

City of Key West, Florida

Compliance Section
For The Year Ended September 30, 2020

**Keefe
McCullough**
CPA's + Trusted Advisors

City of Key West, Florida

Compliance Section
For The Year Ended September 30, 2020

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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, 2020, 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 2, 2021. 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) as a basis for designing 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. 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 2, 2021

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, 2020. 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, 2020.

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 2, 2021, 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 2, 2021

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 fiscal year ended September 30, 2020, and have issued our report thereon dated April 2, 2021.

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 for 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 Report on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General*; Schedule of Findings and Questioned Costs; and Independent Accountant'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 Auditor General*. Disclosures in those reports and schedules, which are dated April 2, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. 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 name or official title and legal authority of the City, its blended component unit, and its discretely presented component unit are disclosed in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the 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.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, 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 2, 2021

INDEPENDENT ACCOUNTANT'S EXAMINATION 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*, for the year ended September 30, 2020. Management is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the City's compliance with the specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

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

Fort Lauderdale, Florida
April 2, 2021

CPA's + Trusted Advisors

**City of Key West, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the Year Ended September 30, 2020**

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 Housing & Urban Development:</u>					
Direct Program					
Housing Opportunities for Persons with AIDS	14.241	N/A	FL-H16-0018	154,634	148,134
Housing Opportunities for Persons with AIDS	14.241	N/A	FL-H19-0020	188,831	182,331
Housing Opportunities for Persons with AIDS	14.241	N/A	FL-H2001W025	148,866	139,298
			14.241 Total	492,331	469,763
<u>U.S. Department of Interior Fish and Wildlife Service:</u>					
Pass-through State of Florida Department of Environmental Protection					
Clean Vessel Act	15.616	N/A	MV368	29,663	-
<u>U.S. Department of Justice:</u>					
Direct Program					
Bulletproof Vest Partnership Program	16.607	N/A	2019BUBX19099244	17,490	-
Direct Program					
Equitable Sharing Program	16.922	N/A	FL0440100	989	-
<u>U.S. Department of Transportation:</u>					
Federal Transit Cluster:					
Direct Program					
Federal Transit-Capital Investment Grants	20.500	N/A	FL-04-0132-00	770,905	-
Pass-through State of Florida Department of Transportation					
Bus and Bus Facilities Formula Program	20.526	N/A	1001-2017-19	20,748	-
Bus and Bus Facilities Formula Program	20.526	N/A	1001-2019-14	118,678	-
			Federal Transit Cluster Total	910,331	-
Highway Planning and Construction Cluster:					
Pass-through State of Florida Department of Transportation					
Highway Planning and Construction	20.205	N/A	ANT08	34,008	-
Highway Planning and Construction	20.205	N/A	G0097	11,217	-
			Highway Planning and Construction Cluster Total	45,225	-
Pass-through State of Florida Department of Transportation					
Formula Grants for Rural Areas	20.509	N/A	ARN97	125,816	-
COVID-19 - Formula Grants for Rural Areas	20.509	N/A	G1M61	1,490,785	-
Formula Grants for Rural Areas	20.509	N/A	G1268	237,580	-
			20.509 Total	1,854,181	-
<u>U.S. Department of Health and Human Services:</u>					
Direct Program					
COVID-19 - Provider Relief Fund	93.498	N/A	-	30,576	-
Pass-through the Monroe County Coalition, Inc.					
Drug-Free Communities Support Program Grants	93.276	N/A	-	5,486	-

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, 2020**

Federal or State Grantor/Pass-Through Grantor/Program Title	CFDA Number	CSFA Number	Grant/ Contract Number	Expenditures	Transfers to Subrecipients
Federal Awards (continued):					
<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	33,311	-
<u>U.S. Department of Homeland Security:</u>					
Pass-through State of Florida Division of Emergency Management					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	Z0029	1,947,392	-
Hazard Mitigation Grant	97.039	N/A	H0300	75,154	-
Port Security Grant Program	97.056	N/A	EMW-2019-PU-00312	56,019	-
Total Expenditures of Federal Awards				\$ 5,498,148	\$ 469,763
State Financial Assistance:					
<u>Department of Environmental Protection:</u>					
Statewide Surface Water Restoration and Wastewater Projects	N/A	37.039	LP44031	35,000	-
Statewide Surface Water Restoration and Wastewater Projects	N/A	37.039	LP44032	437,667	-
Statewide Surface Water Restoration and Wastewater Projects	N/A	37.039	LPA0077	480,000	-
			37.039 Total	952,667	-
<u>Department of Transportation:</u>					
Florida Highway Beautification Grant Program	N/A	55.003	G1G36	16,000	-
Seaport Investment Program	N/A	55.034	G1767	152,040	-
Seaport Grant Programs	N/A	55.005	G1448	14,616	-
Commuter Assistance Program/Ride Share Grants	N/A	55.007	G1346	246,722	-
Public Transit Block Grant Program	N/A	55.010	G1C15	204,937	-
Public Transit Service Development Program	N/A	55.012	GOZ32	151,460	-
Total Expenditures of State Financial Assistance				\$ 1,738,442	\$ -

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, 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 a substantial amount of expenditures from the prior years(s) relating to contracts and grants from the U.S. Department of Homeland Security.

City of Key West, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

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 programs and state project 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 programs and state project for the City of Key West, Florida expresses an unmodified opinion.
6. No audit findings relative to the major federal programs and state project for the City of Key West, Florida are reported in Part C of this schedule.
7. The programs/projects tested as major programs/projects include the following:

<u>Federal Programs:</u>	<u>CFDA Number</u>
Federal Transit Cluster:	
U.S. Department of Transportation - Federal Transit – Capital Investments Grant	20.500
U.S. Department of Transportation - Bus and Bus Facilities Formula Program	20.526
U.S. Department of Transportation - Formula Grants for Rural Areas	20.509
<u>State Project:</u>	<u>CSFA Number</u>
Florida Department of Environmental Protection - Statewide Surface Water Restoration and Wastewater Projects	37.039

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 \$ 521,533.
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, 2020

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.