

# MIAMI BEACH

## INTERNAL AUDIT REPORT

BUDGET AND PERFORMANCE IMPROVEMENT  
Internal Audit Division

TO: Jimmy L. Morales, City Manager  
VIA: John Woodruff, Budget and Performance Improvement Director  
FROM: James J. Sutter, Internal Auditor

DATE: August 3, 2015  
AUDIT: Miami Beach Cultural Arts Council Audit  
PERIOD: October 1, 2012 to September 30, 2014

This regularly scheduled audit of the Miami Beach Cultural Arts Council awarded and issued grants during the 2012/13 and 2013/14 fiscal years by the Cultural Affairs Division was performed in compliance with the annual audit requirements specified by City Code Section 2-64.

### INTRODUCTION

The City Commission passed City Ordinance No. 97-3075 on March 5, 1997 thereby creating the Miami Beach Cultural Arts Council (CAC) to develop, coordinate, and promote the performing and visual arts in Miami Beach for the enjoyment, education, cultural enrichment, and benefit of both residents and visitors. Since that time, the City has awarded more than \$9,855,000 in cultural art grants, supporting thousands of performances, exhibits and other cultural activities in Miami Beach.

On June 3, 1998, the City Commission approved the Miami Beach Cultural Arts Council Master Plan through Resolution No. 98-22760. The Master Plan process began in October of 1997 and was the result of a series of public town meetings held in cultural venues throughout Miami Beach. The Master Plan included the program areas of Cultural Grants Program, Joint Marketing, Cultural Facilities, Advocacy and Planning, and Revenue Development; each with individual objectives.

In fiscal year 2004/05, the City Commission authorized expanding the allocation of the 50% of the 1% resort tax previously equally distributed to North Beach, Middle Beach and South Beach, to include funding for the arts. This funding is distributed in the year after it is collected as this commitment provided a new permanent funding source that sustains cultural programming long term. As a result, a combined total of \$2,627,296.84 was appropriated to each of North Beach, Middle Beach, South Beach and the Arts in the 2012/13 and 2013/14 fiscal years.

In an effort to address the needs of the arts community, City staff in conjunction with the CAC Board annually reviews each of the grants programs (currently Cultural Anchors; Cultural Presenters; Cultural Heritage; Artistic Disciplines – Dance, Music and Theater; and Cultural Tourism) to determine the type of programs which will benefit the community. A summary of each grant program follows:

- Cultural Anchors provide grants to the major preeminent arts institutions physically based in Miami Beach, whose primary mission is year round artistic and cultural

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programming that contributes significantly to the City's cultural life. Organizations must have minimum organizational budget levels of \$750,000 and the monies received may be used towards operational expenses in association with the annual cultural programming described in the application. This category also includes "Junior" Cultural Anchors which are Miami Beach based cultural organizations that meet all the above listed objectives but their organizational budget levels are below \$750,000.

- Cultural Presenters provide grants to organizations whose primary mission is to produce and present cultural and artistic productions.
- Cultural Heritage provides project specific grants for arts programming to not-for-profit 501c(3) Miami Beach based institutions devoted to promoting and protecting the diverse heritage, traditions and culture of Miami Beach. Grants may be used for presentation of visual and performing arts, arts programs and workshops, and other projects which emphasize the artistic experience and are accessible to a broad audience. Grant funds may not be used to support projects that are primarily recreational, therapeutic, vocational or rehabilitative, or for religious services or programs designed solely for practitioners of a specific religion.
- Artistic Disciplines funding is limited to arts and cultural organizations whose primary mission is to create and present work in one of the following artistic disciplines; Dance, Music, Theater, Film and Visual Arts. Proposed projects should be for work that is new or has never before been presented in Miami Beach. Selections are based on the organizations demonstrated artistic talent and potential and the vision for the proposed project, in relation to their overall artistic goals.
- Cultural Tourism are grant funds jointly provided by the CAC and Miami Beach Visitor and Convention Authority (VCA) to support major cultural arts performances, festivals, and events which attract a significant number of tourists to the City. Both the VCA and the CAC gave \$30,000 each to fund this program during the 2013/14 fiscal year.

