



**Joseph M. Centorino**, Inspector General

February 24, 2020

TO: Honorable Mayor and Members of the City Commission  
FROM: Joseph Centorino, Inspector General

RE: Building Department Permit Fee Surcharges Audit  
OIG Audit No. 20-05

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Executive Summary

Attached is the Office of the Inspector General's audit of the Building Department's compliance with three (3) tested permit fee surcharges as defined in the Florida Statutes, the Miami-Dade County Code and/or the Miami Beach City Code for the audit period of July 1, 2016 through September 30, 2018. Based upon the results of the audit, it was noted that certain procedures and internal controls require enhancements due to the following identified deficiencies:

1. Permit fee surcharges associated with Florida Statute Section 553.721 were incorrectly calculated resulting in an additional amount of \$105,113.97 due to the Department of Community Affairs (DCA).
2. Permit fee surcharges associated with Florida Statute Section 468.631 were incorrectly calculated resulting in an additional amount of \$86,306.42 due to the Florida Department of Business and Professional Regulation (DBPR).
3. Seventeen (17) of the eighteen (18) tested quarterly permit fee surcharge payments due to the DCA and the DBPR or 94% were not remitted timely in accordance with Florida Statute Sections 553.721 and 468.631.
4. Monthly permit fee surcharge payments due to Miami-Dade County were not remitted timely thereby resulting in the incorrect deduction of \$4,203.89 in offered discounts.
5. City Code Section 14-70 (1) contains a permit fee surcharge rate that differs from the stipulated rate in Florida Statute Section 553.721.

We would like to personally thank Building and Finance Department staff for their cooperation and assistance during this audit process.



**Joseph M. Centorino**, Inspector General

## FINAL AUDIT REPORT

TO: Honorable Mayor and Members of the City Commission  
FROM: Joseph Centorino, Inspector General

DATE: February 24, 2020  
AUDIT: Building Department Permit Fee Surcharges Audit  
OIG Audit No. 20-05  
PERIOD: July 1, 2016 through September 30, 2018

This report is the result of an audit conducted to review the City Building Department's compliance with three (3) tested permit fee surcharges as defined in the Florida Statutes, the Miami-Dade County Code and/or the Miami Beach City Code.

### INTRODUCTION

The 1998 Legislature adopted the Florida Building Code Study Commission's recommendations and amended Chapter 553, Florida Statutes, Building Construction Standards, to create a single minimum standard building code that is enforced by local governments. As of March 1, 2002, the Florida Building Code, which is developed and maintained by the Florida Building Commission, supersedes all local building codes. The Florida Building Code is updated every three (3) years and may be amended annually to incorporate interpretations and clarifications.

The Florida Building Code incorporates all building construction related regulations for public and private buildings in the State of Florida other than those specifically exempted. In addition to providing standardization of the design, construction and compliance processes, it establishes regulations for the safety, health and general welfare of building occupants.

During the 2010 legislative session, a proposal was made to better define the permitting fee and to make the collection process simpler. A new fee formula was created based on the amount of fees collected for the enforcement of the Florida Building Code. The fee is required by Florida Statutes to be collected in part to the Department of Community Affairs (DCA) to fund the Florida Building Commission, and, secondly, to fund the Building Code Administrators and Inspectors Boards (BCAIB), both part of the Department of Business and Professional Regulation (DBPR). These two (2) parts of the overall fee are separate and distinct fees (DCA and DBPR) and must be remitted separately to the two (2) agencies using the proper method and format established by each.

The unit of government (City of Miami Beach Building Department) responsible for collecting a permit fee, shall collect the surcharge and remit the funds collected to the department. The unit of government is required to retain ten percent (10%) of the surcharges collected for a specific purpose: to "fund the participation of building departments in the national and state building code adoption processes and to provide education related to enforcement of the Florida Building Code".

In addition to the State permit fee surcharges, as per Miami-Dade County Code Section 8-12, prior to the issuance of any building permit pursuant to the Building Code, including any premise permit, each building official for Miami-Dade County or any municipality shall assess a code administration fee in the amount of sixty cents (\$0.60) per one thousand dollars (\$1,000.00) or fractional value of the work to be done under the permit. This code administration fee must be in addition to and not in derogation of other fees and costs that may be payable as a condition of obtaining the permit and shall be nonrefundable.

