

MIAMI BEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

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

DATE: August 4, 2014
AUDIT: Miami Beach Community Health Center Grant Audit
PERIOD: October 1, 2010 through May 31, 2014

This report is the result of a regularly scheduled audit of the non-profit Miami Beach Community Health Center's compliance with tested provisions in their annually signed grant agreements effective between October 1, 2010 and May 31, 2014 concerning the receipt and expenditure of City Commission approved general fund monies.

INTRODUCTION

For over 30 years, the Miami Beach Community Health Center or MBCHC has been dedicated to helping the uninsured and underinsured in South Florida obtain affordable, quality and professional medical care. Physicians, nurse practitioners, physician assistants, dentists, registered pharmacists and support personnel staff help carry out this non-profit organization's mission. Its corporate offices are located at 11645 Biscayne Boulevard in North Miami with the following two centers operating in Miami Beach during the 32-month audit period:

- The Stanley C. Myers Center located at 710 Alton Road is open Monday through Friday from 7:00am to 5:00pm; while the accompanying pharmacy is open from 7:30am to 5:00pm, Monday through Friday.
- The Beverly Press Center located at 1221 71st Street has fluctuating hours of 7:00am to 4:30pm (Monday, Thursday and Friday) and from 7:00am to 5:00pm (Tuesday and Wednesday) with the pharmacy staffed between 8:30am and 5:00pm, Monday through Friday.

MBCHC is governed by a fifteen-member Board of Directors that discusses financial data, goals and objectives, etc. The organization's administration currently functions under the direction of Mark Rabinowitz, M.D. who serves as both the Chief Executive and Chief Medical Officer. Funding is received from a variety of sources including patient services; Department of Health and Human Services direct grants; Miami-Dade County contracts; Health Council of South Florida contracts; contract services; and in-kind contributions (donated facilities and pharmaceuticals). Meanwhile, reported expenditures consist primarily of salaries and benefits, pharmaceutical and supply purchases, and facilities maintenance.

MBCHC's prior Chief Executive Officer was terminated in 2012 after a routine audit required by federal funders turned up financial embezzlement and unauthorized compensation. A forensic audit report was subsequently completed determining a total loss of \$7,077,052 which was comprised of approximately \$3,925,000 relating to 2007 through 2010, \$2,182,000 in 2011 and \$970,000 in 2012. As a result, a number of MBCHC employees were terminated with any remaining staff members receiving extensive training; new, stronger internal controls were

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implemented; extensive investigations were conducted by federal, state and local authorities; etc. from hence their independent external auditors have issued unqualified or clean opinions. In lieu of these recently committed fraudulent actions and the associated operational revisions, this audit focused on the signed grant agreements' terms concerning MBCHC's annual receipt of \$21,660 in general fund monies awarded by the City Commission and their related expenditures.

The current process requires the grantee to submit a budget to the City's Grant Administrator for MBCHC (the City's Housing and Community Services Director) or designee for approval detailing how the grant monies received are to be spent. No monies are to be disbursed by the City until the budget is approved. Any subsequent changes to this approved budget must be reported in writing and authorized by the Grant Administrator or any monies issued may need to be repaid or future funding may be jeopardized at the City's discretion.

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

Furthermore, the City in the 2011/12 fiscal year began incorporating performance measures into the grant agreements that tie to the City's Key Intended Outcomes (goals/strategic priorities) in its Strategic Plan. As a result, MBCHC selected three Key Intended Outcomes (maximize efficient delivery of services, improve process through information technology and improve the lives of elderly residents) that they were required to provide and track corresponding performance measures beginning in the 2012/13 fiscal year while three others were selected for the 2013/14 fiscal year.

Lastly, the Miami Beach Health Facilities Authority was created and established in accordance with Florida Statutes Section 154.207 to improve the commerce, welfare and prosperity of the citizens of Miami Beach and their health and living condition. They approved the donation of surplus funds totaling \$715,331 for appropriation and disbursement by the City to non-profit human health service agencies. The City Commission adopted their recommendation and donated \$150,000 to MBCHC and \$565,331 to Mount Sinai Medical Center through the passage of Resolution No. 2013-28148 on March 13, 2013.

