



MIAMI BEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jorge M. Gonzalez, City Manager
VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: May 15, 2012
AUDIT: Miami Design Preservation League Grant Audit
PERIOD: October 1, 2009 through December 31, 2011

This report is the result of a regularly scheduled audit of the non-profit Miami Design Preservation League's compliance with tested provisions in their annually signed grant agreements between October 1, 2009 and December 31, 2011 covering the receipt and expenditure of City Commission approved general fund monies.

INTRODUCTION

The Miami Design Preservation League or MDPL was originally formed in August 1976 as a project to honor the United States bicentennial. Over the next thirty-six years, this non-profit 501c(6) organization has the goal of preserving, protecting, and promoting the cultural, social, economic, environmental and architectural integrity of the Miami Beach Architectural Historic District and all other areas of the City of Miami Beach where historic preservation is a concern.

MPDL is currently governed by a twenty member Board of Directors that meet once a month to discuss such items as financial data, upcoming events, goals and objectives, etc. The organization's administration is currently comprised of six employees as the Executive Director left in December 2011 and the position has not been filled to date.

Corporate offices are located at 1001 Ocean Drive in the City owned Ocean Front Auditorium which underwent a City capital renovation program that was substantially completed in October 2009. In addition, the building's first floor contains an Art Deco Welcome Center which provides a central point of information for an estimated 10,000 patrons each month; responds to inquiries; conducts tours and educational programs regarding the City's history and the importance of its architectural heritage; etc. The City Commission adopted Resolution No. 2009-27288 and its attached management agreement authorizing MDPL to operate this facility through December 31, 2014 with an option to renew for two additional five year terms.

MDPL also stages Art Deco weekend, which was recently held January 13th through 15th 2012 where it drew close to 300,000 people featuring more than 85 events. Included in the events is the Art Deco Festival which was started in 1976 to attract visitors to Miami Beach's Art Deco Historic District and to raise awareness and appreciation of the arts and culture of the 1925 through 1945 Art Deco era.

Furthermore, MDPL offers a Miami Modern (MiMo) on the Beach Walking Tour the first Saturday of each month. Patrons can purchase this ninety minute guided walking tour for \$20 and learn to identify many unique traits of MiMo architecture by visiting a number of different public and private buildings. Other provided services include free exhibits, lectures, panel discussions, monthly Gay and Lesbian Walking Tours (\$20 per person charge), etc.

Internal Audit Report
Miami Design Preservation League Grant Audit
May 15, 2012

The following table compares the amount of general fund monies awarded by the City Commission to MDPL with those amounts actually disbursed by the City's Finance Department during the audit period:

	FY 2009/10	FY 2010/11	FY 2011/12	Total
Grants Awarded	\$25,000	\$22,500	\$22,500	\$70,000
Grants Disbursed	\$25,000	\$22,500	\$22,500	\$70,000
Difference	\$0	\$0	\$0	\$0

Once the general fund monies have been awarded by the City Commission and the corresponding grant agreement signed, the current process requires the grantee to submit a budget to the City's Grant Administrator or his/her designee for approval detailing how the grant monies received are to be spent. No monies are to be disbursed by the City until the budget is approved. Any subsequent changes to this approved budget must be reported in writing and authorized by the Grant Administrator or any monies issued may need to be repaid or future funding may be jeopardized at the City's discretion.

The grantee must subsequently prepare an invoice and deliver it to the City's Finance Department requesting payment of the grant monies by the end of the fiscal year (September 30th) or the monies will be forfeited. The grantee is required to submit copies of their proof of payments (canceled checks, credit card statements, bank statements, etc.) attached to the invoice by the end of the fiscal year to their designated Grant Administrator. All invoices and proof of payments submitted must be complete and agree to the budget previously approved by the City.

MDPL's primary revenue sources include grants received from the Miami-Dade County's Tourist Development Council and Festivals & Special Events, Miami Beach's Cultural Arts Council and general fund; Art Deco Weekend booth and registration fees; Welcome Center merchandise sales; tour revenues; facility rentals; and private contributions. Meanwhile, their expenditures consist mainly of salaries and wages; Art Deco Weekend contracted services and equipment rental; and Welcome Center merchandise purchases.

Finally, the City in the current 2011/12 fiscal year has begun moving toward incorporating performance measures into the grant agreements that tie to the City's Key Intended Outcomes (goals/strategic priorities) in its Strategic Plan. As a result, MDPL selected one Key Intended Outcome (Protect Historic Building Stock) that they will be required to provide and track corresponding performance measures beginning in the 2012/13 fiscal year.

