

CITY OF MIAMI BEACH, FLORIDA

SINGLE AUDIT REPORT

For the Year Ended September 30, 2020



City of Miami Beach, Florida

Single Audit Reports in Accordance with 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 of the State of Florida

Year Ended September 30, 2020

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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, 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 May 27, 2021. 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. 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* and accordingly this report does not include reporting on internal controls over financial reporting or instances of reportable noncompliance associated with the City of Miami Beach Policemen's Relief and Pension.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider a material weakness. We did identify a certain deficiency in internal control, described in the accompanying *schedule of findings and questioned costs* as item 2020-001 that we consider 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 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City’s Response to Finding

The City’s response to the 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 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
May 27, 2021



RSM US LLP

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 and Major State Project

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, 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.

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 and Major 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 each of 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 major 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 major 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 or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. *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.

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 Required by the Uniform Guidance and Schedule of State Financial Assistance Required by 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, 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 May 27, 2021, which contained an unmodified opinion on those financial statements, and included 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 schedule of 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 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 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 schedule of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

RSM US LLP

Miami, Florida

June 25, 2021, except for our report on the Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State Financial Assistance, for which the date is May 27, 2021

City of Miami Beach, Florida

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Grant/Pass-Through Entity Identifying Number	Federal ALN	Passed through to Subrecipients	Current Year Federal Expenditure	Prior Year Adjustments	Total Federal Expenditures
U.S. Department of Agriculture						
Hurricane IRMA EWP	NR184209XXXXC012	10.923	\$ -	\$ 268,789	\$ -	\$ 268,789
Pass-Through the State of Florida Department of Agriculture: Consolidated Payment Grant/Urban and Community Forestry	18-DG-11083112-001	10.664	-	20,000	-	20,000
Total U.S. Department of Agriculture			-	288,789	-	288,789
U.S. Department of Housing and Urban Development						
Community Development Block Grant/ Entitlement Grants	B-19-MC-12-0014/B-20-MC-12-4	14.218	513,138	705,845	-	705,845
Community Development Block Grant/ Entitlement Grants	B-17-MC-12-0014	14.218	16,156	86,987	-	86,987
Community Development Block Grant/ Entitlement Grants	B-18-MC-12-0014	14.218	-	76,355	-	76,355
Community Development Block Grant/ Entitlement Grants	B-11-MC-12-0014	14.218	-	176	-	176
Community Development Block Grant/ Entitlement Grants	B-15-MC-12-0014	14.218	-	41,651	-	41,651
Community Development Block Grant/ Entitlement Grants	B-16-MC-12-0014	14.218	-	11,893	-	11,893
Total Community Development Block Grant - Entitlement Grants Cluster			529,294	922,907	-	922,907
Home Investment Partnerships Program	M-09-MC120212	14.239	-	-	-	-
Home Investment Partnerships Program	M-10-MC120212	14.239	-	73,176	-	73,176
Home Investment Partnerships Program	M-16-MC120212	14.239	134,708	7,030	-	7,030
Home Investment Partnerships Program	M-19-MC120212/M-15-MC1202	14.239	297,790	576,265	-	576,265
Home Investment Partnerships Program*	M-17-MC120212	14.239	16,851	(92,325)	-	(92,325)
Home Investment Partnerships Program	M-18-MC120212	14.239	-	30,769	-	30,769
Total HOME Investment Partnerships Program			449,349	594,915	-	594,915
Pass-Through Miami-Dade County, Florida:						
Supportive Housing Program - FY 2018/Continuum of Care - City of Miami Beach Outreach Program	FL0177L4D001811	14.267	-	42,051	-	42,051
Supportive Housing Program - FY 2019/Continuum of Care - City of Miami Beach Outreach Program	FL0177L4D001912	14.267	-	21,018	-	21,018
Total Supportive Housing Program - Continuum of Care			-	63,069	-	63,069
Total U.S. Department of Housing and Urban Development			978,643	1,580,891	-	1,580,891
U.S. Department of Justice						
Pass-Through Office of The Florida Attorney General:						
VOCA - VICTIMS OF CRIME ACT 2020/21	VOCA-2020-MBPD-00525	16.575	-	18,875	-	18,875
VOCA - VICTIMS OF CRIME ACT 2019/20	VOCA-2019-MBPD-00006	16.575	-	436,858	-	436,858
Total VOCA - Victims of Crime Act			-	455,733	-	455,733
Miami Beach Coronavirus Emergency Program	2020-VD-BX-0503	16.034	-	136,778	-	136,778
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	-	(3,270)	-	(3,270)
Federal Equitable Sharing Agreement	FL0130700	16.922	-	145,789	-	145,789
Total U.S. Department of Justice			-	279,297	-	279,297
Total U.S. Department of Justice			-	735,030	-	735,030