Suggestions and ideas are received from grantees, grants' panelists, members of the CAC and other granting organizations through orientation meetings held at the beginning of each grant period, consultations with grantees, public application and proposal reviews, public meetings held at the end of the review cycle, the Grants Task Force, and through staff, so that the programs can continually be improved. Program application periods and relevant deadlines are announced in January via press releases, electronic mail, on its website and in area newspapers.

All CAC grant applications, program guidelines and instructions are offered in both English and Spanish. Applications were made available through the Department of Tourism and Cultural Development and electronically on the City of Miami Beach's and Cultural Affairs Program's websites. Additionally, the grant programs were publicized in English and Spanish media and via electronic mail.

To be eligible to apply, organizations must be non-profit 501c(3) cultural organizations and cultural departments within an institution of higher learning (college or university) with tax-exempt status under subsections of 501c(3) wishing to present or produce cultural and artistic

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events in the City of Miami Beach. Furthermore, any applying organization that satisfies one of the following criteria is not entitled to receive funding:

- applied through a fiscal agent
- received prior CAC grant funding and did not comply with the grant agreement and/or other requirements
- did not include the City of Miami Beach logo and required credit line in all publications related to the grant
- received funding from the VCA during the same fiscal year

\$955,000 was requested in grant monies by forty-six viable organizations for the both the 2012/13 and 2013/14 fiscal years. Each grant applicant must follow an extensive multi-level public review process which includes a general orientation for all applicants and required consultations with CAC staff to determine eligibility and appropriate programs. Applicants must meet all application requirements, including deadlines, or be disqualified.

Applications were scored by the CAC at a series of publicly noticed panel meetings using evaluation forms based on criteria listed in the application, and then were averaged dropping the highest and lowest scores. An application must have scored a minimum average of 80% with a maximum possible score of 100 points, to be eligible to receive funding.

All forty-six organizations exceeded or met the designated minimum score required for funding during each fiscal year. As a result, the City Commission, through the passage of Resolution Nos. 2012-28025 and 2013-28365, awarded grants totaling \$650,000 and \$710,000 respectively to these eligible organizations for the 2012/13 and 2013/14 fiscal years. All of these authorized grant recipients are to receive half their funding upon submittal and approval of the required documents with the remaining half remitted upon completion (excluding the "Fresh Air Fund").

The CAC adopted the \$2,000 "Fresh Air Fund" to be given to all Artistic Disciplines and Cultural Presenter grantees who offer free outdoor performances in the City of Miami Beach during both the 2012/13 and 2013/14 fiscal years. Seventeen organizations qualified for the "Fresh Air Fund" monies during the 2012/13 fiscal year and nineteen during 2013/14. These additional monies are included in the aforementioned awarded grant amounts; however, they are fully payable to the grantee in their second annual payment only upon completion of the designated outdoor events.

Resolution Nos. 2012-28025 and 2013-28365 also included programs (four in 2012/13 and three in 2013/14) whereby the CAC partnered with the VCA for Cultural Tourism grants that support cultural events with documented tourism benefits. The CAC's agreed upon \$30,000 annual payments to the VCA timely each year in November. These authorized grant recipients receive all their funding from the VCA upon submittal and approval of the required documents after the project's completion.

The CAC budget did not include a contribution towards the City's Cultural Endowment for either of the two audited fiscal years due to budget constraints. Yet, the endowment's September 30, 2014 balance held in a restricted cash account increased by \$21,466.36 during the audit period to \$1,603,340.22 from the September 30, 2012 ending balance of \$1,581,873.66 due to the

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interest earned on the invested monies.

The City Commission adopted Resolution No. 2014-28732 on September 10, 2014 capping the Cultural Affairs Program's fund balance at its current level of \$2,640,184 (which includes the endowment balance) with an annual increase for inflation. If necessary, these funds could adequately cover the expenses of the Cultural Affairs Program for two years. Any funds remaining in the Cultural Affairs Program's budget at the end of each fiscal year would be added to the CAC's grant budget for the following year.

## **OVERALL OPINION**

The Miami Beach Cultural Arts Council (CAC) has properly followed the guidelines established by the City Commission as to their purpose. It has established a master plan for the arts, and developed and established criteria and guidelines for review and funding for qualified not-for-profit organizations. The active CAC is comprised of eleven Miami Beach residents who routinely meet once a month to plan the organizations' future. Program files were well organized for each tested grantee and sufficient documentation was present confirming that funded programs were staged and that the organizations' final reports were received before that fiscal year's grant payments were authorized for reimbursement.

