

MIAMI BEACH

INTERNAL AUDIT REPORT

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

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

DATE: May 23, 2016
AUDIT: Miami Beach Cultural Arts Council Audit
PERIOD: October 1, 2014 to September 30, 2015

This regularly scheduled audit of the Miami Beach Cultural Arts Council awarded and issued grants during the 2014/15 fiscal year 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 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 \$10,585,000 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 \$1,245,044.07 was appropriated to each of North Beach, Middle Beach, South Beach and the Arts in the 2014/15 fiscal year.

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; 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 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

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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.
- 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 and Theater. 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 the 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 2014/15 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.

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 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

A total of \$850,000 was requested in grant monies by forty-two viable organizations for the 2014/15 fiscal year. The City Commission, through the passage of Resolution No. 2014-28760 awarded grants totaling \$730,000 to these eligible organizations based upon successful scoring of required program criteria. These authorized grant recipients are to receive half their funding upfront upon submittal and approval of the required documents with the remaining half remitted upon completion (excluding the "Fresh Air Fund") which includes the submitted of incurred eligible expenses for reimbursement.

The CAC adopted the \$2,000 "Fresh Air Fund" to be given to all Cultural Presenters and Artistic Disciplines grantees who offer free outdoor performances in the City of Miami Beach during the 2014/15 fiscal year. Seventeen organizations qualified for the "Fresh Air Fund" monies which 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 No. 2014-28760 also included three programs whereby the CAC partnered with the VCA for Cultural Tourism grants that support cultural events with documented tourism benefits. The CAC's agreed upon annual payment to the VCA was made timely on November 12, 2014. These authorized grant recipients receive all their funding from the VCA upon submittal and approval of the required documents.

The CAC budget did not include a contribution towards the City's Cultural Endowment for the 2014/15 fiscal year due to budget constraints. Yet, the endowment's September 30, 2015 balance held in a restricted cash account increased by \$7,442.84 during the audit period to \$1,610,783.06 due to the 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. Finally, Resolution No. 2015-29045 was adopted changing the aforementioned fund balance cap to \$2,467,000 to correct an identified scrivener's error.

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 reimbursement requirements which resulted in the incorrect reimbursement of \$5,867.60 in grant monies.
- One grantee did not submit two required documents but still received full funding and three related Florida International University organizations were awarded monies in contradiction to the current grant program policies.

- 22.22% of tested grantees' final reports were not submitted timely (4/18) and the overall frequently used September 30th project completion dates resulted in twenty-one total grantees potentially receiving their second 2014/15 fiscal year payment in subsequent fiscal years.
- Review of reported departmental performance measures noted one incorrect entry in the City's Environmental Scan.

PURPOSE

To determine whether the Miami Beach Cultural Arts Council complied with tested requirements set forth by the City Commission during the 2014/15 fiscal year, which includes the timely distribution of approved grant funds in the correct amounts to qualified eligible not-for-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 Reimbursement Requirements which Resulted in the Incorrect Reimbursement of \$5,867.60 in Grant Monies*
The Miami Beach Cultural Arts Council (CAC) awarded \$730,000 to forty-two grantees from six separate grant categories for the 2014/15 fiscal year. A judgmental sample size of eighteen non-profit organizations was selected which was comprised of four Cultural Anchors, four Cultural Presenters, two Artistic Disciplines – Dance, four Artistic Disciplines – Music, two Artistic Disciplines – Theater and two Cultural Tourism grant programs. The corresponding numbers of non-profit organizations were then randomly chosen from within each grant category.

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Prior to receiving any grant monies, an agreement must be completed and signed by both the City and the participating 501(c)3 non-profit entity. Among other terms, this agreement requires that grant funds be spent within the designated budgeted categories (Outside Artistic Fees, Marketing/Publicity, Printing, etc.), that future changes to these categories shall not exceed 10% of the initial budgeted amount, that all invoices and payments must be dated within the 2014/15 fiscal year and that cancelled checks (front and back copies) must be furnished.

A review of the eighteen sampled 2014/15 fiscal year grantee found that one 501(c)3 organization, the Miami Theater Center, opted not to participate and did not receive any funding. Testing performed on the remaining seventeen sampled grantees submitted expenditure reimbursement documentation found the following deficiencies totaling \$5,867.60 (sorted by dollar amount for the listed criteria):

<u>Criteria</u>	Number of Grantees	Number of Invoices	Dollar Amount
Incomplete supporting documentation *	4	4	\$3,007.76
Payments made outside the 2014/15 fiscal year	1	1	\$2,800.12
Invoices dated outside the 2014/15 fiscal year	1	1	\$59.72
Total	6	6	\$5,867.60

* 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 assume that only one invoice was missing so this column's listed figures may be understated but the dollar amount figures column would not have been affected.