City of Miami Beach, Florida

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended September 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Grant/Pass-Through Entity Identifying Number	Federal ALN	Passed through to Subrecipients	Current Year Federal Expenditure	Prior Year Adjustments	Total Federal Expenditures
U.S. Department of Transportation						
Pass-Through the Florida Department of Transportation: Highway Planning and Construction-Middle Beach Recreational Corridor Phase III	G1552	20.205	-	800,000	-	800,000
Total Highway Planning and Construction Cluster			-	800,000	-	800,000
Total U.S. Department of Transportation			-	800,000	-	800,000
U.S. Department of Homeland Security						
Pass-Through the State of Florida Department of Emergency Management: Hurricane Dorian	01-018-19	97.036	-	-	38,543	38,543
Hurricane Michael - via Mutual Aide Agreement	02-028-18	97.036	-	-	149,381	149,381
Hurricane Irma	08-45025-00	97.036	-	-	5,142,751	5,142,751
Total Emergency Management			-	-	5,330,675	5,330,675
Emergency Food and Shelter Program - Phase 35	159400-076	97.024	-	433	-	433
Emergency Food and Shelter Program - Phase 36	159400-076	97.024	-	24,500	-	24,500
Pass-Through the State of Florida Division of Emergency Management: Hazard Mitigation Grant - Flood Mitigation Assistance	18FM-X8-11-23-02-226	97.029	-	18,373	-	18,373
Hazard Mitigation Grant Program - Wind Retrofit	FEMA-DR-4337-FL	97.039	-	814,982	-	814,982
Homeland Security Grant Program -Urban Areas Security Initiative 2018	19-DS-04-11-23-02-319	97.067	-	85,991	-	85,991
			-	944,279	-	944,279
Total U.S. Department of Homeland Security			-	944,279	5,330,675	6,274,954
U.S. Department of The Treasury						
Pass-Through Miami-Dade County, Florida: Coronavirus Relief Fund - CARES Act (Covid-19)		21.019	-	12,727	-	12,727
Total Coronavirus Relief Fund - CARES Act (Covid-19)			-	12,727	-	12,727
Community Development Block Grant/ Entitlement Grants/Coronavirus Relief Fund - CARES Act (Covid-19)	B-20-MW-12-0014	21.019	-	79,497	-	79,497
Total Community Development Block Grant/ Entitlement Grants/Coronavirus Relief Fund - CARES Act (Covid-19)			-	79,497	-	79,497
Total U.S. Department of Teasury			-	92,224	-	92,224
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 978,643	\$ 4,441,213	\$ 5,330,675	\$ 9,771,888