In summary, the City Commission awarded and the Finance Department disbursed the following monies to MBCHC during each fiscal year of the audit period:

	10/01/10 – 09/30/11	10/01/11 – 09/30/12	10/01/12 – 09/30/13	10/01/13 – 09/30/14	Total
Citywide General Fund Monies Awarded	\$21,660	\$21,660	\$21,660	\$21,660	\$86,640
Citywide General Fund Monies Disbursed	\$21,660	\$21,660	\$21,660	* \$0	\$64,980
Health Facilities Authority Monies Awarded	\$0	\$0	\$150,000	\$0	\$150,000
Health Facilities Authority Monies Disbursed	\$0	\$0	\$150,000	\$0	\$150,000

* The City Commission awarded general fund grant monies of \$21,660 for the 2013/14 fiscal year have not been disbursed as of the conclusion of this audit. Their approved budget states that these monies are to be used for window awnings, pressure cleaning and exterior painting at the Beverly Press Center. MBCHC can

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invoice the City for reimbursement if the work is finished and the required documentation is submitted prior to September 30, 2014.

OVERALL OPINION

Tested City disbursed general fund grant monies were deposited intact into Miami Beach Community Health Center's (MBCHC) operating account and did not exceed the amounts awarded by the City Commission. Similarly, reviewed supporting documentation provided concerning budgeted salaries, equipment and patient identification system expenditures were found to be complete and timely paid. Despite these positive attributes, the following deficiencies were noted that are in need of improvement:

- MBCHC submitted the required invoice and proof of payment documentation at least 67 days after the September 30, 2011 due date addressed in section 2 of the signed grant agreement yet the \$21,660 in awarded grant monies were still disbursed.
- A doctor currently employed at MBCHC's Stanley C. Myers Center continues to owe \$276 plus insufficient check charges and associated penalties for her 2010/11 fiscal year business tax receipt.

PURPOSE

To determine whether tested general fund grant monies awarded annually by the City Commission to the Miami Beach Community Health Center were disbursed and expended in accordance with the terms listed in the signed grant agreements.

SCOPE

1. Review the Miami Beach Community Health Center's implemented internal control process for adequacy.
2. Determine whether maintained tested documentation is organized, complete and sufficient.
3. Confirm that all tested citywide general fund grant revenues received were deposited intact into Miami Beach Community Health Center's operating account.
4. Verify that Miami Beach Community Health Center's actual expenditures occurred during the designated fiscal years and were in agreement with the annual budgets approved by both the grantee and the City.
5. Ensure that the Miami Beach Community Health Center properly submitted invoices and proof of payment documentation (canceled checks, credit card statements, wire transfers, etc.) for all grant expenditures by the end of each tested fiscal year to the City's designated Grant Administrator.
6. Determine whether Miami Beach Community Health Center has remitted all tested permit and license payments to the City.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding: *The Grantee Submitted the Required Invoice and Proof of Payment Documentation at least 67 Days After the September 30, 2011 Due Date Listed in Section 2 of the Signed Grant Agreement yet the \$21,660 in Awarded Grant Monies were still Disbursed*
Section 2 of the 2010/11 fiscal year grant agreement signed by both the City and the Miami Beach Community Health Center (MBCHC) states:

“Once the Grantee’s {MBCHC} budget has been approved and the Agreement signed, then the Grantee must prepare an invoice and deliver to the City’s Finance Department located at 1700 Convention Center Drive. If all this documentation is not completed and submitted prior to the end of the fiscal year (September 30th), then the monies are forfeited and will not be paid to the Grantee.

The Grantee who receives monies is required to submit each paid invoice attached to a copy of their proof of payment (canceled check, credit card statement, wire transfer, bank statement, etc.) by the end of the fiscal year to the Grant Administrator or designee. All invoices and proof of payments submitted must be complete and agree to the budget previously approved by the City.”

Although testing confirmed that the 2010/11 fiscal year invoice and sufficient proof of payment documentation were received, the invoice was signed on December 6, 2011 by MBCHC’s Chief Financial Officer which was 67 days after the September 30, 2011 due date. The documents were assumed to have been received by the City’s Grant Administrator for MBCHC (the City’s Housing and Community Services Director) on this date as they were not time/date stamped to indicate the receipt date. Also, no documentation was provided initially whereby MBCHC was granted additional time to submit these required documents but the City’s designated Grant Administrator still opted to remit the \$21,660 in awarded general fund grant monies.

