this article, entitled "Debarment of contractors from city work."

(e) Exceptions and waivers.

The provisions of this section shall not apply where:

- (1) The contractor does not provide benefits to employees' spouses.
- (2) The contractor is a religious organization, association, society or any non-profit charitable or educational institution or organization operated, supervised or controlled by or in conjunction with a religious organization, association or society.
- (3) The contractor is a governmental entity.
- (4) The sale or lease of city property.
- (5) The provision of this section would violate grant requirement, the laws, rules or regulations of federal or state law (for example, the acquisition services procured pursuant to Chapter 287.055, Florida Statutes known as the "Consultants' Competitive Negotiation Act").
- (6) Provided that the contractor does not discriminate in the provision of benefits, a contractor may also comply with this section by providing an employee with the cash equivalent of such benefits, if the city manager or his/her designee determines that either:
 - a. The contractor has made a reasonable yet unsuccessful effort to provide equal benefits. The contractor shall provide the city manager or his/her designee with sufficient proof of such inability to provide such benefit or benefits which shall include the measures taken to provide such benefits or benefits and the cash equivalent proposed, along with its certificate of compliance, as is required under this section.
- (7) The city commission waives compliance of this section in the best interest of the city, including but not limited to the following circumstances:
 - a. The covered contract is necessary to respond to an emergency.
 - b.

Where only one bid response is received.

- c. Where more than one bid response is received, but the bids demonstrate that none of the bidders can comply with the requirements of this section.

- (f) City's authority to cancel contract. Nothing in this section shall be construed to limit the city's authority to cancel or terminate a contract, deny or withdraw approval to perform a subcontract or provide supplies, issue a non-responsibility finding, issue a non-responsiveness finding, deny a person or entity prequalification, or otherwise deny a person or entity city business.

- (g) Timing of application. This section shall be applicable only to covered contracts awarded pursuant to bids which are after the date when this section becomes effective.

CONE OF SILENCE AFFIDAVIT

STATE OF Florida)
 : SS
COUNTY OF Broward)

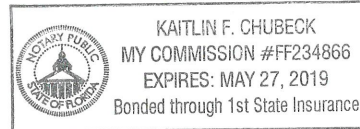
I the undersigned hereby duly sworn depose and say that all owner(s), partners, officers, directors, employees and agents representing the firm of Keefe McCullough have read and understand the limitations and procedures regarding communications concerning City of Key West issued competitive solicitations pursuant to City of Key West Ordinance Section 2-773 Cone of Silence (attached).

William R. CPA
(signature)
5.21.2018
(date)

Sworn and subscribed before me this

21st Day of May, 2018.

Kaitlin F. Chubeck
NOTARY PUBLIC, State of FLORIDA at Large



My Commission Expires: 5-27-19

City Ordinance Sec. 2-773. - Cone of silence.

- (a) *Definitions.* For purposes of this section, reference to one gender shall include the other, use of the plural shall include the singular, and use of the singular shall include the plural. The following definitions apply unless the context in which the word or phrase is used requires a different definition:
- (1) *Competitive solicitation* means a formal process by the City of Key West relating to the acquisition of goods or services, which process is intended to provide an equal and open opportunity to qualified persons and entities to be selected to provide the goods or services. Competitive solicitation shall include request for proposals ("RFP"), request for qualifications ("RFQ"), request for letters of interest ("RFLI"), invitation to bid ("ITB") or any other advertised solicitation.
 - (2) *Cone of silence* means a period of time during which there is a prohibition on communication regarding a particular competitive solicitation.
 - (3) *Evaluation or selection committee* means a group of persons appointed or designated by the city to evaluate, rank, select, or make a recommendation regarding a vendor or the vendor's response to the competitive solicitation. A member of such a committee shall be deemed a city official for the purposes of subsection (c) below.
 - (4) *Vendor* means a person or entity that has entered into or that desires to enter into a contract with the City of Key West or that seeks an award from the city to provide goods, perform a service, render an opinion or advice, or make a recommendation related to a competitive solicitation for compensation or other consideration.
 - (5) *Vendor's representative* means an owner, individual, employee, partner, officer, or member of the board of directors of a vendor, or a consultant, lobbyist, or actual or potential subcontractor or sub-consultant who acts at the behest of a vendor in communicating regarding a competitive solicitation.
- (b) *Prohibited communications.* A cone of silence shall be in effect during the course of a competitive solicitation and prohibit:
- (1) Any communication regarding a particular competitive solicitation between a potential vendor or vendor's representative and the city's administrative staff including, but not limited to, the city manager and his or her staff;
 - (2) Any communication regarding a particular competitive solicitation between a potential vendor or vendor's representative and the mayor, city commissioners, or their respective staff;
 - (3) Any communication regarding a particular competitive solicitation between a potential vendor or vendor's representative and any member of a city evaluation and/or selection committee therefore; and
 - (4) Any communication regarding a particular competitive solicitation between the mayor, city commissioners, or their respective staff, and a member of a city evaluation and/or selection committee therefore.
- (c) *Permitted communications.* Notwithstanding the foregoing, nothing contained herein shall prohibit:
- (1) Communication between members of the public who are not vendors or a vendor's representative and any city employee, official or member of the city commission;
 - (2) Communications in writing at any time with any city employee, official or member of the city commission, unless specifically prohibited by the applicable competitive solicitation.
 - (A) However, any written communication must be filed with the city clerk. Any city employee, official or member of the city commission receiving or making any written communication must immediately file it with the city clerk.