OVERALL OPINION

For the grantee, Miami Design Preservation League or MDPL, city disbursed grant funds were properly deposited intact into their operating account during the audit period. Similarly, reviewed expenditure documentation for such approved budgeted categories as the Visitor Center, Museum Exhibits, Administrative, Technology, etc. were found to be complete and timely paid. However, the following items were noted during testing and are in need of improvement:

- The grantee did not submit the required invoices, proof of payments, etc. to the City's Grant Administrator by the end of the fiscal year in adherence with the signed annual grant agreements.

- MDPL's provided expenditures to date did not sufficiently support grant monies already received from the City. However, this amount includes expenditures for the current fiscal year which does not end until September 30, 2012 so most likely additional valid expenditures will be submitted thereby reducing this difference.
- MDPL and their designated Grant Administrator had not yet chosen which performance measures or data will be tracked to show progress related to its selected City Key Intended Outcome of protecting historic building stock.

PURPOSE

To determine whether the grantee's revenues and expenses related to the City and other grants were properly accounted for, documented and reported.

SCOPE

1. Confirm that the internal control process and segregation of duties implemented are adequate.
2. Confirm that maintained documentation and software systems are organized, complete and sufficient.
3. Confirm that the grantee's actual expenditures occurred during the designated fiscal year and were in agreement with the annual budget submitted to the Grant Administrator and approved by both parties.
4. Confirm that the grantee properly submitted invoices and supporting documentation (canceled check, credit card statement, wire transfer, etc.) for all claimed grant expenditures by the end of the fiscal year to the Grant Administrator.
5. Confirm that all grant revenues received from the City were deposited intact, properly documented and correctly recorded.
6. Confirm that the grantee has made the necessary payments to the City and is current with all taxes and licenses.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding: *The Grantee Did Not Submit the Required Documentation in Adherence with the Signed Grant Agreement*
Once the general fund grant monies have been awarded by the City Commission and the corresponding agreement signed, the current process requires the grantee to submit a budget to the City's Grant Administrator or his/her designee for approval detailing how the grant monies received are to be spent. No more than 50% of the grantee's funding is to be used for administrative and/or overhead costs with the remaining monies to be spent on program costs related to the grantee's mission. No monies are to be disbursed by the City until the budget is approved with any subsequent changes reported in writing and authorized by the Grant Administrator or any monies issued may need to be repaid or future funding may be jeopardized at the City's discretion.

When ready, the grantee must prepare an invoice and deliver it to the City's Finance Department requesting payment of the grant monies by the end of the fiscal year (September 30th) or the monies will be forfeited. The grantee is also required to submit copies of their proof of payments (canceled checks, credit card statements, bank statements, etc.) attached to each paid invoice to their Grant Administrator by the end of the fiscal year. All invoices and proof of payments submitted must be complete and agree to the budget previously approved by the City.

The Miami Design Preservation League or MDPL agreed to comply with these terms when they signed their 2009/10, 2010/11 and 2011/12 fiscal years' grant agreements. However, testing found that the nonprofit organization did not comply with the following stated terms during the audit period:

- The grantee did not supply invoices requesting payment to the City's Finance Department during the audit period in accordance with section 2 of the signed grant agreements. Instead, inquiries found that the grant payments were typically made following the receipt of telephone calls from the grantee.
- The grantee did not submit copies of their proof of payments during the audit period in accordance with section 2 of the signed grant agreement. As a result, one could not verify that all the expenditures designated in the approved budget actually occurred.

Recommendation(s):

The Grants Administrator should ensure that MDPL fully complies with all the signed grant agreement's terms.

Management Response:

Cultural Affairs and Tourism Development:

Management agrees with the recommendation and will ensure the grantee complies with all requirements of the grant agreement in the future.

MDPL:

The budget MDPL submitted for the 2011/2012-year was approved by the City of Miami Beach in the executed grant agreement. Since no issues were brought to our attention, MDPL proceeded with the project. Funds for this year have already been partially spent and fully allocated.

The budget submitted was created based on past years' experiences with the City of Miami Beach. MDPL has been receiving grant monies from the City for many years and over time an anticipated pattern was developed. The City's grant reporting requirements have changed drastically for this funding source and we are all adjusting to these new requirements. It was assumed that since the materials previously submitted were accepted and funds released that we were in full compliance.