Further testing found that the 2011/12 and 2012/13 fiscal years tested invoices and proof of payment documentation were received timely and the corresponding amounts awarded by the City Commission were accurately and timely disbursed. Even though the audit period also includes the 2013/14 fiscal year, it was excluded from analysis because the approved budget expenditures for window awnings, pressure cleaning and exterior painting at the Beverly Press Center has not been completed to date. MBCHC can invoice the City for reimbursement if the work is finished prior to September 30, 2014 and the required documents are submitted timely.

Recommendation(s):

The Grant Administrator should strictly enforce the terms of the grant agreement going forward. Any exceptions should be documented and approved in advance by the City Manager, who typically signs the grant agreements, or his designee. At a minimum, any received date sensitive customer documentation should be promptly time/date stamped.

Housing and Community Services Management Response:

City staff sent grant reminders to all recipients. When MBCHC realized that the City had not received its reimbursement package, after the deadline had passed, the City was

asked if they could still seek reimbursement. A request was submitted and approved to allow for reimbursement.

2. Finding: *A MBCHC Doctor Currently Working at the Stanley C. Myers Center Owes the City \$276 Plus Insufficient Check Charges and Associated Penalties for her 2010/11 Fiscal Year Business Tax Receipt*

A doctor working at MBCHC's Stanley C. Myers Center was billed a total of \$276 for her 2010/11 fiscal year business tax receipt. The corresponding check received was subsequently returned by the bank for insufficient funds so the payment was properly reversed in the Eden System's Licensing Module on October 28, 2011.

Due to system limitations, Finance Department's Licensing Section staff has to manually calculate the outstanding balance and prepare a revised business tax receipt to inform the customer of the actual amount now owed. Once paid in full, they have to manually delete this line item or it will continue to bill the customer on subsequent business tax receipts. Testing found that this manual adjustment was not performed and the outstanding balance went unnoticed as the customer incorrectly received business tax receipts for the 2011/12, 2012/12 and 2013/14 fiscal years despite continuing to owe the aforementioned \$276 plus insufficient check charges and associated penalties.

Recommendation(s):

The Finance Department's Licensing Section should immediately calculate and invoice the customer the appropriate amount for the unpaid 2010/11 fiscal year business tax receipt. Going forward, the Finance Department should better scrutinize customers' accounts to help ensure that any outstanding amounts are invoiced and paid in full before any new business tax receipts are issued. Finally, Finance Department management should try to determine whether this process can be automated or other safeguards established to help prevent similar mistakes from occurring in the future.

Finance Department's Management Response:

The Finance Department's Licensing Section will calculate and invoice the customer the unpaid \$276 plus penalties for their 2010/11 fiscal year Business Tax Receipt. Going forward, the Finance Department will continue to scrutinize returned items and continue to send pending renewals to Code Enforcement for compliance. All pending Business Tax Receipts are sent to Code Enforcement on a routine basis for compliance.

The City and Finance Department will be automating this process with the purchase and installation of the new Energov system, which was approved at the July 30th, 2014 City Commission meeting. This system will automate a manual process and prevent similar scenarios from occurring in the future.

EXIT CONFERENCE

The draft audit report was initially sent to the City's Grant Administrator for review whereby an exit conference was subsequently held on July 16, 2014. Participants included Housing and Community Services Director Maria Ruiz, Internal Auditor James Sutter and Senior Auditor Mark Coolidge. Any agreed upon changes were subsequently made and the revised draft audit report was sent electronically to Miami Beach Community Health Center for review and to solicit management responses which were added to this audit report. All were in agreement with the contents of this report.

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(Audit performed by Mark Coolidge, Senior Auditor)

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cc: Kathie Brooks, Assistant City Manager
Maria Ruiz, Housing and Community Services Director
Patricia Walker, Chief Financial Officer
Dr. Mark Rabinowitz, Chief Executive and Chief Medical Officer, Miami Beach
Community Health Center