- (B) The city clerk shall include all written communication as part of the agenda item when publishing information related to a particular competitive solicitation;
 - (3) Oral communications at duly noticed pre-bid conferences;
 - (4) Oral presentations before publically noticed evaluation and/or selection committees;
 - (5) Contract discussions during any duly noticed public meeting;
 - (6) Public presentations made to the city commission or advisory body thereof during any duly noticed public meeting;
 - (7) Contract negotiations with city staff following the award of a competitive solicitation by the city commission; or
 - (8) Purchases exempt from the competitive process pursuant to section 2-797 of these Code of Ordinances;
- (d) *Procedure.*
- (1) The cone of silence shall be imposed upon each competitive solicitation at the time of public notice of such solicitation as provided by section 2-826 of this Code. Public notice of the cone of silence shall be included in the notice of the competitive solicitation. The city manager shall issue a written notice of the release of each competitive solicitation to the affected departments, with a copy thereof to each commission member, and shall include in any public solicitation for goods and services a statement disclosing the requirements of this ordinance.
 - (2) The cone of silence shall terminate at the time the city commission or other authorized body makes final award or gives final approval of a contract, rejects all bids or responses to the competitive solicitation, or takes other action which ends the competitive solicitation.
 - (3) Any city employee, official or member of the city commission that is approached concerning a competitive solicitation while the cone of silence is in effect shall notify such individual of the prohibitions contained in this section. While the cone of silence is in effect, any city employee, official or member of the city commission who is the recipient of any oral communication by a potential vendor or vendor's representative in violation of this section shall create a written record of the event. The record shall indicate the date of such communication, the persons with whom such communication occurred, and a general summation of the communication.
- (e) *Violations/penalties and procedures.*
- (1) A sworn complaint alleging a violation of this ordinance may be filed with the city attorney's office. In each such instance, an initial investigation shall be performed to determine the existence of a violation. If a violation is found to exist, the penalties and process shall be as provided in section 1-15 of this Code.
 - (2) In addition to the penalties described herein and otherwise provided by law, a violation of this ordinance shall render the competitive solicitation void at the discretion of the city commission.
 - (3) Any person who violates a provision of this section shall be prohibited from serving on a City of Key West advisory board, evaluation and/or selection committee.
 - (4) In addition to any other penalty provided by law, violation of any provision of this ordinance by a City of Key West employee shall subject said employee to disciplinary action up to and including dismissal.
 - (5) If a vendor is determined to have violated the provisions of this section on two more occasions it shall constitute evidence under City Code section 2-834 that the vendor is not properly qualified to carry out the obligations or to complete the work contemplated by any new competitive solicitation. The city's purchasing agent shall also commence any available debarment from city work proceeding that may be available upon a finding of two or more violations by a vendor of this section.

(Ord. No. 13-11, § 1, 6-18-2013)

BROWARD COUNTY LOCAL BUSINESS TAX RECEIPT

115 S. Andrews Ave., Rm. A-100, Ft. Lauderdale, FL 33301-1895 – 954-831-4000
VALID OCTOBER 1, 2017 THROUGH SEPTEMBER 30, 2018

DBA: Business Name: KEEFE MCCULLOUGH & CO
Owner Name: KEEFE MCCULLOUGH & CO
Business Location: 6550 N FEDERAL HWY 410 FT LAUDERDALE
Business Phone: 771-0896
Receipt #: 317-111
Business Type: CPA (CPA-GROUP)
Business Opened: 07/16/1993
State/County/Cert/Reg: AD 0010282
Exemption Code:

Rooms: Seats: Employees: 11 Machines: Professionals:

| Tax Amount | Number of Machines: | | | Vending Type: | | Total Paid |
|------------|---------------------|---------|---------|---------------|-----------------|------------|
| | Transfer Fee | NSF Fee | Penalty | Prior Years | Collection Cost | |
| 45.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 45.00 |

THIS RECEIPT MUST BE POSTED CONSPICUOUSLY IN YOUR PLACE OF BUSINESS

THIS BECOMES A TAX RECEIPT WHEN VALIDATED

This tax is levied for the privilege of doing business within Broward County and is non-regulatory in nature. You must meet all County and/or Municipality planning and zoning requirements. This Business Tax Receipt must be transferred when the business is sold, business name has changed or you have moved the business location. This receipt does not indicate that the business is legal or that it is in compliance with State or local laws and regulations.

