

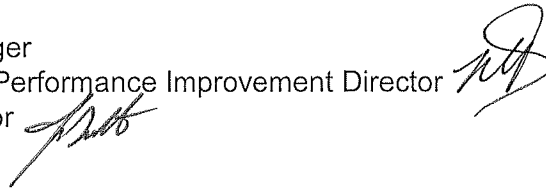


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BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

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



DATE: August 17, 2011
AUDIT: Special Events Fees
PERIOD: October 1, 2008 to December 31, 2010

This audit report is the result of a regularly scheduled audit of the special event permits issued by the Department of Tourism and Cultural Development.

INTRODUCTION

A City of Miami Beach special event permit is required for any organized event of a temporary nature that takes place on public property or private property where such event would not normally be allowed on a permanent basis based on zoning, Certificate of Use or Business Tax Receipts. Applicants who wish to hold a special event must submit to the Special Events Division a completed special event application, no less than 90 days prior to the event if held on the beach or 60 days for non-beach event. The Special Events Division is responsible for assisting special event producers in obtaining special events permits through compliance with stated requirements. In addition, the Special Events Division serves as a liaison between local and regional associations and agencies in addressing the delivery of city services, updates the calendar of events on the Internet, and assists neighborhood associations with maintenance of events' criteria.

The Special Events Liaison has the responsibility for administering, organizing, planning and facilitating special and cultural events, including in-house City sponsored events. The Special Events Liaison also assists in the preparation and development of special and cultural event budgets for city services, based on the scope of the event.

The event applicant is able to access the Special Events Requirement Permit Requirements and Guidelines through the City of Miami Beach's website. The corresponding information provided helps guide applicants through the process of applying for a special event permit, and to minimize disruption to the impacted surrounding environment. It details the application and approval process and lists the required documents (i.e. permits, insurance, site plans, etc.) that must be submitted.

For each event the Application Fee and Permit Fee is \$250 for each. A minimum security deposit of \$2,500 is also required to protect the City in the event an outstanding balance remains at the conclusion of the special event. If average attendees per day is anticipated to be over 1,500, then the permit fee is increased to \$500 and the required security deposit is \$5,000. Other additional charges that may be incurred include police off-duty officers pay and administrative surcharge, building and electrical permit fees, vehicle beach access fees, Lummus Park and Lincoln Road User Fees, market concession fees, event concession fees and square footage fees.

City Financial records show the following amounts received from related special events fees:

Fee Type	FY 2008/09	FY 2009/10	FY 2010/11 (3 months)
Application /Permit Fees	\$74,350	\$84,076	\$57,841
Vehicle Beach Access Fees	\$16,950	\$23,050	\$11,250
Lincoln Rd User Fees/Market	\$1,637	\$2,742	0
Event Concessions	\$68,484	\$53,874	\$740
Lummus Park User Fees	\$15,643	\$31,227	\$10,000
Square Footage	\$78,638	\$115,320	\$62,807
Total Revenues	\$255,702	\$310,289	\$142,638

PURPOSE

The purpose of this audit is to determine whether special events transactions procedures are established, authorized, and maintained in accordance with laws, regulations, and management's policy; whether fees and transactions are accounted for, economically and efficiently processed, accurately and promptly recorded; whether recorded balances are periodically substantiated and evaluated; and whether City records, and files are properly safeguarded and controlled, and access thereto is restricted in accordance with management's criteria.

OVERALL OPINION

Our review of Department of Tourism and Cultural Development and Finance Department records confirmed that the Special Permit Fees with regards to the following items have properly documented, correctly computed and properly assessed in compliance with the City Code and departmental policies and procedures.

- Application and Permits Fees were properly collected and recorded in the City Financial System
- All Special Event Permits waived by the City Manager or designee were properly approved, and documented to include the not for profit organizations papers in the file.
- Indemnity agreements and insurance requirements were properly document and approved by the City Risk Management department as well the indemnity agreements were approved by our City Attorney Office.
- Instances where the following fee were applicable (Vehicle Beach Access, Square Footage, Beach Concessions, State Sales Tax, Lummus Park User fees, Lincoln Rd User Fees/Market), have been properly collect and recorded in the City Financial System in our sample selected for testing.