Despite these positive attributes, the following findings were identified which are in need of corrective action:

- Submitted grantee supporting documentation did not fully satisfy tested grant requirements which resulted in the issuance of \$58,860.40 in grant monies that were not initially warranted. Subsequent to our audit, supporting documentation was obtained from grantees.
- The CAC was not timely notified of the grant monies disallowed by the Miami Beach Visitor and Convention Authority for two tested Cultural Tourism grants that they are tasked with monitoring.
- Grantees' Final Reports were not Submitted Timely and their Frequently Used September 30<sup>th</sup> Due Dates Resulted in Sixteen Grantees Receiving their Second 2013/14 Fiscal Year Payment in the 2014/15 Fiscal Year.
- Two instances are noted whereby grantees were paid incorrectly with one involving a \$20 underpayment while the other involved the early payment of the \$2,000 Fresh Air Fund bonus.
- Cultural Affairs staff did not sufficiently document any site inspections conducted in the reviewed grantees' files to help support their findings and observations.
- The 2013/14 fiscal year figure reported for the number of grants awarded in the City's performance measurement software was incorrect.

## **PURPOSE**

To determine whether the Miami Beach Cultural Arts Council complied with tested requirements set forth by the City Commission during the 2012/13 and 2013/14 fiscal years, which includes the timely distribution of approved grant funds in the correct amounts to qualified eligible not-for-

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profit organizations; properly reported grant payments in the City's Financial System; and accurately reported data in the City's performance management software, Environmental Scan and adopted operating budget.

## SCOPE

1. Confirm that the Miami Beach Cultural Arts Council has developed, established and adhered to criteria and guidelines for review and funding of qualified not-for-profit arts organizations.
2. Confirm that the Miami Beach Cultural Arts Council consists of eleven Miami Beach residents, who are appointed for three-year terms and no more than six consecutive years.
3. Confirm that meetings are held once a month (excluding August) and that one public hearing before the City Commission is held annually.
4. Select a sample of grants awarded, ensuring that all grant categories are represented, and confirm that funds paid for grants were for approved programs, meeting the criteria set forth by the Miami Beach Cultural Arts Council.
5. Confirm that grant payments were correctly recorded in the City's Financial System.
6. Confirm that selected departmental measurement data reported in the City's performance management software, Environmental Scan and adopted operating budget are accurately calculated and properly supported by source documentation.

## FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding – *Submitted Grantee Supporting Documentation Did Not Fully Satisfy Tested Grant Requirements which Resulted in the Issuance of \$58,860.40 in Grant Monies that was not Initially Warranted*

Prior to receiving any monies, a grant agreement must be completed and signed by both the City and the participating 501(c)3 non-profit entity. This document requires the submittal of a final report within 45 days of the project's completion date; proof of the City of Miami Beach logo and credit line must be included in all project publications and advertisements; proof of performances such as programs, brochures and flyers; etc. The City's Grants and Operations Administrator maintains separate grantee files of all submitted documentation which must be approved for sufficiency before a reimbursement check is issued. This process excludes Cultural Tourism grants addressed further in finding #2 which are monitored solely by the Miami Beach Visitor and Convention Authority or VCA.

The Miami Beach Cultural Arts Council (CAC) awarded \$710,000 to forty-six grantees from six separate grant categories per City Resolution No. 2013-28365 for the 2013/14 fiscal year. A judgmental sample size of eighteen non-profit organizations was selected which was comprised of four Anchors, four Cultural Presenters, two Artistic Disciplines – Dance, four Artistic Disciplines – Music, two Artistic Disciplines – Theater and two Cultural Tourism grant programs. The corresponding non-profit organizations were then randomly selected from within each grant category.