Mailing Address:

KEEFE MCCULLOUGH & CO
 6550 N FEDERAL HIGHWAY #410
 FORT LAUDERDALE, FL
 33308-0000

Receipt # 1CP-16-00023334
Paid 09/13/2017 45.00

2017 - 2018

5.3 REQUEST FOR INFORMATION TO SUBMIT WITH IRS W-9 FORM

Federal Income Tax Law requires a Form 1099 with a valid taxpayer identification number to be filed for payments made in the course of conducting a trade or business. Further, these payments may be subject to Backup Federal Income Tax Withholding for all payees who have not submitted a correct Federal Tax Identification Number at the time of payment.

Please read this form and complete the information thereon before signing and returning with a copy of your IRS W9 Form. If you are a corporation, we will not issue you a Form 1099 (Reference: 1.6401-3(c)). However, kindly return this form to document your corporate status.

VENDOR NAME Keefe McCullough
DBA: _____
CORPORATE ADDRESS: 6550 N Federal Hwy, 4th Floor
CITY: Ft. Lauderdale STATE: FL ZIP: 33308
TELEPHONE: (954) 771-0896 FAX: (954) 938-9353 ALTERNATE PHONE: ()

"THE ABOVE INFORMATION WILL BE USED FOR PURCHASE ORDERS"

REMIT TO ADDRESS: 6550 N Federal Hwy, 4th Floor
CITY: Ft. Lauderdale STATE: FL ZIP: 33308
TELEPHONE: (954) 771-0896 FAX: (954) 938-9353 ALTERNATE PHONE: ()

COMPANY CONTACT NAME: William G. Benson, C.P.A.
COMPANY/CONTACT EMAIL ADDRESS: Bill.Benson@kmccpa.com

TYPE OF ORGANIZATION

- 1. Corporation
- 2. Partnership
- 3. Sole Proprietor
- 4. Individual
- 5. Government Agency
- 6. Other: _____

1099 REPORTING STATUS (Check One): Yes No

TAXPAYER IDENTIFICATION NUMBER:

Employer Identification Number: 59 - 1363792 (Or) Social Security Number: _____ - _____ - _____

Print name of Taxpayer if using SS#: _____

Under penalties of perjury, I certify that this statement is accurate and complete.

Signature: William R. CPA Title: Managing Partner

Date: 5/21/18 Phone: (954) 771-0896

Request for Taxpayer Identification Number and Certification

**Give Form to the
 requester. Do not
 send to the IRS.**

| | | |
|---|---|---|
| Print or type See Specific Instructions on page 2. | Name (as shown on your income tax return) Keefe McCullough | |
| | Business name/disregarded entity name, if different from above | |
| | Check appropriate box for federal tax classification: <input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input checked="" type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ <u>P</u> | |
| | <input type="checkbox"/> Other (see instructions) ▶ <input type="checkbox"/> Exempt payee | |
| Address (number, street, and apt. or suite no.) 6550 N Federal Hwy, 4th Floor | | Requester's name and address (optional) |
| City, state, and ZIP code Ft. Lauderdale, FL 33308 | | |
| List account number(s) here (optional) | | |

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

| | | | | | | | | | | |
|---------------------------------------|---|--|---|---|---|---|---|---|---|---|
| Social security number | | | | | | | | | | |
| | | | | | | | | | | |
| Employer identification number | | | | | | | | | | |
| 5 | 9 | | - | 1 | 3 | 6 | 3 | 7 | 9 | 2 |

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Part II Certification

- Under penalties of perjury, I certify that:
- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
 - I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
 - I am a U.S. citizen or other U.S. person (defined below).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 4.

| | | |
|------------------|----------------------------|-------------------------|
| Sign Here | Signature of U.S. person ▶ | Date ▶ <u>9/14/2017</u> |
|------------------|----------------------------|-------------------------|

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

- Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
- Certify that you are not subject to backup withholding, or
- Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

Note. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

- Definition of a U.S. person.** For federal tax purposes, you are considered a U.S. person if you are:
- An individual who is a U.S. citizen or U.S. resident alien,
 - A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
 - An estate (other than a foreign estate), or
 - A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.



