



MIAMIBEACH

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: October 14, 2010
AUDIT: State Beachfront Management Agreement (#3595) Financial Review
PERIOD: October 1, 2008 through September 30, 2009

This audit report is being submitted in compliance with the annual audit reporting requirement of subparagraph (2) of the original State Beachfront Management Agreement No. 750-0006 dated February 3, 1982. This management agreement was subsequently reassigned No. 3595 by the State Department of Natural Resources. Furthermore, amendment number 1 was signed on August 9, 2007 extending the original terms for an additional twenty-five years until February 7, 2032.

INTRODUCTION

State Beachfront Management Agreement No. 3595 requires that the City of Miami Beach remit to the Florida Department of Environmental Protection 25% ("sand tax") of any and all monies the City collects from private concerns for the use of State beachfront property. There are three categories of beachfront property users:

- Operators of beachfront concessions seaward of Lummus Park, Ocean Terrace, North Shore Open Space Park and Pier Park (Boucher Brothers and Penrod Brothers,) who pay for use of the beachfront as per their respective contractual agreements.
- Miami Beach hoteliers and condominium associations, which pay beach upland fees to the City on an annual basis, at the same time that they pay their Business tax Receipt fees.
- Members of the public who run organized, usually one time only, events on the beach, such as weddings, volleyball tournaments and corporate affairs. These are called Special Events, and payments are remitted to Tourism and Cultural Development.

The following table lists the audited rounded amounts of sand tax collected, due and paid to the State by the three categories of users during the audit period:

| Category | Total Revenues Collected | 25% Sand Tax Due | Amount Remitted | Difference |
|----------------------------------|--------------------------|------------------|-----------------|------------|
| Beachfront Concessions | \$745,625 | \$186,406 | \$186,406 | \$0 |
| Hoteliers and Condo Associations | \$220,573 | \$55,143 | \$55,392 | (\$249) |
| Special Events | \$83,412 | \$20,853 | \$20,713 | \$140 |
| Subtotal | \$1,049,609 | \$262,402 | \$262,511 | (\$108) |
| Adjustments | (\$40,954) | (\$10,238) | (\$10,238) | \$0 |
| Total | \$1,008,656 | \$252,164 | \$252,272 | (\$108) |

OVERALL OPINION

We are committed to providing excellent public service and safety to all who live, work, and play in our vibrant, tropical, historic community.

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Based upon our examination of City records, it has been determined that during the audit period of October 1, 2008 through September 30, 2009, the City received a total of \$1,008,656 in revenues subject to the State Beachfront Management Agreement. This figure represents a decrease of \$84,766 or 7.75% over the fiscal year 2007/08's total of \$1,093,422. Subsequent testing showed that the City remitted \$252,272 which was \$108 more than the actual amount due of \$252,164 ($\$1,008,655 \times 25\%$). See the attached supporting schedule for revenue details by concessionaire during the audit period.

PURPOSE

The purpose of this audit is to determine whether the City complied with State Beachfront Management Agreement No. 3595 by accurately calculating, timely remitting and properly recording sand tax monies to the Florida Department of Environmental Protection equal to 25% of any and all revenues collected from private concerns for the use of State beachfront property.

FINDING AND RECOMMENDATION

Finding: *State's 25% portion of sand tax not paid correctly*

Internal Audit's testing found a variety of calculation errors causing both sand tax underpayments and overpayments to the State of Florida. Most of these errors were corrected by a mid-year adjustment but two went unnoticed resulting in a \$108.39 overpayment as shown in the attached schedule.

Recommendation(s):

The Finance Department has been notified and will deduct this amount in the City's next sand tax payment. During the course of the audit, the Finance Department corrected procedures on handling and reconciling payments and retrained existing personnel.

