

A photograph of a lifeguard stand on a beach. The stand is white with blue and yellow accents. It has a wooden staircase leading up to a platform. The background shows a sandy beach, the ocean, and a blue sky with some clouds. A tall building is visible in the distance.

# CITY OF MIAMI BEACH, FLORIDA

SINGLE AUDIT REPORTS IN ACCORDANCE WITH  
UNIFORM GUIDANCE AND CHAPTER 10.550,  
*RULES OF THE AUDITOR GENERAL*  
OF THE STATE OF FLORIDA  
For the Year Ended September 30, 2019

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RSM US LLP

**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**

To the Honorable Mayor and Members  
of the City Commission  
City of Miami Beach, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Miami Beach, Florida (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 24, 2020. Our report included a reference to other auditors who audited the financial statements of the City of Miami Beach Employees' Retirement Plan, City of Miami Beach Pension fund for Firefighters and Police Officers, City of Miami Beach Policemen's Relief and Pension Fund, and the City of Miami Beach Firefighters' Relief Pension Fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing on internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the City of Miami Beach Policemen's Relief and Pension were not audited in accordance with *Government Auditing Standards*. Our report included a emphasis of matter paragraphs for the City's restatement of the beginning net position of the governmental activities, business type activities, stormwater utility fund, water and sewer fund, parking system fund, convention center fund and the aggregate remaining fund information to reflect a correction of an error in the recording of the net other post-employment benefit (OPEB) liability and related deferred outflows, inflows and OPEB expense.

**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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *schedule of findings and questioned costs*, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

### **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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City's Response to Findings**

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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.

*RSM US LLP*

Miami, Florida  
June 24, 2020

**Report on Compliance for Each Major Federal Program and State Project; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, State of Florida**

**Independent Auditor's Report**

The Honorable Mayor and City Commissioners  
City of Miami Beach, Florida

**Report on Compliance for Each Major Federal Program**

We have audited the City of Miami Beach, Florida's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the Florida Department of *Financial Services' State Project Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2019. 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.

**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; and 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, State of Florida*. Those standards and the Uniform Guidance and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or major 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**

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 each of its major federal programs and state projects for the year ended September 30, 2019.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and Chapter 10.550, *Rules of the Auditor General* and which is described in the accompanying schedule of findings and questioned costs as item 2019-003. Our opinion on each major federal program and state project is not modified with respect to these matters.

The City's response to the noncompliance finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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 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 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 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 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. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-003 that we consider to be a significant deficiency.

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 Auditor General*. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the City as of and for the year ended September 30, 2019, and have issued our report thereon dated June 24, 2020, which contained an unmodified opinion on those financial statements and included an emphasis of matter paragraph due to the restatement of beginning net position of the governmental activities, business type activities, stormwater utility fund, water and sewer fund, parking system fund, convention center fund and the aggregate remaining fund information to reflect a correction of an error in the recording of the net other post-employment benefit (OPEB) liability and related deferred outflows, inflows and OPEB expense. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 Auditor General* 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 schedule of expenditure of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

*RSM US LLP*

Miami, Florida

June 29, 2020, except for our report on the Schedule of Expenditures  
of Federal Awards and State Financial Assistance, for which the date is  
June 24, 2020