PROHIBITION NON-COLLUSION/ CONFLICT OF INTEREST DISCLOSURE STATEMENTS

Tab X



- A. Include the following Statement of Non-Collusion: “The respondent certifies, and in the case of a joint proposal, each party thereto certifies as to its own organization, that in connection with this solicitation the information provided has been arrived at independently, without consultation, communication, or agreement with any other respondent or with any competitor for the purpose of restricting competition, or in any other way influencing the competitive arena.”**

Keefe McCullough certifies that in connection with this solicitation the information provided has been arrived at independently, without consultation, communication, or agreement with any other respondent or with any competitor for the purpose of restricting competition, or in any other way influencing the competitive arena.

- B. Include a disclosure statement advising the City of any potential conflict of interest, real or apparent, that the Respondent, employee, officer, or agent of the firm may have due to ownership, other clients, contracts or interests associated with this project.**

Keefe McCullough is not aware of any potential conflict of interest, real or apparent, that the Respondent, employee, officer, or agent of the firm may have due to ownership, other clients, contracts or interests associated with this project.

- C. An affirmative statement must be included indicating that the firm and all assigned key professional staff are properly registered and licensed to practice in the State of Florida. Include copies of appropriate licenses.**

Keefe McCullough and all assigned key professional staff are properly registered and licensed to practice in the State of Florida. We have included a copy of our license on the following page for your review.

- D. Signature on the transmittal letter shall certify the veracity of these statements.**

The partner's signature on our transmittal letter certifies the veracity of the above statements.



RICK SCOTT, GOVERNOR

JONATHAN ZACHEM, SECRETARY

**STATE OF FLORIDA
DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION
BOARD OF ACCOUNTANCY**

| LICENSE NUMBER |
|----------------|
| AD0010282 |

The ACCOUNTANCY PARTNERSHIP
Named below IS LICENSED
Under the provisions of Chapter 473 FS.
Expiration date: DEC 31, 2019



KEEFE, MCCULLOUGH & CO., LLP
6550 N FEDERAL HWY STE 410
FT LAUDERDALE FL 33308



ISSUED: 12/13/2017

DISPLAY AS REQUIRED BY LAW

SEQ # L1712130000884





OPTIONAL INFORMATION

Tab XI





Provide any information pertinent to this project that will provide insight to the evaluators about the qualifications, fitness and abilities of the Respondent (please limit this information to two pages).

We feel our proposal encompasses all aspects of our qualifications, fitness and abilities to be the auditors of the City of Key West.



ADDENDA

Tab XII



The undersigned Respondent hereby certifies that the terms and conditions, including but not limited to, the scope of work have not been altered or modified in any manner. Any modification to this solicitation by the proposer will result in Proposer's response being found non-responsive and thereby disqualified.

The undersigned Respondent hereby certifies that he has received all the Addenda listed below and has incorporated them into his proposal listed herein. Failure to acknowledge any and all addenda may render the proposal non-responsive and no further evaluation of the proposal will occur.

Addendum(s) # 1 through # 2 Respondent's Initials WB

William G. Benson, CPA
(Signature)

William G. Benson, C.P.A.

(Printed Name)

Keefe McCullough
Name of Company, Firm

Managing Partner

(Printed Title)

954-771-0896

Telephone Number

954-938-9353

Facsimile Number

Bill.Benson@kmccpa.com

Email Address



**CITY OF KEY WEST
FINANCE DEPARTMENT
1300 White Street
Key West, FL 33040**

**ADDENDUM NO. 1
INDEPENDENT AUDITING SERVICES
RFP # 008-18**

The information contained in this Addendum adds information to be included in the Proposal and is hereby made a part of the Contract Documents. The referenced proposal package is hereby addended in accordance with the following items:

QUESTIONS & CLARIFICATIONS:

1. What were the audit fees paid for FY15, FY16 and FY17 and did they include any special or additional billing?

**FY2017 - \$124,000
FY2016 - \$122,000
FY2015 - \$120,000
Special/additional billings – see #2**

2. If additional billings were required, what were the related services?

**Schedule of Revenues and Expenditures for the U.S. Department of Navy
FY2017 - \$ 7,000
FY2016 - \$10,000
FY2015 - \$10,000**

3. How long has the City's engagement been with the current auditor?

10 years

4. Who are the members of the Selection Committee?

**Finance Director
Senior Grants Administrator
Deputy Director of Community Services (former Revenue/Collections Manager)
Local CPA**