## **OVERALL OPINION**

Based on the results of this audit, it was noted that certain procedures and internal controls require enhancements due to the following deficiencies:

1. Permit fee surcharges associated with Florida Statute Section 553.721 were incorrectly calculated resulting in an additional amount of \$105,113.97 due to the Department of Community Affairs (DCA).
2. Permit fee surcharges associated with Florida Statute Section 468.631 were incorrectly calculated resulting in an additional amount of \$86,306.42 due to the Florida Department of Business and Professional Regulation (DBPR).
3. Seventeen (17) of the eighteen (18) tested quarterly permit fee surcharge payments due to the DCA and the DBPR or 94% were not remitted timely in accordance with Florida Statute Sections 553.721 and 468.631.
4. Monthly permit fee surcharge payments due to Miami-Dade County were not remitted timely thereby resulting in the incorrect deduction of \$4,203.89 in offered discounts.
5. City Code Section 14-70 (1) contains a permit fee surcharge rate that differs from the stipulated rate in Florida Statute Section 553.721.

## **SCOPE, OBJECTIVES, AND METHODOLOGY**

The scope of this audit was to determine whether the City complied with selected provisions established in Chapter 468 Part XII "Building Code Administrators and Inspectors", Chapter 553 Part IV "Florida Building Code" of the Florida Statutes and Miami-Dade County Code Section 8-12; and to determine whether the permit fee surcharge amounts were accurately collected and timely remitted.

In general, the audit focused on the following objectives:

- a. To determine whether the City's Building Department complied with the provisions set forth in Chapter 553 Part IV, "Florida Building Code", Section 553.721, to collect the surcharge (1%) on all permit fees associated with the enforcement of the Florida Building Code for the Professional Regulation Trust Fund, and to timely remit 90% to the Department of Community Affairs on a quarterly basis.
- b. To determine whether the City's Building Department complied with the provisions set forth in Chapter 468 Part XII, "Building Code Administrators and Inspectors", Section

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468.631, to collect the surcharge (1.5%) on all permit fees associated with the enforcement of the Florida Building Code and to timely remit 90% to the Department of Business and Professional Regulation on a quarterly basis.

- c. To determine whether the City's Building Department complied with Miami-Dade County Code Section 8-12, to collect and to timely remit to Miami-Dade County, no later than the fifteenth day of the month following the month of collection, the code administration fee in the amount specified in the relevant departmental fee schedule established by a separate implemented and approved order of the Board of County Commissioners (sixty cents (\$0.60) per one thousand dollars (\$1,000) or fraction value of the work to be done under the permit using the new values per square foot).
- d. To ensure that the permit fee surcharges collected by the City's Building Department were properly recorded in the City's Financial System.
- e. Other audit procedures as deemed necessary.

The audit methodology included the following:

- Reviewed applicable provisions of agreements, City policies and procedures;
- Interviewed and made inquiries of staff to gain an understanding of internal controls, assess control risk, and plan audit procedures;
- Performed substantive testing consistent with the audit objectives, including, but not limited to, examination of applicable transactions and records;
- Drew conclusions based on the results of testing, made corresponding recommendations, and obtained auditee responses and corrective action plans; and
- Performed other audit procedures as deemed necessary.

## FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding: *PERMIT FEE SURCHARGES ASSOCIATED WITH FLORIDA STATUTE SECTION 553.721 WERE INCORRECTLY CALCULATED RESULTING IN AN ADDITIONAL AMOUNT OF \$105,113.97 DUE TO THE DEPARTMENT OF COMMUNITY AFFAIRS (DCA)*

Part IV, "Florida Building Code", Florida Statute Section 553.721 states, "In order for the Department of Business and Professional Regulation to administer and carry out the purposes of this part and related activities, there is created a surcharge assessed at the rate of 1 percent (Effective July 1, 2017, the permit fee surcharge was reduced from 1.5% to 1%) of the permit fees associated with enforcement of the Florida Building Code as defined by the uniform account criteria and specifically the uniform account code for building permits adopted for local government financial reporting pursuant to s. 218.32. The minimum amount collected on any permit issued shall be \$2. The unit of government responsible for collecting a permit fee pursuant to s. 125.56(4) or s. 166.201 shall collect the surcharge and electronically remit the funds collected to the department on a quarterly calendar basis for the preceding quarter and continuing each third month thereafter. The unit of government shall retain 10 percent of the surcharge collected to fund the participation of building departments in the national and state building code adoption

*processes and to provide education related to enforcement of the Florida Building Code.”*

Office of Inspector General (OIG) staff determined that the EnerGov system (the City's permitting and licensing software system) generated the reports used by the Building Department to calculate the amounts to be remitted to the Florida Department of Community Affairs (DCA). The system incorrectly pulled the information by the issuance date instead of the collection date, which was confirmed by the City's Information Technology Department. Yet, Florida Statute Section 553.721 summarized above requires the Building Department to remit any permit fee surcharges collected in the prior quarter by the end of the following quarter.