City of Miami Beach, Florida

Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Grant/Contract Number	Pass-Through Entity Identifying Number	Federal CFDA	Passed through to Subrecipients	Current Year Federal Expenditure	Prior Year Adjustments	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>							
<b>Passed-through the State of Florida Department of Agriculture:</b>							
Consolidated Payment Grant/Urban and Community Forestry		17-DG-11083112-001	10.664	\$ -	\$ 12,500	\$ -	\$ 12,500
<b>Total U.S. Department of Agriculture</b>				<b>-</b>	<b>12,500</b>	<b>-</b>	<b>12,500</b>
<b>U.S. Department of Housing and Urban Development</b>							
<b>Direct Programs:</b>							
Community Development Block Grant/ Entitlement Grants	B-19-MC-12-0014		14.218	-	680	-	680
Community Development Block Grant/ Entitlement Grants	B-17-MC-12-0014		14.218	-	169,800	-	169,800
Community Development Block Grant/ Entitlement Grants	B-14-MC-12-0014		14.218	-	341,758	-	341,758
Community Development Block Grant/ Entitlement Grants	B-18-MC-12-0014		14.218	150,519	454,988	-	454,988
Community Development Block Grant/ Entitlement Grants	B-11-MC-12-0014		14.218	-	150	-	150
Community Development Block Grant/ Entitlement Grants	B-12-MC-12-0014		14.218	-	24	-	24
Community Development Block Grant/ Entitlement Grants	B-15-MC-12-0014		14.218	-	35,670	-	35,670
<b>Total Community Development Block Grant - Entitlement Grants Cluster</b>				<b>150,519</b>	<b>1,003,070</b>	<b>-</b>	<b>1,003,070</b>
<b>Direct Programs:</b>							
Home Investment Partnerships Program	M-09-MC120212		14.239	-	20,755	-	20,755
Home Investment Partnerships Program	M-10-MC120212		14.239	-	720,442	-	720,442
Home Investment Partnerships Program	M-16-MC120212		14.239	-	(39,962)	-	(39,962)
Home Investment Partnerships Program	M-19-MC120212		14.239	-	1,832	-	1,832
Home Investment Partnerships Program	M-12-MC120212		14.239	-	36	-	36
Home Investment Partnerships Program	M-13-MC120212		14.239	-	53,105	-	53,105
Home Investment Partnerships Program	M-17-MC120212		14.239	-	111,602	-	111,602
Home Investment Partnerships Program	M-18-MC120212		14.239	-	35,941	-	35,941
<b>Total HOME Investment Partnerships Program</b>				<b>-</b>	<b>903,751</b>	<b>-</b>	<b>903,751</b>
<b>Passed-through Miami-Dade County, Florida:</b>							
Supportive Housing Program - FY 2017/Continuum of Care - City of Miami Beach Outreach Program		FL0177L4D001710	14.267	-	42,051	-	42,051
Supportive Housing Program - FY 2018/Continuum of Care - City of Miami Beach Outreach Program		FL0177L4D001811	14.267	-	21,028	-	21,028
<b>Total Supportive Housing Program - Continuum of Care</b>				<b>-</b>	<b>63,079</b>	<b>-</b>	<b>63,079</b>
<b>Total U.S. Department of Housing and Urban Development</b>				<b>150,519</b>	<b>1,969,900</b>	<b>-</b>	<b>1,969,900</b>
<b>U.S. Department of Justice</b>							
<b>Direct Programs:</b>							
Edward Byrne Memorial Justice Assistance Grant Program- JAG Program (FY2017) - Miami Beach Mobile License Plate Reader Trailer		2017-DJ-BX-0775	16.738	-	68,114	-	68,114
Edward Byrne Memorial Justice Assistance Grant Program- JAG Program (FY2018) - Local Solicitation		2018-DJ-BX-0785	16.738	-	66,244	-	66,244
Edward Byrne Memorial Justice Assistance Grant Program - City of Miami Beach Police Department's Closed Circuit Television Program		2016-DJ-BX-0856	16.738	-	69,112	-	69,112
<b>Passed-through the Florida Department of Law Enforcement:</b>							
Keeping Police Rifles Out of Criminal Hands		2017-MU-BX-0187	16.738	-	8,388	-	8,388
<b>Total Edward Byrne Memorial Justice Assistance Grant Program</b>				<b>-</b>	<b>211,858</b>	<b>-</b>	<b>211,858</b>
<b>Passed-through the Office of the Florida Attorney General:</b>							
VOCA -VICTIMS OF CRIME ACT 2017/18		VOCA-2017-MBPD-00001	16.575	-	(459)	-	(459)
VOCA -VICTIMS OF CRIME ACT 2018/19		VOCA-2018-MBPD-00031	16.575	-	577,956	-	577,956
VOCA -VICTIMS OF CRIME ACT 2019/20		VOCA-2019-MBPD-00006	16.575	-	193	-	193
<b>Total VOCA - Victims of Crime Act</b>				<b>-</b>	<b>577,690</b>	<b>-</b>	<b>577,690</b>