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, 2020**

State Grantor/Program	Grant/Pass-Through Entity Identifying Number	State ALN	Passed through to Subrecipients	Total State Expenditures
State of Florida, Department of Environmental Protection				
Florida Resilient Coastline Program (FRCP)	R1801	37.098	\$ -	\$ 10,367
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		94,322
Historic District Resiliency and Adaptation Guidelines	R1923	37.098	-	75,000
Statewide Surface Water Restoration and Wastewater Projects (Clean Water State Revolving Loan Agreement)	SW131300	37.077	-	57,052
Total State of Florida, Department of Environmental Protection			-	236,741
State of Florida, Housing Finance Corporation				
State Housing Initiatives Partnership (SHIP) Program	N/A	40.901	-	501,087
Total State of Florida, Housing Finance Corporation			-	501,087
Florida Department of State and Secretary of State				
28th Street Obelisk Restoration Project	SC729	45.032	-	568
Total Florida Department of State and Secretary of State			-	568
Florida Department of Transportation				
A1A Indian Creek Corridor	AS-343/439228-2-58-01	55.000	-	2,628,860
Locally Funded Agreement - Transportation Management Initiative Agreement	422239-2-12-01	55.039	-	19,871
Miami Beach Atlantic Trail Greenway Corridor from South Pointe Park to 87th Terrace	G0Q53	55.038	-	3,257,363
Public Transit Service Development Program - South Beach Loop Trolley Route	G1C66	55.012	-	1,145,505
Total Florida Department of Transportation			-	7,051,599
Florida Department of Health				
Pass-Through Miami-Dade County, Florida:				
Emergency Medical Services	C8013	64.005	-	2,898
Emergency Medical Services	C7013	64.005	-	1,613
Emergency Medical Services (EMS) Matching Awards	C4013,C5013,C6013	64.005	-	5,038
Total Florida Department of Health			-	9,549
Florida Department of Law Enforcement				
FY 19-20 Identity Theft and Fraud Grant Program	2020-SFA-ITF-43-2D-002	71.042	-	677
Total Florida Department of Law Enforcement			-	677
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			\$ -	\$ 7,800,220

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

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, 2020. 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 Schedules 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. Prior year adjustments represents additional hurricane-related grant expenditures which were approved for funding in the current fiscal year but the expenditures were incurred in prior fiscal years and are being recognized on the Schedules for the first time in the current fiscal year.

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 Schedules as "passed through to subrecipients".

Note 5. Loans Outstanding

On November 12, 2014, the City of Miami Beach entered into the Clean Water State Revolving Fund Loan Agreement with the State of Florida Department of Environment Protection. On November 24, 2020, Amendment No.1 to the Loan Agreement was executed. The semiannual loan payment amount is based on the total amount of \$7,697,180, which consist of the Loan principal, accrued Capitalized Interest plus the 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. 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, 2020, \$7.5 million of allowable costs have been incurred by the City and \$7.5 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. The outstanding principal balance reported at September 30, 2020, is \$6,592,327, which consist of Loan Principal and Service Fee.

City of Miami Beach, Florida

**Schedule of Findings and Questioned Costs
Federal Awards Programs and State Projects
For the Year Ended September 30, 2020**

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?	_____ Yes	_____ X No	
Significant deficiency(ies) identified?	_____ X Yes	_____ None reported	

Noncompliance material to financial statements noted?	_____ Yes	_____ X No	
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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	
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Identification of major federal programs:

<u>Federal Assistance Listing No.</u>	<u>Name of Federal Program or Cluster</u>
14.218	CDBG Entitlement Cluster
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.039	Disaster Grants – Hazard Mitigation

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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

City of Miami Beach, Florida

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

State Financial Assistance :

Internal control over major projects:

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 projects:

Unmodified

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

_____ Yes	_____ X _____ No
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Identification of major state projects:

State Assistance Listing No.

Name of State Project

55.012

Public Transit Service

55.038

FL Shared-Use Nonmotorized (SUN) Trail

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)**

Section II. Financial Statement Findings

A. Internal Control Over Financial Reporting

IC 2020-001 – Worker’s Compensation Liability – Significant Deficiency

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

Condition: A material accounting adjustment was made by management to the financial statements to comply with generally accepted accounting principles with regard to the recording of the worker’s compensation (WC) liability to the self-insurance fund to adjust and eliminate an excess reserve provided by the actuary based on data that was altered to a different reserve method, which was not consistent with past practices.

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

Cause: Although the City relies on the third party administrator and the actuary to provide the estimation process, the City is obligated to timely review the information and ensure the accuracy of all inputs used in the calculation. The City identified the changes to the reserves in the third quarter, but was not able to have the reserves adjusted before the audit process.