In addition, it was determined that the Grants & Operations Administrator had properly withheld an additional \$29,514.00 to the following grantees:

- Florida International University – MBUS did not receive \$18,321.00 as they did not provide proof of payment documentation for the submitted invoices in the Outside Artistic Fees category. Another \$6,568.00 was also not reimbursed since they did not submit any documentation in support of the amounts budgeted for the Marketing/Publicity, Printing and Postage categories.
- Hispanic Flamenco Ballet Ensemble, Inc. did not submit any documentation in support of the \$250.00 budgeted for the Equipment Rental category.
- It was calculated that the Cuban Classical Ballet did not submit sufficient documentation to warrant the reimbursement of \$4,486.43 in awarded grant monies. However, the grantee's second payment was only reduced by \$4,375.00 thereby resulting in a \$111.43 overpayment which is included in the table above.

The grantee files comprising this \$5,867.60 difference were reviewed with the Grants & Operations Administrator whereby it was agreed that the amounts were incorrectly reimbursed based on the documentation present.

Recommendation(s):

The Cultural Affairs Division should continue to closely scrutinize the grantees' submitted documents to help ensure that all required items are received and completely satisfy the

grant criteria before any monies are disbursed. The reimbursement terms should be reviewed to determine if any changes are warranted for future grant agreements. As discussed with the Grants & Operations Administrator, one option to consider is allowing invoices and/or payments that are dated in different fiscal years for approved events that were held during the designated fiscal year.

Meanwhile, the identified grantees comprising this \$5,867.60 difference should not receive future monies until these outstanding issues have been resolved. If they cannot provide additional documentation by a reasonable time set forth by Cultural Affairs Division management, then any unpaid awarded amounts should be reduced accordingly or a City Bill should be created.

Management's Response (CAC):

Staff has received missing supporting documentation from the organizations as mentioned above to justify the \$5,867.60 noted difference. Payments made outside the fiscal year are noted and as recommended, staff will consider allowing invoices and/or payments that are dated in different fiscal years for approved events that were held during the designated fiscal year.

2. Finding – *Three Related Florida International University Organizations were Awarded Monies in Contradiction to the Current Grant Program Policies*

The current grant program policies last updated for the 2013/14 fiscal year states that "An organization {a not-for-profit 501c(3) Miami Beach based institution} may submit only one application each grant year." However, three related Florida International University organizations (the Wolfsonian, the Jewish Museum of Florida and MBUS) are all Cultural Anchors and were awarded and received CAC grant funding during the 2014/15 fiscal year. When approached, the Grants and Operations Administrator stated that the Cultural Affairs Program staff and the CAC members view the three Florida International University affiliated organizations as three separate cultural entities, each with its own location, distinct programming, and dedicated management and operating staff.

Recommendation(s):

The CAC should amend the wording in the grant program policies statement so that the three related Florida International University organizations receiving monies do not contradict the listed terms.

Management's Response (CAC):

The Cultural and Junior Anchor Grant Guidelines states the following: The City of Miami Beach Cultural Affairs annual grants programs are open to non-profit, 501(c)(3) cultural organizations and cultural departments within an institution of higher learning (college or university) with tax-exempt status under other subsections of 501(c)(3) wishing to present or produce cultural and artistic events in the City of Miami Beach. Going forward, staff will revise the grant guidelines and policy language to ensure clarity on this issue.

3. Finding – *22.22% of Tested Grantees' Final Reports were not Submitted Timely (4 out of 18) and the Overall Frequently Used September 30th Project Completion Date Resulted in a Total of Twenty-One Grantees Potentially Receiving their Second 2014/15 Fiscal Year Payment in Subsequent Fiscal Years*

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CAC's grant agreements require grantees to postmark or deliver their final report no later than 45 days after the project completion date to be eligible to receive the second half of their grant award. For example, the final report would be due on November 14, 2015 for any grantees whose projects have a September 30, 2015 completion date which represented eleven of the eighteen sampled grantees.