City of Miami Beach, Florida

Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Grant/Contract Number	Pass-Through Entity Identifying Number	Federal CFDA	Passed through to Subrecipients	Current Year Federal Expenditure	Prior Year Adjustments	Total Federal Expenditures
<b>Direct Programs:</b>							
Edward Byrne Memorial Competitive Grant Program - City of Miami Beach Smart Policing Initiative for Body-Worn Camera Data-Sharing	2015-WY-BX-0002		16.751	\$ -	\$ 140,472	\$ -	\$ 140,472
Federal Equitable Sharing Agreement	FL0130700		16.922	-	126,595	-	126,595
<b>Total U.S. Department of Justice</b>				<b>-</b>	<b>1,056,615</b>	<b>-</b>	<b>1,056,615</b>
<b>U.S. Department of Transportation</b>							
<b>Passed-through the Florida Department of Transportation:</b>							
Highway Planning and Construction-Middle Beach Recreational Corridor Phase 2		G0I26	20.205	-	1,438,524	-	1,438,524
Highway Planning and Construction - Safe Routes to School - Fienberg-Fisher K-8 Center		D617-028-B/GOK85	20.205	-	13,918	-	13,918
Highway Planning and Construction - Safe Routes to School Infrastructure Project - Biscayne Elementary School		D617-030-B/GOK83	20.205	-	(2,067)	-	(2,067)
Highway Planning and Construction - Safe Routes to School Infrastructure Project - North Beach Elementary School & Nautilus Middle		D617-029-B,GOK84	20.205	-	4,843	-	4,843
Highway Planning and Construction - Beach Walk II Construction (3rd to 5th Streets along Beach)		GO071	20.205	-	115,220	-	115,220
<b>Total Highway Planning and Construction Cluster</b>				<b>-</b>	<b>1,570,438</b>	<b>-</b>	<b>1,570,438</b>
<b>Passed-through the Florida Department of Transportation:</b>							
State and Community Highway Safety Program (NHTSA 402 Funds) - Miami Beach Police Department Motorcycle Safety Campaign		G1047	20.600	-	74,856	-	74,856
National Priority Safety Program (NHTSA 405 Funds) - Miami Beach Police Department Impaired Driving Initiative		G1621	20.616	-	35,594	-	35,594
<b>Total Highway Safety Cluster</b>				<b>-</b>	<b>110,450</b>	<b>-</b>	<b>110,450</b>
<b>Total U.S. Department of Transportation</b>				<b>-</b>	<b>1,680,888</b>	<b>-</b>	<b>1,680,888</b>
<b>U.S. Department of Homeland Security</b>							
<b>Passed-through the State of Florida Department of Emergency Management:</b>							
Hurricane Matthew - via Mutual Aide Agreement		05-008-16	97.036	-	-	8,536	8,536
Hurricane Harvey - via Mutual Aide Agreement		2017-0014	97.036	-	-	26,680	26,680
Hurricane Maria - via Mutual Aide Agreement		Not available	97.036	-	-	32,574	32,574
Hurricane Michael - via Mutual Aide Agreement		02-028-18	97.036	-	-	390,289	390,289
Hurricane Irma		08-45025-00	97.036	-	-	752,791	752,791
<b>Total Emergency Management - Hurricane Irma</b>				<b>-</b>	<b>-</b>	<b>1,210,870</b>	<b>1,210,870</b>
<b>Direct Programs:</b>							
Emergency Food and Shelter Program	159400-076		97.024	-	23,433	-	23,433
Preparing Communities for Complex Coordinated Terrorist Attacks (CCTA) Grant Program 2016	EMW-2016-GR-00097-S01		97.133	-	16,252	-	16,252
2017 Assistance to Firefighters Grant	EMW-2017-FO-05796-002		97.044	-	45,455	-	45,455
<b>Passed-through the Federal Emergency Management Agency:</b>							
Volunteer Florida CERT Contract Agreement 2018-2019		G428 CERT T-I-T	97.042	-	4,968	-	4,968
<b>Passed-through the State of Florida Division of Emergency Management:</b>							
Homeland Security Grant Program -Urban Areas Security Initiative 2017		17-DS-X3-11-23-02-376	97.067	-	93,470	-	93,470
<b>Total U.S. Department of Homeland Security</b>				<b>-</b>	<b>183,578</b>	<b>1,210,870</b>	<b>1,394,448</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ 150,519</b>	<b>\$ 4,903,481</b>	<b>\$ 1,210,870</b>	<b>\$ 6,114,351</b>