MDPL will make every effort to comply with these new regulations in the future. It may be possible to alter our planned expenditures this year, however this will be at a great effort on our part. We hope that the City will recognize that restructuring the program for this grant cycle at this point in the year will be a burden to our organization. MDPL will seek to work with the City to establish a solution that will fulfill the grant agreement without harming the mutual parties.

2. Finding: Eligible Grantee Expenditures Provided To Date Were Less than the Grant Monies Received During the Audit Period

As addressed in finding #1, MDPL did not submit copies of their proof of payments (canceled checks, credit card statements, bank statements, etc.) to the City. Consequently, Internal Audit requested the grantee to provide these documents for the 2009/10, 2010/11 and 2011/12 fiscal years so that they could be compared to MDPL's provided budgeted categories and amounts.

It took MDPL more than a month to provide these records since grant packages had not been prepared previously, similar to others maintained for the Miami Beach Cultural Arts Council, Miami-Dade County's Festivals and Special Events and Miami-Dade County's Tourist Development Council grants. Upon reviewing these documents and comparing them to the designated budgeted categories/amounts and the signed grant agreements' terms, the following shortcomings were noted as separated by fiscal year:

2009/10 fiscal year (net shortage of \$648.64)

- Four separate payroll checks totaling \$1,132.00 were submitted for general fund grant reimbursement in the Administrative budgeted category but they were also submitted to the City for reimbursement under the Cultural Arts Council grant. Previously unused valid Administrative expenditures of \$483.36 since they exceeded the \$5,000.00 budgeted maximum were now used to reduce the above shortage to \$648.64.
- Check number 4187 dated 10/13/10 for \$26.62 (included in the Visitor Center budgeted category) was made after the 09/30/10 cutoff date and is not eligible for grant reimbursement. Previously unused valid Visitor Center expenditures could now be used to completely offset this identified shortage.

2010/11 fiscal year (net shortage of \$1,123.70)

- Three separate payments totaling \$1,500.00 made to guest lecturers from the Museum Exhibit budgeted category were made after 09/30/11 and are not eligible for reimbursement. Previously unused valid Museum Exhibit expenditures of \$376.30 could now be used to reduce the above shortage to \$1,123.70.

2011/12 fiscal year (net shortage of \$16,065.00)

- To date, only \$5,827.75 of the \$16,500.00 budgeted in the Administrative category has been substantiated and none of the \$6,000.00 budgeted for Technology. However, the grantee has until September 30, 2012 to make the required expenditures.

Recommendation(s):

All expenditures paid with City disbursed grant funds' supporting documentation (invoices, cancelled checks, bank statements, etc.) should be stored together by fiscal year to facilitate review. Also, the City should consider amending future grant agreements to allow grantees an additional forty-five days following the close of the fiscal year to submit their invoice and proof of payments. This revision should help grantees ensure that all pertinent vendor checks issued at or near the end of the fiscal year have been cashed by the bank.

Since the 2009/10 and 2010/11 fiscal years have concluded, the City Administration

should decide whether future MDPL funding should be reduced by the \$1,772.34 in unsubstantiated expenditures mentioned above. Finally, the Grant Administrator should ensure that MDPL provides the required invoices and proof of payments for the 2011/12 fiscal year grant monies already received.

Management Response:

Cultural Affairs and Tourism Development:

Contract Administrator agrees with the recommendation of OBPI and will ensure all invoices and proof of payments are received.

MDPL:

It is correct that MDPL needed a month to gather the necessary documentation. As previously stated, this was due to past years' experiences with the City of Miami Beach and this funding program. As noted in the report, MDPL does maintain complete files for all of our other grant funding sources, including the Miami Beach Cultural Arts Council. It is only for this particular funding program that a complete file was not maintained. The City is now implementing grant-reporting requirements, similar in structure to its other programs, for this particular funding and MDPL will comply fully.

For the shortage in Grant FY 2009/10 and 2010/11, MDPL proposes to send a check totaling \$1,772.34 to satisfy the previous grant contracts. As for Grant FY 2011/12, by September 30, 2012 the required expenditures will be made according to the project as approved by the executed grant agreement.