The Grants and Operations Administrator time/date stamps the grantees' final reports upon submittal while the Miami Beach Visitor and Convention Authority or VCA staff manually records the date received. A comparison of the corresponding final reports received dates with those in the signed agreement found that 22.22% (4 out of 18) were submitted late ranging from a low of three days for the Friends of the Bass Museum, Inc. up to 180 days for University of Wynwood, Inc.

Conversely, four sampled grantees submitted their 2014/15 final reports at least 100 days in advance of their agreed upon due dates (Center for the Advancement of Jewish Education, Inc.; Hispanic Flamenco Ballet Ensemble, Inc.; Orchestra Miami; and Fantasy Theater Factory). Although project completion dates may change based on unforeseen circumstances, the agreed upon date needs to be accurate as it affects the final report's 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 stricter 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 finally decreased during the past fiscal year after the prior three years remained relatively constant as shown below:

	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15
Number of Late Sampled Submittals	4	5	6	4
Number of Organizations Tested	12	12	16	18
Percentage of Late Submittals	33.33%	41.67%	37.50%	22.22%

As of the September 30, 2015 fiscal year end, there were twenty-one non-profit organizations totaling \$229,428.24 in unpaid grant monies. As a result, adjusting journal entry number 12-092 was prepared at the end of the 2014/15 fiscal year and then reversed at the beginning of the 2015/16 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. Lastly, \$6,994.76 in encumbered CAC grant funds awarded to Stage Door Theater for the 2013/14 fiscal year were carried into the 2015/16 fiscal year.

Recommendation(s):

Project completion dates are important as they help determine the date that the final report is due upon which the grantee is eligible to receive their second payment. One option to prospectively consider is to require all projects to be completed annually by August 1st with all final reports due by September 15th. Certified letters should be sent to each grantee at or near their project completion date reminding them of their need to

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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. Although staff continues to assert that penalizing such organizations financially is in opposition to the purpose of the grant program, they will attempt to receive final reports at the earliest possible date (for both Anchors and Disciplines where applicable) by sending reminder emails in July with an August 31 deadline.

4. Finding – Review of Reported Departmental Performance Measures Noted One Incorrect Entry in the City's Environmental Scan

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 "total grant award amounts". Second, the following table shows that the figures reported for the past three fiscal years tested were accurate as no differences were noted:

Fiscal Year	# of Grants Awarded				Grant Award Amounts		
	Reported	Audited	Difference		Reported	Audited	Difference
2012/13	46	46	0		\$650,000	\$650,000	\$0
2013/14	46	46	0		\$710,000	\$710,000	\$0
2014/15	42	42	0		\$730,000	\$730,000	\$0

A similar comparison of these two performance measures figures reported in the City's Environmental Scan (last updated on May 30, 2015) identified one difference during the 2013/14 fiscal year:

Fiscal Year	# of Grants Awarded				Grant Award Amounts		
	Reported	Audited	Difference		Reported	Audited	Difference
2012/13	46	46	0		\$650,000	\$650,000	\$0
2013/14	42	46	-4		\$710,000	\$710,000	\$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
Performance Management Software	Grant Award Amounts	Certified
Environmental Scan	# of Grants Awarded	Certified with Qualifications
Environmental Scan	Grant Award Amounts	Certified

Lastly, a comparison of the audited figures listed above for the 2012/13 through 2014/15 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 incorrect figure reported for the number of grants awarded during the 2013/14 fiscal year in the City's Environmental Scan should be promptly corrected. Also, designated City employee(s) should better 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):

It was confirmed that the number of Grants Awarded in ActiveStrategy is correct. The Environmental Scan was released prior to the final numbers being entered. A new Environmental Scan will be issued next month and will include the corrected number of Grants Awarded.

EXIT CONFERENCE

An exit conference was held on April 14, 2016 and the participants included Max Sklar (Director of Tourism, Culture and Economic Development Department), Vanessa Williams (Assistant Director of Tourism, Culture and Economic Development Department), Mary Heaton (Grants & Operations Administrator), James Sutter (Internal Auditor) and Mark Coolidge (Senior 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

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cc: Kathie G. Brooks, Assistant City Manager
Max Sklar, Director of Tourism, Culture and Economic Development Department
Vanessa Williams, Assistant Director Tourism, Culture and Economic Development Department
Allison Williams, Chief Financial Officer

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

Assessment Category	Criteria
Certified	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.
Certified with Qualifications	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>
Factors Prevented Certification	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.
Inaccurate	Actual performance is not within 3% of reported performance, or there is a greater than 5% error in the sample of documents tested.