See notes to schedule of expenditures of federal awards and state financial assistance.

City of Miami Beach, Florida

Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended September 30, 2019

State Grantor/Program	Grant/Contract Number	Pass-Through Entity Identifying Number	State CSFA	Passed through to Subrecipients	Current Year Federal Expenditure	Prior Year Adjustments	Total Federal Expenditures
<b>State of Florida, Department of Environmental Protection</b>							
<b>Direct Programs:</b>							
Florida Resilient Coastline Program (FRCP)	R1801		37.098	\$ -	\$ 24,598	\$ -	\$ 24,598
Statewide Surface Water Restoration and Wastewater Projects - Miami Beach Water Line Replacement on Alton Road from Michigan Ave to North Bay Rd. and 43rd Street to 63rd Street Project	LP13134/LP13135		37.039	-	219,756	-	219,756
Statewide Surface Water Restoration and Wastewater Projects (Clean Water State Revolving Loan Agreement)	SW131300		37.077	-	419,102	-	419,102
<b>Total State of Florida, Department of Environmental Protection</b>				-	<b>663,456</b>	-	<b>663,456</b>
<b>State of Florida, Housing Finance Corporation</b>							
<b>Direct Program:</b>							
State Housing Initiatives Partnership (SHIP) Program	N/A		40.901	-	628,904	-	628,904
<b>Total State of Florida, Housing Finance Corporation</b>				-	<b>628,904</b>	-	<b>628,904</b>
<b>Florida Department of State and Secretary of State</b>							
<b>Direct Programs:</b>							
St. of FL - Div of Historical Resources - 41st Street and Pinetree Drive Fountain	19.h.sm.100.077		45.031	-	6,800	-	6,800
28th Street Obelisk Restoration Project	SC729		45.032	-	132,386	-	132,386
<b>Total Florida Department of State and Secretary of State</b>				-	<b>139,186</b>	-	<b>139,186</b>
<b>Florida Department of Transportation</b>							
<b>Direct Programs:</b>							
A1A Indian Creek Corridor	AS-343/439228-2-58-01		55.U01	-	1,198,880	-	1,198,880
Locally Funded Agreement - Transportation Management Initiative Agreement	422239-2-12-01		55.039	-	19,871	-	19,871
Public Transit Service Development Program - Middle Beach Loop Trolley Route	G0Y95		55.012	-	500,000	-	500,000
<b>Total Florida Department of Transportation</b>				-	<b>1,718,751</b>	-	<b>1,718,751</b>
<b>Florida Department of Children and Families</b>							
<b>Direct Program:</b>							
Florida Coalition Against Domestic Violence - Law Enforcement Equipment 2019	19-8059-LE Equipment		60.134	-	14,351	-	14,351
<b>Total Florida Department of Children and Families</b>				-	<b>14,351</b>	-	<b>14,351</b>
<b>Florida Department of Health</b>							
<b>Direct Programs:</b>							
Emergency Medical Services (EMS) Matching Awards	M7036		64.003	-	23,214	-	23,214
Emergency Medical Services (EMS) Matching Awards	M6077		64.003	-	58,500	-	58,500
<b>Passed-through Miami-Dade County, Florida:</b>							
County Award Grant - Emergency Medical Services (EMS) Matching Awards		C7013	64.005	-	2,896	-	2,896
County Award Grant - Emergency Medical Services (EMS) Matching Awards		C4013,C5013,C6013	64.005	-	12,002	-	12,002
<b>Total Florida Department of Health</b>				-	<b>96,612</b>	-	<b>96,612</b>
<b>Florida Department of Law Enforcement</b>							
<b>Direct Program:</b>							
Victim or Witness Assistance	F18-2644AB		71.006	-	-	10,589	10,589
<b>Total Florida Department of Law Enforcement</b>				-	-	<b>10,589</b>	<b>10,589</b>
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>				\$ -	\$ <b>3,261,260</b>	\$ <b>10,589</b>	\$ <b>3,271,849</b>