By statute, a property owner desiring to perform work under the Florida Building Code is required to pay the associated permit fee surcharges along with other fees prior to the issuance of the permits. The State of Florida surcharge fees mandated by statute are non-refundable.

Remitting the surcharges on the permit issuance dates, which were frequently months after the monies were collected, resulted in the DCA not timely receiving the monies due. In addition, in cases where the permit was never issued, the DCA would not receive any monies even though the permit fee surcharges had been collected.

The Building Department relied solely on the accuracy and completeness of this EnerGov system report in calculating the amount of the permit fee surcharges to remit. Additional testing performed on these reports, as well as on the Building Department's corresponding quarterly payments, identified the following deficiencies, which resulted in a total of \$105,113.97 being owed to the DCA (as summarized per quarter in the table below):

- a. The EnerGov reports mistakenly excluded elevator permit surcharge fees even though the City is charging and collecting the appropriate fees for such permits.
- b. The \$32,951.36 payment for the period covering April 1, 2018 through June 30, 2018 due on September 30, 2018 had not been remitted as of October 28, 2019.
- c. The payments calculated by the Building Department's Financial Analyst I were not sufficiently reviewed before management approved the corresponding issuance of the City checks.
- d. Although a Munis system (the City's Enterprise Resource Planning system) report could be generated based on collections, it was not used because the two (2) different permit fee surcharges collected pursuant to Florida Statutes Sections 553.721 and 448.631 were commingled in the same general ledger account (601-7004-229213) and could not be easily separated.

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PERIOD	QUARTER	AMOUNT COLLECTED			
		AS PER ENERGOV	10% RETAINED	AMOUNT PAID	UNDER OR (OVER)
7/1/2016 - 9/30/2016	Q1 FY 2017	\$ 29,089.69	\$ (2,908.97)	\$ 15,973.33	\$ 10,207.39
10/1/2016 - 12/31/2016	Q2 FY 2017	\$ 32,222.92	\$ (3,222.29)	\$ 20,553.83	\$ 8,446.80
1/1/2017 - 3/31/2017	Q3 FY 2017	\$ 31,693.30	\$ (3,169.33)	\$ 29,818.14	\$ (1,294.17)
4/1/2017 - 6/30/2017	Q4 FY 2017	\$ 36,918.39	\$ (3,691.84)	\$ 26,373.35	\$ 6,853.20
7/1/2017 - 9/30/2017	Q1 FY 2018	\$ 34,493.07	\$ (3,449.31)	\$ 17,053.95	\$ 13,989.81
10/1/2017 - 12/31/2017	Q2 FY 2018	\$ 30,470.18	\$ (3,047.02)	\$ 14,339.43	\$ 13,083.73
1/1/2018 - 3/31/2018	Q3 FY 2018	\$ 27,924.69	\$ (2,792.47)	\$ 11,378.00	\$ 13,754.22
4/1/2018 - 6/30/2018	Q4 FY 2018	\$ 36,612.62	\$ (3,661.26)	\$ -	\$ 32,951.36
7/1/2018 - 9/30/2018	Q1 FY 2019	\$ 29,531.89	\$ (2,953.19)	\$ 19,457.08	\$ 7,121.62
<b>TOTAL</b>		<b>\$ 288,956.75</b>	<b>\$ (28,895.68)</b>	<b>\$ 154,947.11</b>	<b>\$ 105,113.97</b>

Recommendation(s):

The Building Department should make the necessary journal entry to include the \$105,113.97 in its next quarterly payment to the DCA. The Building Department should request that the Finance Department create another general ledger account so that the two (2) permit fee surcharges can be recorded separately. Once completed, the Building Department should use the Munis system report to help ensure that future permit payments are remitted accurately based on the collection date and not the issuance date. Also, staff's calculations should be more closely reviewed by Building Department management prior to requesting the issuance of the corresponding City checks to help ensure their accuracy. Finally, the Building Department should perform its own analysis to determine if additional monies are owed to the DCA from transactions occurring between October 1, 2018 and the present.