However, the following areas need improvement:

- Where the minimum security deposit has been approved for a lesser amount, supporting documentation needs to be kept in the event file supporting the rationale. Event files for some events with minimum security deposits charged need further support to document the rationale for charging the minimum rate.

- Security deposits reconciliations should be performed periodically to ensure that balances are accurate and supports active events.

SCOPE

1. Confirm that comprehensive policies and procedures exist, are known and are followed by staff.
2. Confirm that the security deposits are collected prior to the events.
3. Confirm that all security deposits are reimbursed at the conclusion of the event.
4. Confirm that the various special events related fees are accurately calculated and collected, adequately documented and correctly recorded in accordance with the City Ordinance and administrative policies and procedures.
5. Confirm that all monies received are properly recorded in the City Financial System.
6. Confirm that all security deposits reimbursed are properly recorded in the City Financial System.
7. Confirm that all application and permits waived where properly approved by the City Manager.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding: *Collection of Sufficient Security Deposits.*
The Special Events Permit Requirements and Guidelines require a refundable security deposit will be required no later than thirty (30) days in advance of the event. The amount of the security deposit is based on the scope of the event, 0 to 1,499 attendee's require a \$2,500, attendance of 1,500 and above requires a \$5,000 deposit. These funds are held by the City pending the satisfactory completion of the special event and the subsequent payment of all monies due.

Internal audit reviewed a total of seventy-four special event files and noticed four files which a lower amount of security deposit (\$2,500) was collected; a security deposit of \$5,000 should have been collected in accordance with the guidelines and requirements since they were projected to be over 1,500 attendees. The Special Event Division, indicated that the four events in question were yearly events from a reliable event producer and the City knew that the event would not reach 1,500, and the Tourism and Cultural Development Director approved the lower \$2,500 deposit in accordance to the Special Events Fee Schedule.

Recommendation:

While the Special Event Division keeps excellent records, it is recommended that in the future, any event requiring a revision to the minimum deposit based on subsequent changes to the application, be approved in writing by the Director of the Department.

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Management Response:

Management agrees with the recommendation of the Internal Auditor and will better document those valid incidents where minimum deposits are received in lieu of requirement.

2. Finding: *Reconciliation of Security Deposits.*

Individual security deposit refunds tested were done in a timely manner or rolled over for another future event. For FY09/10 there was a \$72,715 deposit balance carried over to FY10/11. This represents all deposits outstanding for future events or those recently held but not returned. The Special Event staff maintains a spreadsheet to assist in tracking fees and deposits paid by fiscal year. It was noted that there is no single listing outstanding deposits representing the balance at year end. This is an indication that there is no reconciliation taking place.

Recommendation:

It is recommended that the Special Event Liaison reconciles the deposit account on a periodic basis to ensure that the end of the year balance supports the security deposit left in the account. Any additional money should be researched and transferred by journal entry to the applicable general ledger account. It is further recommended that all revenue accounts be reconciled monthly to ensure that the correct fee amounts are in the correct accounts.

Management Response:

Management agrees with the recommendation of the Internal Auditor and will reconcile the deposit and revenues accounts on a quarterly basis starting in this current quarter.

EXIT CONFERENCE

An exit meeting was held on August 9, 2011 to discuss the audit report and to solicit management responses noted above. Participants included Max Sklar, Tourism and Cultural Development Director, Natasha Diaz, Office Associate V, Linette Nodarse, Office Associate V, Sutter, Internal Auditor and Laura Franco-Rubines, Assistant Internal Auditor. Management responses were received thereafter and incorporated in the report. All were in agreement with the contents of this report.

JJS:LR:lr

(Audit performed by Laura Franco-Rubines, Assistant Internal Auditor)

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cc: Hilda Fernandez, Assistant City Manager
Max Sklar, Director
Patricia Walker, Chief Financial Officer