See notes to schedule of expenditures of federal awards and state financial assistance.

## City of Miami Beach, Florida

### Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

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#### **Note 1. Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state financial assistance (the Schedules) include the federal and state award activity of the City of Miami Beach, Florida (the City) under programs of the Federal government and the State of Florida for the year ended September 30, 2019. The information in these Schedules are presented in accordance with the requirements of the 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*. Because these Schedules present only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in fund balance/net position, or cash flows of the City. The City's reporting entity is defined in Note 1 of the City's basic financial statements.

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting for expenditures accounted for in the governmental funds and on the accrual basis of accounting for expenses of the proprietary fund types, which are described in Note 1 to the City's basic financial statements. Such expenditures/expenses are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.550, Rules of the Auditor General of the State of Florida, wherein certain types of expenditures/expenses are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

#### **Note 3. Indirect Cost Recovery**

The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **Note 4. Subrecipients**

Certain program funds are passed through the City to subrecipient organizations. Subrecipients are noted on the schedule as "passed through to subrecipients".

#### **Note 5. Loans Outstanding**

On November 12, 2014, the City entered into the Clean Water State Revolving Fund Loan Agreement with the State of Florida Department of Environment Protection. The semiannual loan payment amount is based on the total amount of \$7,797,500 which consist of the Loan principal plus the estimated Loan Service Fee. Loan payments commenced on February 15, 2018 and semiannually thereafter on August 15 and February 15 of each year until all amounts due have been fully paid. The interest rate on this loan is 1.62% per annum. The loan shall be repaid in 40 semiannual loan payments of \$229,001, which is \$458,002 per year. Loan disbursements from the State to the City will be made for reimbursements of allowable costs. The loan is recorded as a loan payable in the governmental activities of the City's government wide statements. As of September 30, 2019, \$7.4 million of allowable costs have been incurred by the City and \$6.2 million has been reimbursed from the State. The loan is secured by the Stormwater fund's pledged revenues and will be repaid with such funds.

**City of Miami Beach, Florida**

**Schedule of Findings and Questioned Costs  
Federal Awards Programs and State Projects**

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**Section I . Summary of Auditors' Results**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

    X     Yes

           No

Significant deficiency(ies) identified?

    X     Yes

           None reported

Noncompliance material to

financial statements noted?

           Yes

    X     No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

           Yes

    X     No

Significant deficiency(ies) identified?

           Yes

    X     None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

           Yes

    X     No

Identification of major federal programs:

Federal CFDA No.