Management Response (Building Department):

Various factors contributed to the underpayment of this surcharge to the DCA including reporting issues as mentioned in the audit findings. Reports had mistakenly excluded surcharges collected by the elevator division and other fees that were not captured in the report due to ERP conversion, during this audited time period fees collected were not mapped to the correct fee names therefore, inadvertently excluding from the report fees that were to be remitted to DCA. The Building Department agrees with the recommendations of this audit, and in fact had already implemented the creation of another general ledger account to allow surcharges to be recorded separately so that Munis can be used. This change to Munis allows for an accurate & timely remittance of the surcharges. Additionally, we have re-assigned this responsibility to someone new in order to improve the timeliness and quality of this work and it is being reviewed at a high level by the Building Department Assistant Director. Finally, the Building Department is in the process of reconciling the surcharges account from 2003 to present to determine if additional monies are owed to the DCA.

Implementation Date (Building Department):

- A check request to remit the \$105,113.97 will be completed by February 14, 2020.
- The additional account to separate the two (2) permit fee surcharges and using the Munis system to generate reports for remitting was effective on October 1, 2019.
- Analysis to determine if additional monies are owed to the DCA from transactions from July 1, 2003 through present (less the amount remitted from this audit) will be completed by February 14, 2020.

2. Finding: *PERMIT FEE SURCHARGES ASSOCIATED WITH FLORIDA STATUTE SECTION 468.631 WERE INCORRECTLY CALCULATED RESULTING IN AN ADDITIONAL AMOUNT OF \$86,306.42 DUE TO THE FLORIDA DEPARTMENT OF BUSINESS AND PROFESSIONAL REGULATION (DBPR)*

Part XII, "Building Code Administrators and Inspectors", Florida Statute Section 468.631 entitled Building Code Administrators and Inspectors Fund states: "(1) This part shall be funded through a surcharge, to be assessed pursuant to s. 125.56(4) or s. 166.201 at the rate of 1.5 percent of all permit fees associated with enforcement of the Florida Building Code as defined by the uniform account criteria and specifically the uniform account code for building permits adopted for local government financial reporting pursuant to s. 218.32. The minimum amount collected on any permit issued shall be \$2. The unit of government responsible for collecting permit fees pursuant to s. 125.56 or s. 166.201 shall collect such surcharge and shall remit the funds to the department on a quarterly calendar basis beginning not later than December 31, 2010, for the preceding quarter, and continuing each third month thereafter; and such unit of government shall retain 10 percent of the surcharge collected to fund the participation of building departments in the national and state building code adoption processes and to provide education related to enforcement of the Florida Building Code."

OIG staff determined that the EnerGov system report used by the Building Department to calculate the amount to be remitted to the Florida Department of Business and Professional Regulation (DBPR) incorrectly pulled the information by the issuance date instead of the collection date, as confirmed by the City's Information Technology Department. Yet, Florida Statute Section 468.631 summarized above requires the Building Department to remit any permit fee surcharges collected in the prior quarter by the end of the following quarter.

By statute, a property owner desiring to perform work under the Florida Building Code is required to pay the associated permit fee surcharges along with other fees prior to the issuance of the permits. The State of Florida surcharge fees mandated by statute are non-refundable.

Remitting the surcharges based on the permit issuance dates, which were frequently months after collection, resulted in the DBPR not timely receiving the monies due. In addition, in cases where the permits were never issued, the DBPR would not receive any monies, even though the permit fee surcharges had been collected.

The Building Department relied solely on the accuracy and completeness of this EnerGov report in calculating the amount of the permit fee surcharges to remit. Additional testing performed on these reports as well as on the Building Department's corresponding quarterly payments, identified the following additional deficiencies which resulted in a total of \$86,306.42 being owed to the DBPR (as summarized per quarter in the table below):

- a. The EnerGov reports mistakenly excluded elevator permit surcharge fees even though the City is charging and collecting the appropriate fees for such permits.
- b. The \$28,970.38 payment due for the period covering October 1, 2016 through December 31, 2016 due on March 31, 2017 had not been remitted as of October 28, 2019.

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- c. The surcharge amounts for the period covering July 1, 2017 through September 30, 2017 and October 1, 2017 through December 31, 2017 were incorrectly calculated using 1% instead of 1.5%.
- d. Although a Munis system report could be generated based on collections, it was not used because the two (2) different permit fee surcharges pertaining to Florida Statute Sections 553.721 and 448.631 were commingled in the same general ledger account (601-7004-229213) and could not be easily separated.