5. Regarding fieldwork, what is the preferred timeline for the audit visit by the City?

Typically start around January 15th

6. Confirming that the City expects to be subject to both a Federal and State single audit?

Yes

Information only:

FY17 CAFR is now posted on the City of Key West website. <http://www.cityofkeywest-fl.gov/>



**CITY OF KEY WEST
FINANCE DEPARTMENT
1300 White Street
Key West, FL 33040**

**ADDENDUM NO. 2
INDEPENDENT AUDITING SERVICES
RFP # 008-18**

The information contained in this Addendum adds information to be included in the Proposal and is hereby made a part of the Contract Documents. The referenced proposal package is hereby added in accordance with the following items:

QUESTIONS & CLARIFICATIONS:

1. Have the auditors recommended Journal Entries (entries that were either posted or passed on by the City) in any of the last several years? If so, can you please list out what they were for?

City size and complexity in the last several years, have resulted in about an average of 40 post closing entries. Entries prepared by both finance staff and auditors.

2. Are there any material current events that will affect the City during the 9/30/18 fiscal year (lawsuits, debt issuances, changing software, new programs, loss/gain of major funding source...)?

The City has ongoing software conversions taking place.
Finance (GL, AP, purchasing, cash receipts, AR) – completed Sept. 2016
HR and Payroll – completed August 2017
Fixed Assets - scheduled completion June 2018
Community (Building, Planning & Licensing) scheduled for late 2018

Hurricane Irma - FEMA and Insurance reporting and reimbursements

No other known material events for FY18

3. Can you please provide the audit fee for the last three years?

See Addendum #1 – question #1

4. Can you please provide the engagement hours for the last three years?

Average 1400-1450 hours per year

5. What aspects of the previous audits with Keefe McCullough did you enjoy? What aspects would you like to change? Are they allowed to bid on this RFP?

Open and timely communication, flexible and easy to work with.

No changes

Yes

6. Have there been any written verbal auditor recommendations as it relates to internal controls in the last two audit periods?

No written recommendations in the last 2 audits. Throughout the year upcoming pronouncements are discussed.

7. Can you please send us a copy of the 2017 Single Audit, Agreed Upon Procedures Report as required by the Florida Department of Transportation, and Schedule of Revenues and Expenditures for the U.S. Department of Navy (Fund 602)?

See attached documents

8. On the title/introductory page of the RFP it states the proposals need to be received by May 23rd; however, on page 3 it states the proposals are due May 9th. We just wanted to double check that May 23rd is the correct due date.

May 23rd is the correct date

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES

The Honorable Mayor,
City Commissioners and City Manager
City of Key West, Florida

We have performed the procedures enumerated below, which were agreed to by the management of the City of Key West, Florida (the "City"), solely to assist the City and the State of Florida Department of Transportation ("DOT") in determining compliance with certain requirements, as described in the *Public Transportation Joint Participation Agreements* entered into between the City and the DOT for the year ended *September 30, 2017*. The City's management is responsible for the City's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the City's management and the DOT. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are summarized as follows:

1. We obtained from the City's accounting records the Public Transit Block Grant funds earned by the City in the amount of \$ 434,249 in order to determine that such funds did not exceed the City's local revenues of \$ 2,035,153.

No exceptions were noted based on the procedures performed.

2. We obtained from the City's accounting records the detail of expenditures submitted for the Public Transit Block Grant program in order to determine that there were no expenses recorded for depreciation or amortization of capital assets.

No exceptions were noted based on the procedures performed.

3. We obtained from the City's accounting records the detail of expenditures submitted for the Public Transit Block Grant program in order to determine that the state's participation did not exceed fifty percent (50%) of the costs.

No exceptions were noted based on the procedures performed.

4. We obtained from the City's accounting records the actual transfers in from the Gas Tax Fund for operations for the years ended September 30, 2017 and 2016 of \$ 386,046 and \$ 625,000, respectively, noting that the amount decreased from the previous year. The Public Transit Block Grant funds did not supplant local revenues made available for operations.

No exceptions were noted based on the procedures performed.

City of Key West, Florida

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City of Key West, Florida management, and the State of Florida Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

Keefe McCullough

KEEFE MCCULLOUGH

Fort Lauderdale, Florida
April 26, 2018

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES

The Honorable Mayor,
City Commissioners and City Manager
City of Key West, Florida

We have performed the procedures enumerated below, which were agreed to by the management of the City of Key West, Florida (the "City"), solely to assist the City and the State of Florida Department of Transportation ("DOT") in determining compliance with certain requirements, as described in the *Section 5311 Program Procedures* for the year ended *September 30, 2017*. The City's management is responsible for the City's accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the City's management and the DOT. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are summarized as follows:

1. We obtained from the Florida Department of Transportation's staff a confirmation letter verifying that there is no urbanized area map as approved by the Metropolitan Planning Organization, the State of Florida Department of Transportation and the Federal Highway Administration, available from the District Planning Sections for Monroe County, Florida, in order to determine that services provided under the program were in non-urbanized areas.