Name of Federal Program or Cluster

20.205/20.219

Highway Planning and Construction Cluster

97.036

Disaster Grants - Public Assistance

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

    X     Yes

           No

(Continued)

**City of Miami Beach, Florida**

**Schedule of Findings and Questioned Costs  
Federal Awards Programs and State Projects (Continued)**

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State Financial Assistance :

Internal control over major projects:

Material weakness(es) identified?	<u>          </u> Yes	<u>  X  </u> No
Significant deficiency(ies) identified?	<u>  X  </u> Yes	<u>          </u> None reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, *Rules of the Auditor General*?

<u>  X  </u> Yes	<u>          </u> No
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Identification of major state projects:

State CSFA No.

Name of State Project

40.901

State Housing Initiatives Partnership Programs (SHIP)

55.U01

A1A Indian Creek Corridor

Dollar threshold used to distinguish between type A and type B projects:

\$750,000

(Continued)

**City of Miami Beach, Florida**

**Schedule of Findings and Questioned Costs  
Federal Awards Programs and State Projects (Continued)**

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**Section II. Financial Statement Findings**

A. *Internal Control Over Financial Reporting*

**IC 2019-001 – Restatement**

**Criteria:** Internal control policies and procedures should provide reasonable assurance regarding the reliability of the financial reporting process, including the selection of significant assumptions used in the accurate recording and disclosure of accounting transactions.

**Condition:** A material accounting adjustment was made to the financial statements to comply with generally accepted accounting principles with regard to the recording of the net other postemployment benefit liability. Due to a misunderstanding between the City and its third party specialist actuary, the incorrect discount rate was applied by the actuary resulting in an understatement of the estimated liability for other postemployment benefits (OPEB). Management relied on the actuary's expertise and did not identify the error in its review of the actuarial report.

**Context:** The condition is an isolated incident relating to the net OPEB liability, which is actuarially determined.

**Cause:** Established controls requiring the reconciliation and review of account balances failed to identify the error noted. There was a communication breakdown and misunderstanding between the actuary and the City regarding the amount being contributed by the City to the trust on an annual basis. Based on the level of funding to the plan the incorrect discount rate was applied by the actuary.

**Effect:** The net OPEB liability as of 9/30/2018 was understated. As a result, effective October 1, 2018 beginning net positions of the governmental activities, business type activities, discrete component unit, and the proprietary funds were restated to reflect the effect of correcting the beginning balance of the net OPEB liability and related deferred inflows and outflows.

**Recommendation:** We recommend that management establish a process to review all actuarial assumptions in detail with the actuary before they perform their actuarial valuation to identify potential misunderstandings on a timely basis. The final report should also be reviewed as part of the reconciliation process and adjustment of the impacted accounts.

**Views of Responsible Officials and Planned Corrective Action:** The City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended September 30, 2018. At that time the City relied on the actuary's expertise for the actuarial report including assumptions and appropriate discount rates.

GASB 75 is a complex accounting standard with many components including significant analysis of the City's benefits and funding methodology. Like all significant accounting standards, an entity may not have all assumptions accurately measured in the first year of implementation, as is the case here. A complete review by the Actuary and the City took place in the second year of implementation, resulting in a change in the discount rate and the need for a restatement.

Going forward, the City will review the actuarial report and assumptions used before accepting the final actuarial report. As part of the year-end reconciling and closing process, all third party reports, journal entries and balance sheet analysis will be performed in a timely manner.

**City of Miami Beach, Florida**

**Schedule of Findings and Questioned Costs  
Federal Awards Programs and State Projects (Continued)**

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**IC 2019-002 – Reporting Errors**

**Criteria:** Internal control policies and procedures should provide reasonable assurance regarding the reliability of the financial reporting process, including the accurate recording and disclosure of accounting transactions.

**Condition:** Amounts due from other governments for the capital projects fund and other special revenue fund that related to grant reimbursements were not recorded as receivables since the funds were not received within the City's availability period for revenue recognition on the modified accrual basis of accounting. However, in accordance with GASB Statement No. 33, the receivable and an offsetting deferred inflow of resources for unavailable revenue should have been recorded as soon as all grant eligibility requirements had been met. Additionally, the government wide accrued interest payable entry was calculated incorrectly as of September 30, 2019.