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A review of fifteen sampled 2013/14 fiscal year non-Cultural Tourism grantee files (one did not participate in the program and did not receive any grant monies) for compliance with the agreements' terms was performed. The table below provides a summarized version of the noted deficiencies for the listed categories (sorted by dollar amount):

<u>Categories</u>	Number of Grantees	Number of Invoices	Dollar Amount
No proof of payment provided for expenses	6	24	\$29,603.65
Invoices dated outside the 2013/14 fiscal year	1	2	\$19,287.00
Incomplete supporting documentation *	2	3	\$5,870.00
Grantee changed categories without approval	1	1	\$2,699.75
Payments made outside the 2013/14 fiscal year	1	1	\$1,400.00
Total		31	\$58,860.40

\* Some of the supporting documentation was completely missing so there was no way to determine whether one invoice or numerous invoices were missing. In these instances, it was conservatively chosen to use only one invoice as missing so this column's listed figures may be understated but the dollar amount figures column would not have been affected.

Furthermore, it was found that three related organizations (the Wolfsonian - FIU, the Jewish Museum of Florida and the Florida International University (MBUS)) were all Cultural Anchors and received CAC grant funding during the 2013/14 fiscal year. However, the current grant program policies state that "An organization {a not-for-profit 501c(3) Miami Beach based institution} may submit only one application each grant year." When approached, the Grants and Operations Administrator stated that the CAC was cognizant of their affiliation and still opted to award grant monies.

Lastly, the Wolfsonian – FIU did not provide the required IRS Form 990 or certified financial statements or proof of payment documentation for its submitted expenses in support of \$28,136.21 in grant monies received (95.04% of the \$29,603.65 listed in the table above for "No proof of payment provided for expenses" category. Similar omissions for this organization have been previously reported on in other internal audits. Inquiries with the Grants and Operations Administrator found that the organization has not provided any other additional documentation for these prior years but they have continued to receive annual funding.

Recommendation(s):

The Cultural Affairs Division should more closely scrutinize the grantees' submitted documents to help ensure that all required items are received and completely satisfy the grant criteria. The grantee's second payment should be withheld until all pertinent information (financial statements, cancelled checks, etc.) is received and approved.

Furthermore, the identified deficient 2013/14 non-profit organizations should not receive future grant monies until these outstanding issues are resolved. If they cannot provide additional documentation by a reasonable time set by Cultural Affairs Division management, then any unpaid awarded amounts should be reduced accordingly. Finally, the CAC should either fund only one Florida International University organization going forward or amend the aforementioned grant program policies statement.

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Management's Response (CAC):

*No proof of payment provided for expenses (\$29,603.65):*

- Wolfsonian-FIU's original documentation, which accounts for \$28,136.21 of the above figure, included invoices and lists of corresponding voucher payments for security personnel. Audit Staff requested further proof of payment. FIU provided CAC staff with detailed payment vouchers for each invoice/transaction which are now located in the grant file.
- FUNDarte's file, which accounts for \$112.44 of the above figure, was lacking sufficient proof of payment of the credit card used for transactions totaling the aforementioned amount. A cancelled check or the following month's statement showing a zero balance was requested from the grantee. The latter has been obtained and is now located in the grant file.
- Miami Momentum Dance Company's original documentation, which accounts for \$750.00 of the above figure, included receipts of payment for 2 technical personnel instead of invoices. The grantee provided invoices that correspond to the payments made which are now located in the grant file.
- Siempre Flamenco's original documentation, which accounts for \$105.00 of the above figure, included invoices and checks for a total of 19 artists. A cancelled check corresponding to the invoice for dancer Virginia Moreno was not included and went unnoticed by Staff. A copy of that check has since been obtained and is now located in the grant file.
- Miami Gay Men's Chorus' original documentation, which accounts for (\$400.00) of the above figure, will be updated to include online advertising invoices for Facebook, Constant Contact, etc.) and proof of payments made by credit card.
- Fantasy Theater Factory's original documentation, which accounts for \$100.00 of the above figure, includes an invoice and check copy for stage/prop fabrication. The check copy provided was not the cancelled check which has been requested and will be placed in the grant file upon receipt.

*Invoices dated outside the fiscal year (\$19,287.00):* New World Symphony initially provided invoices (contracts) with musicians that were dated prior to the 13/14 Fiscal Year. Payments to those artists however, were issued within the 13/14 fiscal year. NWS was contacted and promptly provided new invoices and checks.