PERIOD	QUARTER	AMOUNT COLLECTED		10% RETAINED	AMOUNT PAID	UNDER OR (OVER)
		AS PER ENERGOV				
7/1/2016 - 9/30/2016	Q1 FY 2017	\$ 29,089.04	\$	(2,908.90)	\$ 15,973.33	\$ 10,206.81
10/1/2016 - 12/31/2016	Q2 FY 2017	\$ 32,189.31	\$	(3,218.93)	\$ -	\$ 28,970.38
1/1/2017 - 3/31/2017	Q3 FY 2017	\$ 31,692.41	\$	(3,169.24)	\$ 29,818.14	\$ (1,294.97)
4/1/2017 - 6/30/2017	Q4 FY 2017	\$ 36,843.06	\$	(3,684.31)	\$ 26,373.35	\$ 6,785.40
7/1/2017 - 9/30/2017	Q1 FT 2018	\$ 29,610.55	\$	(2,961.06)	\$ 17,053.95	\$ 9,595.55
10/1/2017 - 12/31/2017	Q2 FY 2018	\$ 21,619.10	\$	(2,161.91)	\$ 14,339.43	\$ 5,117.76
1/1/2018 - 3/31/2018	Q3 FY 2018	\$ 21,940.77	\$	(2,194.08)	\$ 16,234.49	\$ 3,512.20
4/1/2018 - 6/30/2018	Q4 FY 2018	\$ 44,615.92	\$	(4,461.59)	\$ 26,429.76	\$ 13,724.57
7/1/2018 - 9/30/2018	Q1 FT 2019	\$ 42,242.44	\$	(4,224.24)	\$ 28,329.47	\$ 9,688.73
<b>TOTAL</b>		<b>\$ 289,842.60</b>	<b>\$</b>	<b>(28,984.26)</b>	<b>\$ 174,551.92</b>	<b>\$ 86,306.42</b>

Recommendation(s):

The Building Department should make the necessary journal entry to include the \$86,306.42 in the next quarterly payment to the DBPR. The Building Department should request that the Finance Department create another general ledger account so that the two (2) permit fee surcharges can be recorded separately. Once completed, the Building Department should use the Munis system report to help ensure that future permit payments are remitted accurately based on the collection date and not the issuance date. Also, staff's calculations should be more closely reviewed by Building Department management prior to requesting the issuance of the corresponding City checks to help ensure their accuracy. Finally, the Building Department should perform their own analysis to determine if additional monies are owed to the DBPR from transactions occurring between October 1, 2018 and the present.

Management Response (Building Department):

Various factors contributed to the underpayment of this surcharge to the DBPR including reporting issues as mentioned in the audit findings. Reports had mistakenly excluded surcharges collected by the elevator division and other fees that were not captured in the report due to ERP conversion, during this audited time period fees collected were not mapped to the correct fee names therefore, inadvertently excluding from the report fees that were to be remitted to DBPR. The Building Department agrees with the recommendations of this audit, and in fact had already implemented the creation of another general ledger account to allow surcharges to be recorded separately so that Munis can be used. This change to Munis allows for an accurate & timely remittance of the surcharges. Additionally, we have re-assigned this responsibility to someone new in order to improve the timeliness and quality of this work and it is being reviewed at a high

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level by the Building Department Assistant Director. Finally, the Building Department is in the process of reconciling the surcharges account from 2003 to present to determine if additional monies are owed to the DBPR.

Implementation Date (Building Department):

- A check request to remit the \$86,306.42 will be completed by February 14, 2020.
- The additional account to separate the two (2) permit fee surcharges and using the Munis system to generate reports for remitting was effective on October 1, 2019.
- Analysis to determine if additional monies are owed to the DBPR from transactions from July 1, 2003 through present (less the amount remitted from this audit) will be completed by February 14, 2020.

3. Finding: SEVENTEEN (17) OF THE EIGHTEEN (18) TESTED QUARTERLY PERMIT FEE SURCHARGE PAYMENTS DUE TO THE DCA AND THE DBPR OR 94% WERE NOT REMITTED TIMELY IN ACCORDANCE WITH FLORIDA STATUTES SECTIONS 553.721 AND 468.631

Both Part IV, "Florida Building Code", Section 553.721 and Part XII, "Building Code Administrators and Inspectors", Section 468.631, entitled "Building Code Administrators and Inspectors Fund", pertaining to permit fee surcharge payments, state that the unit of government (City of Miami Beach Building Department) shall collect the surcharges and remit the funds collected to the DCA and the DBPR respectively on a quarterly calendar basis for the preceding quarter.