JJS:MC:mc

audit performed by Mark Coolidge

cc: Patricia Walker, Chief Financial Officer
Georgina Echert, Assistant Finance Director

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SCHEDULE OF FEES COLLECTED
 BEACHFRONT MANAGEMENT AGREEMENT
 FISCAL YEAR 08/09

| | <u>CONCESSIONAIRE</u> | <u>TOTAL FEES</u> * | <u>75% OF</u> <u>TOTAL</u> | <u>25% DUE</u> <u>STATE</u> | <u>REMITTED</u> <u>TO STATE</u> | <u>OWED</u> <u>TO STATE</u> |
|----|---|------------------------|-------------------------------|--------------------------------|------------------------------------|--------------------------------|
| 1 | 1500 Ocean Drive Associates | \$3,808.00 | \$2,856.00 | \$952.00 | \$952.00 | \$0.00 |
| 2 | 2201 Collins Avenue, LLC | 6,018.00 | 4,513.50 | 1,504.50 | 1,504.50 | 0.00 |
| 3 | 3B Productions LLC | 2,102.80 | 1,577.10 | 525.70 | 525.70 | 0.00 |
| 4 | Alexander Hotel | 7,395.00 | 5,546.25 | 1,848.75 | 1,848.75 | 0.00 |
| 5 | Beach Hotel Associates LLC | 8,236.68 | 6,177.51 | 2,059.17 | 2,059.17 | 0.00 |
| 6 | Beta Epsilon/Cadillac LLC | 4,471.00 | 3,353.25 | 1,117.75 | 1,117.75 | 0.00 |
| 7 | Boucher Brothers | 720,416.40 | 540,312.30 | 180,104.10 | 180,104.10 | 0.00 |
| 8 | Continuum on So. Beach | 5,338.00 | 4,003.50 | 1,334.50 | 1,334.50 | 0.00 |
| 9 | Convention Planning Services | 1,000.00 | 750.00 | 250.00 | 250.00 | 0.00 |
| 10 | CR Miami LLC | 2,363.00 | 1,772.25 | 590.75 | 590.75 | 0.00 |
| 11 | Crown | 2,958.00 | 2,218.50 | 739.50 | 739.50 | 0.00 |
| 12 | Crystal Beach Development | 1,428.00 | 1,071.00 | 357.00 | 357.00 | 0.00 |
| 13 | Dade Community Foundation | 3,247.64 | 2,435.73 | 811.91 | 811.91 | 0.00 |
| 14 | Days Inn Art Deco | 5,139.00 | 3,854.25 | 1,284.75 | 1,284.75 | 0.00 |
| 15 | Days Inn Oceanside | 4,655.00 | 3,491.25 | 1,163.75 | 1,163.75 | 0.00 |
| 16 | Decoplage Condo Assn. | 10,000.00 | 7,500.00 | 2,500.00 | 2,500.00 | 0.00 |
| 17 | Delano Hotel | 7,322.00 | 5,491.50 | 1,830.50 | 1,830.50 | 0.00 |
| 18 | Dorothy L. Nevitt | 467.28 | 350.46 | 116.82 | 116.82 | 0.00 |
| 19 | Doubletree Surfcomber Hotel East Atlantic Gardens Condominium | 3,872.00 | 2,904.00 | 968.00 | 968.00 | 0.00 |
| 20 | | 1,750.00 | 1,312.50 | 437.50 | 437.50 | 0.00 |
| 21 | Eden Roc Hotel | 10,782.00 | 8,086.50 | 2,695.50 | 2,695.50 | 0.00 |
| 22 | Exclusive Sports Marketing | 6,519.60 | 4,889.70 | 1,629.90 | 1,629.90 | 0.00 |
| 23 | Four Points/Sheraton | 7,182.00 | 5,386.50 | 1,795.50 | 1,795.50 | 0.00 |
| 24 | Holiday Inn Miami Beach | 8,693.00 | 6,519.75 | 2,173.25 | 2,173.25 | 0.00 |
| 25 | Il Villaggio Condo Assn. | 2,771.30 | 2,078.47 | 692.82 | 692.82 | 0.00 |
| 26 | Katrina's/The Bath Club | 3,400.00 | 2,550.00 | 850.00 | 850.00 | 0.00 |
| 27 | King Richard Condominium | 623.24 | 467.43 | 155.81 | 155.81 | 0.00 |
| 28 | Lane/Green Wedding | 214.96 | 161.22 | 53.74 | 53.74 | 0.00 |
| 29 | Loews | 10,000.00 | 7,500.00 | 2,500.00 | 2,500.00 | 0.00 |
| 30 | Logistics Management Group | 19,065.40 | 14,299.05 | 4,766.35 | 4,766.35 | 0.00 |
| 31 | Marriott Fairfield Inn | 7,140.00 | 5,355.00 | 1,785.00 | 1,785.00 | 0.00 |
| 32 | Marseille Hotel | 3,978.00 | 2,983.50 | 994.50 | 994.50 | 0.00 |
| 33 | Miami Beach Marriott | 4,059.00 | 3,044.25 | 1,014.75 | 1,014.75 | 0.00 |
| 34 | Michael Epstein Productions LLC | 2,089.96 | 1,567.47 | 522.49 | 522.49 | 0.00 |
| 35 | Mosaic On Miami Beach | 1,462.00 | 1,096.50 | 365.50 | 365.50 | 0.00 |
| 36 | MP6 Publishing Corp. | 560.76 | 420.57 | 140.19 | 140.19 | 0.00 |
| 37 | Nautilus Club | 4,317.00 | 3,237.75 | 1,079.25 | 1,079.25 | 0.00 |
| 38 | North Carillon Beach Condo | 1,734.00 | 1,300.50 | 433.50 | 433.50 | 0.00 |
| 39 | Oscar/Ana Barbara | 6,565.40 | 4,924.05 | 1,641.35 | 1,641.35 | 0.00 |
| 40 | Palms South Beach Penrod Brothers (Beach Concessions) | 4,231.00 | 3,173.25 | 1,057.75 | 1,057.75 | 0.00 |
| 41 | | 25,208.20 | 18,906.15 | 6,302.05 | 6,302.05 | 0.00 |