3. Finding: *The Grantee Did Not Identify Performance Measures or Data Tracked to Show Progress Related to Its Selected City Key Intended Outcome of Protecting Historic Building Stock*

The City mailed a letter dated 10/24/11 informing MDPL that the City is moving toward incorporating performance measures into their agreements that tie to the City's Key Intended Outcomes or KIOs in its Strategic Plan. In response, MDPL selected the following KIO in which the received \$22,500 general fund grant supports: Protect Historic Building Stock.

However, the grantee did not also identify the performance measures or data tracked to show progress related to these performance measures that it will be required to report on during the 2012/13 fiscal year assuming that the City Commission awards additional grant monies. As of the conclusion of this audit, MDPL and their designated Grant Administrator had not yet reached agreement as to which performance measures will be tracked and reported on in the future.

Recommendation(s):

The designated Grant Administrator and MDPL should immediately agree upon which performance measures will be reported on during the 2012/13 fiscal year to help prevent future grant funding from being adversely affected. Also, the grantee should subsequently determine the process by which these performance measures can be accurately tracked and reported.

Management Response:

Cultural Affairs and Tourism Development:

Contract Administrator agrees with the recommendation of OBPI. However, Tourism and Cultural Development believes that administration of this grant should be reassigned to

Real Estate Housing and Community Development (REHCD) who is responsible for MDPLs lease at the 10th Street Auditorium. REHCD is in a much better position to determine what performance measures are appropriate as MDPL has a similar requirement in their lease with the City.

MDPL:

MDPL replied to the October 24, 2011 letter, which included the Grant Agreement forms to be executed by MDPL in order to secure the awarded funds. On November 21, 2011 as part of the grant agreement forms completed and submitted to the City by Amy Tancig, Executive Director for MDPL, was a form titled *City of Miami Beach 2011/12 Citywide Grant Recipient*.

On said form there is a list provided of *Key Intended Outcomes* for the grantee to choose from. The funds granted by the City must be applied to the selected category. MDPL selected *Protect Historic Building Stock*. The last area to complete on said form is titled *List Related Performance Measures*, the following is what MDPL provided is that section.

"The performance will be measured by the data and information collected and produced in the form of a digital library."

Since MDPL did not hear back from the City that the measure was unacceptable, MDPL has initiated the program and is in the process of collecting the information.

Since it appears that the information MDPL provided in the grant agreement was insufficient in detail, please find a brief summary and Related Performance Measures as follows:

Key Intended Outcome: Protect Historic Building Stock

The project to re-survey the Art Deco Historic District will lead to the further protection of historic building stock in the City of Miami Beach through data collection, education and community awareness. The project will compile many sources of information into a publically accessible and easy to use online database. The project will also complete the State of Florida's site file forms for each property in the District. These forms will be submitted to the City and to the State in order to update their building records. This process will substantiate the case for continued historic preservation in Miami Beach.

The performance of this project will be measured in several ways. The Miami Design Preservation League (MDPL) will record the number of site file forms that are completed. It is estimated that there are 1,200 properties in the Art Deco Historic District and one form is required for each property.

The second measure of performance will be traffic volume on the online database once that is established. One of the main goals of this project is to increase education about the buildings in the historic district. The number of visitors to the database will indicate how many people are utilizing the resource. Another measure of success will be the number of Miami Beach residents that volunteer to assist with the re-survey project. Many volunteers will be needed to record and enter information. The greater the number of involved citizens the greater the awareness about the importance of protecting the City's historic building stock

EXIT CONFERENCE

The draft audit report was initially sent to the City's Grant Administrator for review whereby an exit conference was subsequently held on April 10, 2012. Participants included Cultural Affairs and Tourism Development Department Director Max Sklar, Internal Auditor James Sutter and Senior Auditor Mark Coolidge. Any agreed upon changes were subsequently made and the revised draft audit report was sent electronically to Miami Design Preservation League for review and to solicit management responses which once received were added to this audit report. All were in agreement with the contents of this report.

JS:MC:mc

(Audit performed by Mark Coolidge, Senior Auditor)

F:\OBPI\AUD\INTERNAL AUDIT FILES\DOC11-12\REPORTS - FINAL\MIAMI DESIGN PRESERVATION LEAGUE RPT.docx

cc: Marie Hernandez, Business Manager, Miami Design Preservation League
Hilda Fernandez, Assistant City Manager.
Max Sklar, Cultural Affairs and Tourism Development Department Director
Patricia Walker, Chief Financial Officer
Timothy Finch, Budget Officer