Using the dates that the checks were issued by the City's Finance Department as the dates paid, the following was determined for the nine (9) tested quarterly permit fee surcharge payments occurring during the audit period:

A. Permit fee surcharge payments to the DCA pertaining to Florida Statute Section 553.721 were remitted an average of 225 days after the due date including one (1) payment that had not been remitted as of October 28, 2019.

Period	Quarter	Due Date	Date Paid	Days Late
7/1/2016 - 9/30/2016	Q1 FY 2017	12/31/2016	4/10/2017	124
10/1/2016 - 12/31/2016	Q2 FY 2017	3/31/2017	7/16/2018	472
1/1/2017 - 3/31/2017	Q3 FY 2017	6/30/2017	7/16/2018	381
4/1/2017 - 6/30/2017	Q4 FY 2017	9/30/2017	7/16/2018	289
7/1/2017 - 9/30/2017	Q1 FY 2018	12/31/2017	7/16/2018	197
10/1/2017 - 12/31/2017	Q2 FY 2018	3/31/2018	7/16/2018	107
1/1/2018 - 3/31/2018	Q3 FY 2018	6/30/2018	7/16/2018	16
4/1/2018 - 6/30/2018	Q4 FY 2018	9/30/2018	NOT PAID as of 10/28/2019	393
7/1/2018 - 9/30/2018	Q1 FT 2019	12/31/2018	2/12/2019	43
Average				<b>225</b>

B. Permit fee surcharge payments to the DBPR collected pursuant to Florida Statute Section 468.631 were remitted an average of 271 days after the due date including one (1) payment that had not been remitted as of October 28, 2019.

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Period	Quarter	Due Date	Date Paid	Days Late
7/1/2016 - 9/30/2016	Q1 FY 2017	12/31/2016	5/4/2017	124
			<b>NOT PAID</b>	
			as of	
10/1/2016 - 12/31/2016	Q2 FY 2017	3/31/2017	10/28/2019	941
1/1/2017 - 3/31/2017	Q3 FY 2017	6/30/2017	3/27/2018	270
4/1/2017 - 6/30/2017	Q4 FY 2017	9/30/2017	3/27/2018	178
7/1/2017 - 9/30/2017	Q1 FY 2018	12/31/2017	3/22/2018	81
10/1/2017 - 12/31/2017	Q2 FY 2018	3/31/2018	3/22/2018	-9
1/1/2018 - 3/31/2018	Q3 FY 2018	6/30/2018	9/24/2019	451
4/1/2018 - 6/30/2018	Q4 FY 2018	9/30/2018	9/24/2019	359
7/1/2018 - 9/30/2018	Q1 FT 2019	12/31/2018	2/12/2019	43
Average				<b>271</b>

Although seventeen (17) of the eighteen (18) tested payments (94%) occurring during the audit period were remitted after the specified due dates, OIG staff was not aware of any associated late charges levied by either the DCA or the DBPR.

Recommendation(s):

The City's Building Department should ensure that all future permit fee surcharge payments are timely remitted.

Management Response (Building Department):

Prior to the audit, Building Department management had become aware of the deficiencies in the timeliness of remitting these surcharges. Management made significant efforts to work with the staff person responsible for this task in an effort to rectify the deficiencies. The task was re-assigned in order to improve the quality and timeliness and is now closely monitored by the Assistant Director to ensure that this lapse in production does not happen again. Currently all surcharges are being remitted in an accurate and timely manner, immediately within the following month of the preceding quarter.

Implementation Date (Building Department):

New staff was assigned to this responsibility on October 1, 2019 and all payments are currently up-to-date.

4. Finding: MONTHLY PERMIT FEE SURCHARGE PAYMENTS DUE TO MIAMI-DADE COUNTY WERE NOT REMITTED TIMELY THEREBY RESULTING IN THE INCORRECT DEDUCTION OF \$4,203.89 IN OFFERED DISCOUNTS

As per Miami-Dade County Code Section 8-12, prior to the issuance of any building permit pursuant to the Building Code, including any premise permit, each building official for Miami-Dade County or any municipality shall assess a code administration fee in the amount of sixty cents (\$0.60) per one thousand dollars (\$1,000.00) or fractional value of the work to be done under the permit. This code administration fee must be in addition to and not in derogation of other fees and costs that may be payable as a condition of obtaining the permit and is nonrefundable.