No exceptions were noted based on the procedure performed.

2. We obtained from the City's staff a confirmation letter verifying that there is no restriction on public use of the City's public transit system in order to determine that there was no restriction on public use of the services funded by the program.

No exceptions were noted based on the procedure performed.

3. We obtained from the City's accounting records the detail of expenses for the eligible costs submitted under the program and determined that the program billings were 50% of the eligible operating costs and 80% of the eligible capital costs in order to determine that the federal participation did not exceed fifty percent (50%) and eighty percent (80%), respectively, of the total costs, as specified in the corresponding approved project budgets.

No exceptions were noted based on the procedure performed.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

City of Key West, Florida

This report is intended solely for the information and use of the City of Key West, Florida management, and the State of Florida Department of Transportation and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Keefe McCullough". The signature is written in a cursive, flowing style.

KEEFE MCCULLOUGH

Fort Lauderdale, Florida
April 26, 2018

City of Key West, Florida

Compliance Section
For The Year Ended September 30, 2017

City of Key West, Florida

Compliance Section
For The Year Ended September 30, 2017

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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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 25, 2018. Our report includes a reference to other auditors who audited the financial statements of The Housing Authority of the City of Key West, Florida, which is the sole discretely presented component unit, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. Also, other auditors audited the financial statements of the Pension Trust Fund for Police Officers and Firefighters, as described in our report on the City's basic financial statements. The financial statements of the Pension Trust Fund for Police Officers and Firefighters were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

City of Key West, Florida

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
April 25, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER
10.550, *RULES OF THE FLORIDA AUDITOR GENERAL*

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

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of Key West, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the City's major federal programs and state projects for the year ended September 30, 2017. The City'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.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal programs and state projects, respectively.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Florida Auditor General*. Those standards, Uniform Guidance, and Chapter 10.550, *Rules of the Florida 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 and/or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs and state projects for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Florida Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program and/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 and/or state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program and/or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by Uniform Guidance and Chapter 10.550, *Rules of the Florida Auditor General*

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, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 25, 2018, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.550, *Rules of the Florida Auditor General*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

City of Key West, Florida

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550, *Rules of the Florida Auditor General*. Accordingly, this report is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
April 25, 2018

INDEPENDENT AUDITOR'S REPORT TO CITY MANAGEMENT

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

Report on the Financial Statements

We have audited the financial statements of the City of Key West, Florida (the "City"), as of and for the year ended September 30, 2017, and have issued our report thereon dated April 25, 2018.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance) and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent 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*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Florida Auditor General*; Schedule of Findings and Questioned Costs; Independent Auditor's Report on the Schedule of Receipts and Expenditures of Funds Related to the Deepwater Horizon Oil Spill; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Florida Auditor General*. Disclosures in those reports and schedule, which are dated April 25, 2018, 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. There were no findings or recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The 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 unit, The Housing Authority of the City of Key West, Florida, created by Florida Statute Chapter 421 and by resolution in 1938.

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 City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management’s responsibility to monitor the City’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Sections 10.554(1)(i)5.b. 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 the annual financial report for the City, for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

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, Federal, State and other granting agencies, the City Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
April 25, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES

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

We have examined the City of Key West, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

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

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
April 25, 2018

**INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF RECEIPTS AND
EXPENDITURES OF FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL**

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

We have audited the financial statements of City of Key West (the "City"), as of and for the year ended September 30, 2017, and have issued our report thereon dated April 25, 2018 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of Receipts and Expenditures of Funds related to the Deepwater Horizon Oil Spill on page 10 is presented for the purpose of additional analysis as required by Florida Statute 288.8018 and the Rules of the Auditor General Chapter 10.557(3)(f), 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 auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Keefe McCullough

KEEFE McCULLOUGH

Fort Lauderdale, Florida
April 25, 2018

**City of Key West, Florida
 Schedule of Receipts and Expenditures of
 Funds Related to the Deepwater Horizon Oil Spill
 For the Year Ended September 30, 2017**

| <u>Source</u> | <u>Amount Received in the 2016-17 Fiscal Year*</u> | <u>Amount Expended in the 2016-17 Fiscal Year</u> |
|---------------------------------|--|---|
| British Petroleum: | | |
| Agreement PTO NO.38 and FRE 408 | \$ | \$ 1,672,701 |

* The City received \$ 2,091,208 during Fiscal Year 2014-15

Note: The City of Key West, Florida did not receive any federal awards or state financial assistance for the year ended September 30, 2017 that are related to the Deepwater Horizon Oil Spill.