*Incomplete supporting documentation (\$5,870.00):*

- Miami Gay Men's Chorus' original documentation, which accounts for \$1,850.00 of the above figure, included proof of payments made by check for technical personnel but was missing corresponding invoices. These have been submitted and are now located in the grant file.
- Miami Lyric Opera's original documentation, which accounts for \$4,020.00 of the above figure, includes Miami Beach Convention Center invoices and schedules of expenses for 2 performances at the Colony Theatre (Amico Fritz, March 15-16, 2014 and Don Pasquale, June 26-29, 2014). Staff maintains that these detailed statements from MBCC sufficiently satisfy the program's supporting documentation requirement.

*Grantee changed categories without approval (\$2,699.75):* New World Symphony's Grant Agreement Budget Expense Page shows a line item of \$2,699 for "Printing". Their

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Final Report shows the same amount in the line item marked "Marketing/Publicity". Staff recognized the discrepancy upon initial review of the Final Report and made the determination (as outlined in the current year's Cultural Anchor Grant Guidelines and Final Report Requirements) that because Cultural Anchors' funds are non-restrictive, unlike other grant categories, this was not an egregious infraction or misuse of funds. All necessary invoices and corresponding checks for the "Marketing/Publicity" line item were provided.

*Payments made outside the 2013/14 fiscal year (\$1,400.00):* MBUS provided a \$1,400.00 invoice dated September 16, 2014 for Amy Cancelmo. The check issue date is October 3, 2014. Grants and Operations Administrator acknowledges the error and will aim to scrutinize all invoices and checks thoroughly.

Cultural Affairs Program Staff and the members of the Miami Beach Cultural Arts Council view the three FIU-affiliated organizations as three separate cultural entities, each with its own location, distinct programming, and dedicated management and operating staff. The Grant Guideline language can be revised accordingly.

In lieu of their IRS 990, Wolfsonian-FIU has continually submitted a letter with their application noting that as part of the State University System a separate Audit is not required. Per request, a copy of FIU's full Audit for Fiscal Year ended June 30, 2013 has been obtained.

2. Finding – *The CAC and the City were not Timely Notified of any Grant Monies Disallowed by the Miami Beach Visitor and Convention Authority*

Cultural Tourism grants are funded differently than the other grant categories which receive 100% of their monies from the CAC. Instead, these grantees were awarded \$10,000 from the CAC and \$10,000 from the VCA upon submittal and approval of the required documents during the 2013/14 fiscal year. The CAC's agreed upon payment of \$30,000 (three grantees received \$10,000 each) was paid to the VCA via check number 3391 dated November 5, 2013. The CAC subsequently relies on the VCA to monitor each grantee's performance and to determine the amount of monies to be reimbursed with any underpayments to be returned proportionately to both parties.

Two of the three non-profit organizations receiving Cultural Tourism grant monies were randomly selected for testing (the 16<sup>th</sup> Annual Miami Gay & Lesbian Film Festival and the XIX International Ballet Festival of Miami) whereby the following shortcomings were noted:

- The 16<sup>th</sup> Annual Miami Gay & Lesbian Film Festival elected not to participate in the program during the 2013/14 fiscal year and did not receive any of the \$10,000 in CAC grant monies awarded. Consequently, Internal Audit contacted the VCA to learn that the CAC had similarly paid \$10,000 during the 2012/13 fiscal year but the scheduled events were cancelled.

The VCA provided emails showing that they notified the City in February 2014 of these nonpayments and was instructed to hold CAC's portion of the repayment until the next grant cycle or the 2014/15 fiscal year. It was confirmed that the

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CAC remitted only \$10,000 (\$30,000 awarded grant funding less \$10,000 for the 2012/13 fiscal year and \$10,000 for the 2013/14 fiscal year) through check number 3541 dated November 12, 2014. However, the information concerning the \$20,000 reduction in grant monies was not forwarded to the CAC so they unknowingly awarded \$30,000 instead of \$10,000 to the three deemed eligible Cultural Tourism organizations. As a result, \$20,000 in awarded monies will go unused during the 2014/15 fiscal year rather than be disbursed proportionately to eligible grantees.

- The XIX International Ballet Festival of Miami only provided sufficient documentation to warrant grant funding of \$19,375. However, the VCA mistakenly paid them a total of \$19,687.50 or \$312.50 more than they were entitled to receive during the 2013/14 fiscal year. Furthermore, the VCA did not notify the CAC of this deficiency prior to the completion of this internal audit. Upon being notified by Internal Audit of this inadvertent mistake, the CAC was reimbursed \$312.50.