**Context:** Isolated. These were both year-end post-closing adjustments recorded once a year.

**Cause:** Supervisory reviews were ineffective in detecting errors prior to approving journal entries.

**Effect:** The accrued interest liability in the statement of net position was understated in the preliminary trial balance and the due from other governments were understated for the reimbursement of grant related expenditures that met the eligibility requirements but had not been collected within 45 days of year-end. The due from other governments and grant revenue were understated in the governmental activities opinion unit as well.

**Recommendation:** We recommend the City:

1. Ensure that supervisory reviews are performed by staff knowledgeable about the transactions they are approving. Further, ensure review procedures are designed in a manner that will detect errors relating to these transactions prior to approving journal entries in the financial system.
2. Implement procedures such as year-to-year analytical comparisons to identify instances of significant changes in reported balances.

**Views of Responsible Officials and Planned Corrective Actions:** The Finance Department has faced many challenges in reporting for the fiscal year ending September 30, 2019, including turnover in key positions such as the Accounting Manager and Grant Compliance Monitoring position. In addition, the COVID-19 pandemic has placed significant strain on staff ranging from displacement to competing priorities and illness. The Department will as they have done in normal years, ensure that qualified staff perform substantive reviews and analysis. As part of the year end reconciling and closing process all journal entries and balance sheet analysis will be performed in a timely manner.

**B. Compliance**

No matters to report.

City of Miami Beach, Florida

Schedule of Findings and Questioned Costs  
Federal Awards Programs and State Projects (Continued)

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Section III. Federal Awards and State Projects Findings and Questioned Costs

A. *Internal Control Over Compliance*

**Federal Awards**

No matters to report.

**State Projects**

**IC 2019-003**

Reporting

Florida Housing Finance Corporation

**Title:**

**CSFA#:**

**State Housing Initiatives Partnership Program (SHIP) CSFA No. 40.901**

**Criteria:** Pursuant to the reporting requirements for the State Housing Initiatives Partnership Program (SHIP): An annual report and certification is required to be completed and submitted to Florida Housing by September 15 of each year pursuant to Section 420.9071(4).

**Condition:** The annual report certification was not submitted by the due date stipulated by Florida Housing.

**Questioned Costs:** Undeterminable.

**Context:** Isolated matter.

**Effect:** Failure to comply with program requirements could result in loss of grant funding.

**Cause:** The City did not have a control in place to ensure timely filing of the audited certification report.

**Recommendation:** We recommend that City personnel in charge of administering grant compliance, review the City's grant requirements and implement a control to ensure the timeliness of submission of required reports to grantors.

**Views of Responsible Officials and Planned Corrective Action:** The City will ensure that control measures are in place to comply with timely submission of future certifications. For this specific certification, the Office of Housing and Community Services experienced delays in the internal form approval process. Future streamlining of the process will eliminate delays and result in timely filing. In addition, the Finance Department will help monitor the timely filing of the certification.

B. *Compliance*

**Federal Awards**

No matters to report.

**City of Miami Beach, Florida**

**Schedule of Findings and Questioned Costs  
Federal Awards Programs and State Projects (Continued)**

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**State Projects**

**CF 2019-001**

Reporting

Florida Housing Finance Corporation

**Title:**

**CSFA#:**

**State Housing Initiatives Partnership Program (SHIP)**

**CSFA No. 40.901**

See Section III – Federal Awards Findings and Questioned Costs  
IC 2019– 003 – Reporting

**City of Miami Beach, Florida**

**Schedule of Prior Year Audit Findings**

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<b>Finding #</b>	<b>Program</b>	<b>Finding</b>	<b>Status</b>
2018-001	N/A	Financial Statement Finding	Corrective action has been taken