City of Key West, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the Year Ended September 30, 2017

| Federal or State Grantor/Pass-Through Grantor/Program Title | CFDA Number | CSFA Number | Grant/ Contract Number | Expenditures | Transfers to Subrecipients |
|---|----------------|----------------|-------------------------------|--------------|-------------------------------|
| Federal Awards: | | | | | |
| <u>U.S. Department of Agriculture:</u> | | | | | |
| Pass-through Florida Department of Agriculture and Consumer Services | | | | | |
| Cooperative Forestry Assistance | 10.664 | N/A | 022776 | \$ 20,000 | \$ - |
| <u>U.S. Department of Commerce:</u> | | | | | |
| Pass-through National Ocean Service Office of National Marine Sanctuaries | | | | | |
| Education, Outreach, Conservation, and Heritage Partnerships with National Marine Sanctuaries | 11.429 | N/A | NA15NOS4290117 | 220,000 | - |
| <u>U.S. Department of Housing & Urban Development:</u> | | | | | |
| Direct Program | | | | | |
| Housing Opportunities for Persons with AIDS | 14.241 | N/A | FL-H13-0026 | 259,739 | 253,107 |
| Housing Opportunities for Persons with AIDS | 14.241 | N/A | FL-H16-0018 | 284,180 | 277,670 |
| | | | 14.241 Total | 543,919 | 530,777 |
| <u>U.S. Fish and Wildlife Service</u> | | | | | |
| Direct Program | | | | | |
| Boating Infrastructure Grant Program | 15.622 | N/A | 14154 | 153,145 | - |
| <u>U.S. Department of Justice:</u> | | | | | |
| Direct Program | | | | | |
| Bullet Proof Vest Partnership Program | 16.607 | N/A | 2015BUBX15079053 | 3,877 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | N/A | 2016-DJ-BX-0780 | 15,180 | - |
| Equitable Sharing Program | 16.922 | N/A | FL0440100 | 9,702 | - |
| <u>U.S. Department of Labor:</u> | | | | | |
| Direct Program | | | | | |
| WIA Adult Program | 17.258 | N/A | WIOA AD | 19,174 | - |
| <u>U.S. Department of Transportation:</u> | | | | | |
| Federal Transit Cluster: | | | | | |
| Direct Program | | | | | |
| Federal Transit-Capital Investment Grants | 20.500 | N/A | FL-04-0095-00 | 15,182 | - |
| Pass-through State of Florida Department of Transportation | | | | | |
| Bus and Bus Facilities Formula Program | 20.526 | N/A | ARN65 | 43,947 | - |
| Bus and Bus Facilities Formula Program | 20.526 | N/A | G0G70 | 12,114 | - |
| | | | Federal Transit Cluster Total | 71,243 | - |
| Pass-through State of Florida Department of Transportation | | | | | |
| Highway Planning and Construction | 20.205 | N/A | G0E08 | 10,640 | - |
| Highway Planning and Construction | 20.205 | N/A | G0E32 | 177,353 | - |
| Highway Planning and Construction | 20.205 | N/A | ANT08 | 64,060 | - |
| | | | 20.205 Total | 252,053 | - |
| Formula Grants for Rural Areas | 20.509 | N/A | G0G83 | 219,111 | - |
| Formula Grants for Rural Areas | 20.509 | N/A | G0598 | 313,414 | - |
| Formula Grants for Rural Areas | 20.509 | N/A | AR707 | 6,055 | - |
| | | | 20.509 Total | 538,580 | - |
| National Priority Safety Programs | 20.616 | N/A | G0F77 | 301 | - |

See notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.

City of Key West, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (continued)
For the Year Ended September 30, 2017