Any and all code administration fees collected by municipalities on behalf of Miami-Dade County, shall be paid to the Miami-Dade County Finance Department not later than the 15<sup>th</sup> day of the following month of collection. If a governmental authority (City of Miami

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Beach Building Department) remits the funds on or before the due date set forth, such authority shall be entitled to retain a portion of the remittance due to Miami-Dade County, which represents its cost of collection of this code administration fee, not to exceed 1.5 percent of the total remittance due for that period. In the event that the remittance is not made when due, the governmental authority shall remit to Miami-Dade County the entire balance of fees collected pursuant to this section to defray Miami-Dade County's additional costs incurred in connection with that government's delay in remitting the amount.

Using the dates that the checks were issued by the City's Finance Department as the payment dates, it was determined that the Building Department remitted fourteen (14) of the 27 tested monthly permit fee surcharge payments (52%) after the specified due dates ranging from a low of five (5) to a high of 41 days. Yet, the City incorrectly retained the 1.5% discount allowed by Miami-Dade County to defray the City's costs of collection (a total of \$5,997.89), although said discount was to be forfeited since the payments were remitted late, as shown in the table below.

As of the completion of the audit fieldwork, it was noted that only two (2) invoices have been received from Miami-Dade County as it relates to the incorrect 1.5% discount claimed by the City. Both invoices totaling \$1,794 have been paid; however, no additional payments or invoices related to the remaining \$4,203.89 in discounts incorrectly taken were found.

PERIOD	CMB CHECK NUMBER	1 DUE DATE	2 CMB CHECK DATE	3 DATE DIFFERENCE (2-1)	4 CMB CHECK AMOUNT	5 AMOUNT COLLECTED	6 SURCHARGE RETAINED		7 DIFFERENCE
							1.5%		
July 1, 2016 - July 31, 2016	82316	8/15/2016	8/23/2016	8	\$ 23,441.21	\$ 23,798.18	\$ 356.97		(\$356.97)
	407096		10/25/2016		\$ 42,486.68				(\$647.01)
August 1, 2016 - August 31, 2016	171	9/15/2016	11/18/2016	40	\$ 647.01	\$ 43,133.69	\$ 647.01		\$647.01
September 1, 2016 - September 30, 2016	172	10/15/2016	11/18/2016	34	\$ 28,283.97	\$ 28,714.69	\$ 430.72		(\$430.72)
October 1, 2016 - October 31, 2016	189	11/15/2016	11/29/2016	14	\$ 74,864.98	\$ 76,005.06	\$ 1,140.08		(\$1,140.08)
November 1, 2016 - November 30, 2016	230	12/15/2016	12/21/2016	6	\$ 41,343.18	\$ 41,972.77	\$ 629.59		(\$629.59)
	412264		3/28/2017		\$ 23,507.71				(\$357.99)
January 1, 2017 - January 31, 2017	415925	2/15/2017	7/7/2017	41	\$ 357.99	\$ 23,865.70	\$ 357.99		\$357.99
	412458		4/4/2017		\$ 18,217.20				(\$277.72)
February 1, 2017 - February 28, 2017	415925	3/15/2017	7/7/2017	20	\$ 277.72	\$ 18,494.92	\$ 277.42		\$277.72
March 1, 2017 - March 31, 2017	413454	4/15/2017	4/27/2017	12	\$ 19,392.92	\$ 19,688.24	\$ 295.32		(\$295.32)
	414772		6/6/2017		\$ 33,593.92				(\$511.58)
April 1, 2017 - April 30, 2017	415925	5/15/2017	7/7/2017	22	\$ 511.58	\$ 34,105.50	\$ 511.58		\$511.58
August 1, 2017 - August 31, 2017	1056	9/15/2017	9/28/2017	13	\$ 27,117.20	\$ 27,530.15	\$ 412.95		(\$412.95)
September 1, 2017 - September 30, 2017	1149	10/15/2017	10/20/2017	5	\$ 12,819.39	\$ 13,014.61	\$ 195.22		(\$195.22)
December 1, 2017 - December 31, 2017	422191	1/15/2018	1/26/2018	11	\$ 14,640.46	\$ 14,863.41	\$ 222.95		(\$222.95)
January 1, 2018 - January 31, 2018	423119	2/15/2018	2/22/2018	7	\$ 18,463.23	\$ 18,744.40	\$ 281.17		(\$281.17)
February 1, 2018 - February 28, 2018	424028	3/15/2018	3/20/2018	5	\$ 15,689.16	\$ 15,928.08	\$ 238.92		(\$238.92)
<b>TOTAL</b>					<b>\$395,655.51</b>	<b>\$399,859.40</b>	<b>\$ 5,997.89</b>		<b>(\$4,203.89)</b>