Recommendation(s):

Going forward, the City's Grants & Operations Administrator should annually review all Cultural Tourism grant files to help ensure that the designated grantees received proper funding. If not, any incorrectly disbursed grant monies should be recovered from the VCA. The \$20,000 in CAC funds not disbursed to the two Miami Gay & Lesbian Film Festivals should be carried forward to the 2015/16 fiscal year.

Management's Response (CAC):

City of Miami Beach Cultural Affairs Program Staff does not administrate the joint VCA/CAC Cultural Tourism Program. Staff will review all files and payments for this grant program annually.

3. Finding – *Grantees' Final Reports were not Submitted Timely and their Frequently Used September 30<sup>th</sup> Due Dates Resulted in Sixteen Grantees Receiving their Second 2013/14 Fiscal Year Payment in the 2014/15 Fiscal Year*

CAC's grant agreements require grantees to postmark or deliver their final report no later than 45 days after the project end to be eligible to receive the second half of their grant award. For example, the final report would be due on November 15, 2014 for any grantees whose projects have a September 30, 2014 completion date which represented ten of the sixteen applicable grantees. Two of the eighteen sampled 2013/14 fiscal year grantees (Next @ 19<sup>th</sup> (Temple Israel) and the 16<sup>th</sup> Annual Miami Gay & Lesbian Film Festival in Miami Beach) had their grant monies rescinded so they were not required to submit final reports.

The Grants and Operations Administrator time/date stamps the grantees' final reports upon submittal while the VCA manually records the date received. A comparison of the corresponding final reports received dates with those in the agreement found that 37.5% (6/16) were submitted late ranging from one day (MDC Live) to 39 days (Miami Gay Men's Chorus). Similar testing performed on twelve 2012/13 grantee files found that five final reports or 41.67% were submitted late ranging from a low of one day (Miami Gay Men's Chorus and Miami Beach Garden Conservancy) to a high of 76 days (Jewish

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Museum of Florida). One other sampled grant recipient, Florida Grand Opera, submitted their final report timely on June 27, 2013 but their second grant payment was properly withheld until they provided sufficient information to comply with the grant agreement's requirements.

Conversely, several sampled grantees submitted their 2013/14 final reports well before the designated due dates (examples include 147 days for Fantasy Theater Factory and 60 days for the New World Symphony). Although project dates may change based on unforeseen circumstances, the designated project end date needs to be accurate as it affects the final reports due date.

Cultural Affairs Division staff stated that they continually spend time reminding the grantees that deadlines have passed and work with them to help ensure that they receive full funding, whenever possible. Despite continued warnings since the 2011/12 fiscal year of the grantees need to comply with listed deadlines and the inclusion of the following statement in the grant program guidelines and applications instructions *"Application and Final Report deadlines will be strictly enforced. There will be no exceptions."* the percentage of tested late submittals has remained high and relatively constant during the past three fiscal years as shown below:

	FY 2011/12	FY 2012/13	FY 2013/14
Number of Late Sampled Submittals	4	5	6
Number of Organizations Tested	12	12	16
Percentage of Late Submittals	33.33%	41.67%	37.50%

As of the September 30, 2014 fiscal year end, there were sixteen non-profit organizations totaling \$148,343,30 in unpaid grant monies that had not yet submitted their final reports. As a result, an adjusting entry has to be prepared at the end of the 2013/14 fiscal year and then reversed at the beginning of the next fiscal year which assumes that all grant monies will be paid in full which may or may not be accurate as it based on the grantees compliance with the agreements' requirements.

Recommendation(s):

Project end dates are important as they help determine the date that the final report is due upon which the grantee may receive their second payment. One option to prospectively consider is to require all projects to be completed annually by August 1<sup>st</sup> with all final reports due by September 1<sup>st</sup>. Any final reports received afterwards should be subject to designated financial penalties that could be incorporated into the grant agreements. Certified letters should be sent to each grantee at or near their project completion date reminding them of their need to submit their final reports by the grant agreement's specified due date. The implementation and enforcement of these practices should result in better grantees' compliance thereby giving Cultural Affairs Division staff additional time to focus on more important duties and helping ensure that grant monies are disbursed in the same fiscal year awarded by the City Commission.