| Federal or State Grantor/Pass-Through Grantor/Program Title | CFDA Number | CSFA Number | Grant/ Contract Number | Expenditures | Transfers to Subrecipients |
|--|----------------|----------------|---------------------------|---------------------|-------------------------------|
| Federal Awards (continued): | | | | | |
| <u>U.S. Department of Health and Human Services:</u> | | | | | |
| Pass-through the Monroe County Coalition, Inc. | | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | N/A | | 5,000 | - |
| <u>Executive Office of the President:</u> | | | | | |
| Pass-through South Florida High Intensity Drug Trafficking Area | | | | | |
| High Intensity Drug Trafficking Areas Program | 95.001 | N/A | FC-FLS-1651 | 31,835 | - |
| <u>U.S. Department of Homeland Security:</u> | | | | | |
| Pass-through State of Florida Division of Emergency Management | | | | | |
| Port Security Grant Program | 97.056 | N/A | EMW-2016-PU-00529 | 271,954 | - |
| Total Expenditures of Federal Awards | | | | \$ 2,155,963 | \$ 530,777 |
| State Financial Assistance: | | | | | |
| <u>Executive Office of the Governor:</u> | | | | | |
| Enterprise Florida, Inc. | N/A | 31.003 | DIG-05-05 | \$ 86,891 | \$ - |
| Florida Defense Support Task Force | N/A | 40.014 | 16-137 | 57,326 | - |
| Florida Defense Support Task Force | N/A | 40.014 | DTF 15-11 | 54,302 | - |
| | | | 40.014 Total | 111,628 | - |
| <u>Department of Environmental Protection:</u> | | | | | |
| Statewide Surface Water Restoration and Wastewater Projects | N/A | 37.039 | LP44030 | 411,348 | - |
| <u>Department of Transportation:</u> | | | | | |
| Highway Beautification Grants - Keep Florida Beautiful | N/A | 55.003 | G0115 | 15,000 | - |
| Seaport Grant | N/A | 55.005 | ARJ38 | 621,429 | - |
| Commuter Assistance/Rideshare Grants | N/A | 55.007 | G0580 | 436,793 | - |
| Public Transit Block Grant Program | N/A | 55.010 | G0G47 | 215,138 | - |
| Formula Grants for Rural Areas | N/A | 55.013 | AR707 | 352,109 | - |
| <u>Department of Highway Safety and Motor Vehicles:</u> | | | | | |
| Share The Road License Plate Challenge | N/A | 76.015 | | 4,500 | - |
| Total Expenditures of State Financial Assistance | | | | \$ 2,254,836 | \$ - |

See notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance.

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the federal and state grant activity of the City of Key West, Florida (the "City"). The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and Chapter 10.550, *Rules of the Florida Auditor General*. Because the Schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* and Chapter 10.550, *Rules of the Florida Auditor General*, as well as other applicable provisions of contracts and grant agreements, wherein certain types of expenditures are not allowable or are limited as to reimbursements, as applicable.

Note 3 – Indirect Cost Rate

The City did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 – Contingency

The grant and contract revenue received is subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor/contract agencies would become a liability of the City. In the opinion of management, all grant and contract expenditures are in compliance with the terms and conditions of the grant agreements and applicable federal/state laws and other applicable regulations.

Note 5 – Prior Year Expenditures

The Schedule includes contract/grant number ARJ38 from the Florida Department of Transportation in the amount of \$ 394,210 that represents expenditures from the 2015/2016 fiscal year.

City of Key West, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the City of Key West, Florida.
2. No material weaknesses relating to the audit of the basic financial statements are reported in the 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*.
3. No instances of noncompliance material to the basic financial statements of the City of Key West, Florida were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal program and state projects are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Florida Auditor General*.
5. The auditor's report on compliance for the major federal program and state projects for the City of Key West, Florida expresses an unmodified opinion.
6. No audit findings relative to the major federal program and state projects for the City of Key West, Florida are reported in Part C of this schedule.
7. The programs/projects tested as major program/projects include the following:

| <u>Federal Program:</u> | <u>CFDA Number</u> |
|---|--------------------|
| U.S. Department of Housing & Urban Development - Housing Opportunities for Persons with AIDS | 14.241 |
| | |
| <u>State Projects:</u> | <u>CSFA Number</u> |
| Florida Department of Transportation - Seaport Grant | 55.005 |
| Florida Department of Transportation - Commuter Assistance/Rideshare Grants | 55.007 |
| Florida Department of Transportation - Formula Grants for Rural Areas | 55.013 |

8. The threshold for distinguishing Type A and Type B for federal programs was \$ 750,000. The threshold for distinguishing Type A and Type B for state projects was \$ 300,000.
9. The City of Key West, Florida was determined to be a low-risk auditee pursuant to the Uniform Guidance.

**City of Key West, Florida
Schedule of Findings and Questioned Costs (continued)
For the Year Ended September 30, 2017**

B. Findings - Financial Statements Audit

No matters are reported.

C. Findings and Questioned Costs – Major Federal Program and Major State Projects

No matters are reported.

D. Other Issues

1. A separate management letter was not issued.
2. No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal programs and/or state projects.
3. No Corrective Action Plan is required because there were no findings reported under the Uniform Guidance or the Florida Single Audit Act.

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