Recommendation(s):

The Building Department should timely remit the Miami-Dade County permit fee surcharges so that the City can retain the 1.5% discount addressed in Miami-Dade County Code Section 8-12. In addition, the Building Department should inquire with Miami-Dade County concerning the \$4,203.89 in incorrect discounts taken. The Building Department should ensure that future discounts are not taken on any payments remitted after the due date. Finally, the Building Department should perform its own analysis to determine if

additional discounts were taken on any late payments remitted to Miami-Dade County between October 1, 2018 and the present.

Management Response (Building Department):

The process for remitting the surcharge to the County includes prior to requesting a check from the City's Finance Department, requesting an invoice from the County for the amount collected per the surcharge report. Running the surcharge report too soon following the end of the collection month often caused shortages in the actual collection amount because the financial system had not yet posted all the collections. Additionally, the time between receiving the invoice from the County and the turnaround from Finance entering the invoice, necessary approvals, and designated check printing days, often created a delay in the actual day the check was printed. The County now has an online payment system which allows instant payment after the final City approval, therefore allowing us to meet the deadline of the 15<sup>th</sup> every month.

Implementation Date (Building Department):

Online payments began in April 2018 and since then all remittance to the county have been on time.

5. Finding: *CITY CODE SECTION 14-70 (1) CONTAINS A PERMIT SURCHARGE FEE RATE THAT DIFFERS FROM THE STIPULATED PERCENTAGE IN FLORIDA STATUTE SECTION 553.721*

Miami Beach City Code Section 14-70 (1) states, "A Department of Business and Professional Regulation/Florida Building Commission surcharge will be added to all permit fees associated with enforcement of the Florida Building Code for the Professional Regulation Trust Fund as per F.S. § 553.721. This amount is nonrefundable." Furthermore, Appendix A - Fee Schedule 14-70 (1) states, "Pursuant to Florida Statutes § 553.721, in order for the department of business and professional regulation to administer the Florida Building Code, there is created a surcharge to be assessed at the rate of 1.5 percent of the permit fee associated with enforcement of the Florida Building Code. The minimum amount collected on any permit issued shall be \$2.00."

However, the permit fee surcharge rate paid to the Florida Building Commission was reduced from 1.5% to 1%, effective July 1, 2017. Although the Building Department is charging customers properly and remitting the correct amount, City Code Section 14-70 (1) needs to be revised accordingly.

Recommendation(s):

The Building Department, together with the City Attorney's Office, should prepare the stated City Code revision and present it to the City Commission for approval. It is further recommended that the Section 14-70 (1) revision only reference the rates charged in Florida Statute Section 553.721 rather than specify the current rate, so that it does not have to be amended every time that it changes in the future.

Management Response (Building Department):

The Building Department agrees with the recommendation and is working with a consultant hired by the City to review and revise as needed all fees and fee descriptions in the City Code - Appendix A - Fee Schedule.

Implementation Date (Building Department):

Currently there is a fee schedule study being done by an independent consultant that may bring about several changes to the City Code - Appendix A - Fee Schedule. We will include this change as part of the overall changes to the City Code - Appendix A - Fee Schedule.

## EXIT CONFERENCE

An exit conference was held in the Building Director's office on December 13, 2019. Participants included Ana Salgueiro (Building Director), Natasha Diaz (Building Assistant Director), Joseph Centorino (Inspector General), Mark Coolidge (Chief Auditor) and Jessica Romero (Internal Auditor). Management responses were solicited and included above. All parties agreed as to the contents of this report.

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cc: Jimmy L. Morales, City Manager  
Eric Carpenter, Assistant City Manager  
Ana Salgueiro, Building Director  
John Woodruff, Chief Financial Officer

Audit conducted by: Jessica Romero, Internal Auditor

Audit reviewed by: Mark D. Coolidge, Chief Auditor