Effect: The WC liability as of 9/30/2020 was overstated within the actuarial report and the data needed to correct the analysis was not available from the third-party administrator. As a result, management had to generate a revised alternate analysis focused solely on the WC paid loss development data and expanded the scope of the audit to include limited independent testing of the reasonableness of the estimated liability for self-insured risks related to WC claims.

Recommendation: We recommend that management establish a process to review all actuarial assumptions and changes in assumptions or methods on a timely basis before they have the actuarial valuation prepared. Also recommended is that management review the draft results to identify potential errors or anomalies requiring further attention. Additional procedures should also be put in place to monitor any changes applied by the third party administrator to their policies and procedures regarding processing of claims reserves on behalf of the City. The final report should also be reviewed as part of the reconciliation process for consistency and reasonableness.

Views of Responsible Officials and Planned Corrective Action: Management currently has in place a quarterly review of WC data that is provided to the actuary for analysis. Management will review the established internal controls, particularly those related to data received by the WC third-party administrator, review the actuarial report and assumptions used in detail before accepting the final actuarial report.

Additional controls in place include the continuous review of reserve levels for WC claim files that are managed by the third party-administrator. Management will confirm at its annual third-party administrator’s utilization review meeting that the City’s reserve philosophy is being used correctly by all adjusters.

B. Compliance

No matters to report.

City of Miami Beach, Florida

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

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

A. Internal Control Over Compliance

Federal Awards

No matters to report.

State Projects

No matters to report.

B. Compliance

Federal Awards

No matters to report.

State Projects

No matters to report.



City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

Summary of Prior Year Findings

Audit Finding Number: IC 2019-001: Restatement

Audit Finding: 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.

Status of Finding: Corrective action has been taken. Matter is not repeated.

Audit Finding Number: IC 2019-002: Reporting Errors – Significant Deficiency

Audit Finding: Incorrect balances for due from other governments for the capital projects fund and other special revenue fund were reflected in the general ledger balances as of September 30, 2019. Additionally, the government wide accrued interest payable entry was incorrect as of September 30, 2019.

Status of Finding: Corrective action has been taken. Matter is not repeated.

Audit Finding Number: IC 2019-003 Reporting

**State of Florida Housing and Finance Corporation -
State Housing Initiatives Partnership Program (SHIP) (CSFA No. 40.901)**

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

Status of Finding: Corrective action has been taken. Matter is not repeated.

Corrective Action Plan

Audit Finding Number: 1C 2020-001 — Worker's Compensation Liability – Significant Deficiency

Audit Finding: A material accounting adjustment was made by management to the financial statements to comply with generally accepted accounting principles with regard to the recording of the worker's compensation (WC) liability to the self-insurance fund to adjust and eliminate an excess reserve provided by the actuary based on data that was altered to a different reserve method, which was not consistent with past practices. The WC liability as of 9/30/2020 was overstated within the actuarial report and the data needed to correct the analysis was not available from the third-party administrator. As a result, management had to generate a revised alternate analysis focused solely on the WC paid loss development data and expanded the scope of the audit to include limited independent testing of the reasonableness of the estimated liability for self-insured risks related to WC claims.

Recommendation: We recommend that management establish a process to review all actuarial assumptions and changes in assumptions or methods on a timely basis before they have the actuarial valuation prepared. Also recommended is that management review the draft results to identify potential errors or anomalies requiring further attention. Additional procedures should also be put in place to monitor any changes applied by the third party administrator to their policies and procedures regarding processing of claims reserves on behalf of the City. The final report should also be reviewed as part of the reconciliation process for consistency and reasonableness.

Views of Responsible Officials and Planned Corrective Action: Management currently has in place a quarterly review of WC data that is provided to the actuary for analysis. Management will review the established internal controls, particularly those related to data received by the WC third-party administrator, review the actuarial report and assumptions used in detail before accepting the final actuarial report.

Additional controls in place include the continuous review of reserve levels for WC claim files that are managed by the third party-administrator. Management will confirm at its annual third-party administrator's utilization review meeting that the City's reserve philosophy is being used correctly by all adjusters.

Submitted by:



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