Management's Response (CAC):

Staff recognizes receipt of Final Reports past the 45-day project completion while understanding that many organizations working with minimal and volunteer staff have difficulty meeting certain deadlines. Staff continues to assert that penalizing such

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organizations financially is in opposition to the purpose of the grant program.

4. Finding – *Two Grantee Payment Shortcomings are Addressed*

Authorized grant recipients were to receive half their funding upon submittal and approval of the required documents with the remaining half upon completion (excluding the \$2,000 "Fresh Air Fund" which is to be included only in the second grant payment). The Grants and Operations Administrator must approve the submitted documentation for sufficiency before payment is made.

The Grants and Operations Administrator maintains an Excel spreadsheet to record all CAC grant payments. Among other information, it lists the grant program, the amounts awarded, the date the checks are requested and the amount of the two payments. Internal Audit compared this spreadsheet's data with the actual payments recorded in the City's Financial System general ledger account number 140-6080-000349 for all forty-six grantees and with stated grant criteria. In doing so, the follow shortcomings were noted:

- Tigertail Productions was inadvertently underpaid by \$20.00 as the Excel spreadsheet stated that their second payment was for \$10,577.69 when it actually was for \$10,557.69.
- The \$2,000 Fresh Air Fund bonus was split evenly between the first two payments rather than being included completely with the second as required by the program. Despite this minor oversight, the grantee (Orchestra Miami) properly received \$10,395.56 as awarded by the CAC.

Recommendation(s):

The Grants and Operations Administrator's maintained Excel spreadsheet should continue to reflect each grant payment made to eligible organizations. However, greater care should be taken to ensure that the corresponding payments are correct and that they agree to those amounts on the maintained Excel spreadsheet.

Management's Response (CAC):

CAC Staff acknowledges the clerical error and will make every effort to avoid them in the future. Staff will ensure Fresh Air Fund bonuses are only received after review and approval of Final Report.

5. Finding – *Cultural Affairs Staff did not Sufficiently Document any Site Inspections Conducted in the Reviewed Grantees' Files to help Support their Findings and Observations*

According to Cultural Affairs Staff, they occasionally attend grantees' performances for either pleasure or for monitoring the grantee. . When conducted, no documentation was found in the grantees' reviewed files to substantiate results, observations made, date and time of such inspections, etc. This documentation would be beneficial in verifying that the events occurred, in substantiating any deviations from grant requirements identified, etc.

Recommendation(s):

Going forward, sufficient documentation including, but not limited to, narratives, pictures, surveys, attendance, etc. should be included in the grantee's files to help record any

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observations made when attending grantees' performances to better document performance and/or trends concerning the quality and event response and attendance by the public, which in turn could be useful for future funding considerations.

Management's Response (CAC):

Cultural Affairs Program staff does not regularly attend performances and it would be impossible to attend all performances with the limited staff. Additionally, physical documentation summarizing site visits has never been required for the files, but staff will be happy to provide a brief narrative if and when any future site visits occur.

6. Finding – Review of Reported Departmental Performance Measures Noted One Incorrect Entry

The Cultural Affairs Division measures both the number and amounts of grants awarded by the City Commission. These tested departmental measures are reported in both the City's performance measurement software and the Environmental Scan. We reviewed the basis for each measure and compared the reported amounts to the actual supporting documentation.

First, it was confirmed that all the additional references listed in Exhibit 1 located at the end of this audit report were present and satisfied in the City's performance measurement software for the "# of grants awarded" and "grant award amounts". Second, it was calculated that the following differences existed during the past five fiscal years' entries:

Fiscal Year	# of Grants Awarded				Grant Award Amounts		
	Reported	Audited	Difference		Reported	Audited	Difference
2009/10	55	55	0		\$630,000	\$630,000	\$0
2010/11	52	52	0		\$627,676	\$627,676	\$0
2011/12	47	47	0		\$630,000	\$630,000	\$0
2012/13	46	46	0		\$650,000	\$650,000	\$0
2013/14	42	46	-4		\$710,000	\$710,000	\$0

A similar comparison of these two performance measures figures reported in the City's Environmental Scan (last updated on May 30, 2014) did not show any differences:

Fiscal Year	# of Grants Awarded				Grant Award Amounts		
	Reported	Audited	Difference		Reported	Audited	Difference
2008/09	43	43	0		\$627,169	\$627,169	\$0
2009/10	55	55	0		\$630,000	\$630,000	\$0
2010/11	52	52	0		\$627,676	\$627,676	\$0
2011/12	47	47	0		\$630,000	\$630,000	\$0
2012/13	46	46	0		\$650,000	\$650,000	\$0

After completing our review of the above measures for the specified fiscal years, we determined the following assessment categories suitable as defined in Exhibit 2 attached at the end of this audit report:

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Source	Name of Measure	Assessment Category
Performance Management Software	# of Grants Awarded	Certified with Qualifications
Performance Management Software	Grant Award Amounts	Certified
Environmental Scan	# of Grants Awarded	Certified
Environmental Scan	Grant Award Amounts	Certified

Lastly, a comparison of the audited figures listed above for the 2010/11 through 2013/14 fiscal years with those reported in the City's adopted budget book for the performance measure entitled "total grant \$'s awarded" did not identify any differences.

Recommendation(s):

The identified incorrect figures in the City's performance measurement software should be promptly corrected. Also, designated City employee(s) should ensure that the dually reported figures in the City's performance measurement software, Environmental Scan and/or the adopted budget book are correct.

Management's Response (CAC):

Staff has identified and corrected the figures noted above in the City's Environmental Scan and in Active Strategies. Ensuring these figures match throughout all City reporting tools is a priority of this Department.

**EXIT CONFERENCE**

An exit conference was held on July 21, 2015 and the participants included Gary Farmer (Cultural Affairs Program Manager), Mary Heaton (Grants & Operations Administrator), James Sutter (Internal Auditor), Mark Coolidge (Senior Auditor) and Fidel Miranda (Auditor). All present were in agreement with the findings and recommendations discussed and management responses were submitted shortly thereafter for inclusion in this report.

JJS:MC:mc

Audit performed by Senior Auditor Mark Coolidge and Auditor Fidel Miranda

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- cc: Kathie Brooks, Assistant City Manager  
 Max Sklar, Director of Tourism, Culture and Economic Development Department  
 Patricia Walker, Chief Financial Officer  
 Gary Farmer, Cultural Affairs Program Manager  
 Grisette Roque Marcos, Miami Beach Visitor and Convention Authority

**EXHIBIT: 1 - Additional References for Performance Management Software's Description of Measure**

- 1) **Measure Name:** Should list the name of the measure for which data is being collected and reported.
- 2) **Measure Type:** Should recognize whether the measure is an "Input", "Output", or "Outcome" measure. One must consider whether results are measured through input (Ex: Customer surveys), output (Ex: Number of contracts completed without change orders), or outcome (Ex: % of projects substantially completed or in beneficial use within 120 days).
- 3) **Measure Description:** Should describe the measure. Some measures are self-explanatory and some are not; however, a description should always be included (Ex: The measure considers the % of change in the value of the change orders for a specific category divided by the original project cost).
- 4) **Measure Frequency:** Describes how often performance data is reported (Ex: Quarterly).
- 5) **Data Sources:** Should list sources used to collect performance data (Ex: System Software Names, Report Names, Schedules, etc.)
- 6) **Calculation Methodology:** Should explain how data reported was calculated (Ex: change orders for that quarter divided by the original total projects costs, projects substantially completed or in beneficial use within 120 days of the contract milestone date divided by the total number of projects completed during the same quarter).

**EXHIBIT: 2 – Assessment Categories for Performance Measures Verification**

<b>Assessment Category</b>	<b>Criteria</b>
<b>Certified</b>	If reported performance is 100% accurate and if it appears that controls are in place to ensure accuracy for collecting and reporting performance data. Measurement data is supported by source documents.
<b>Certified with Qualifications</b>	This category is assigned under either one of two conditions: 1. <i>Reported performance is within +/- 3%, but the controls over data collection and reporting are not adequate to ensure continued accuracy.</i> 2. <i>The department's calculation of actual performance deviates from the measure definition, but was still within an acceptable range.</i>
<b>Factors Prevented Certification</b>	Documentation is unavailable or incomplete and controls are not adequate to ensure accuracy. This category is also assigned when there is a deviation from the measure definition and the reviewer cannot determine the correct measure result.
<b>Inaccurate</b>	Actual performance is not within 3% of reported performance, or there is a greater than 5% error in the sample of documents tested.