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|----|----------------------------------|-----------------------|----------------------|----------------------|----------------------|-------------------|
| 42 | Penrod Brothers (Special Events) | 21,170.08 | 15,877.56 | 5,292.52 | 5,292.52 | 0.00 |
| 43 | Polo Life LLC | 2,033.84 | 1,525.38 | 508.46 | 508.46 | 0.00 |
| 44 | Quality Inn | 7,744.00 | 5,808.00 | 1,936.00 | 1,936.00 | 0.00 |
| 45 | Red Bull North America, Inc. | 3,350.48 | 2,512.86 | 837.62 | 837.62 | 0.00 |
| 46 | Revolution | 6,682.24 | 5,011.68 | 1,670.56 | 1,670.56 | 0.00 |
| 47 | Richmond Hotel | 1,926.00 | 1,444.50 | 481.50 | 481.50 | 0.00 |
| 48 | Ritz Carlton | 13,160.00 | 9,870.00 | 3,290.00 | 3,290.00 | 0.00 |
| 49 | Riutel Florida | 9,997.00 | 7,497.75 | 2,499.25 | 2,499.25 | 0.00 |
| 50 | Sagamore GP Corp. | 105.12 | 78.84 | 26.28 | 26.28 | 0.00 |
| 51 | Sagamore Hotel | 1,582.00 | 1,186.50 | 395.50 | 395.50 | 0.00 |
| 52 | Shelborne Beach Resort | 4,572.00 | 3,429.00 | 1,143.00 | 1,143.00 | 0.00 |
| 53 | South Carillon Beach Condo | 1,462.00 | 1,096.50 | 365.50 | 365.50 | 0.00 |
| 54 | South of Fifth Condo Association | 476.00 | 357.00 | 119.00 | 119.00 | 0.00 |
| 55 | South Seas Hotel | 4,095.00 | 3,071.25 | 1,023.75 | 1,023.75 | 0.00 |
| 56 | Sunshine Restaurant Merger | 0.00 | 0.00 | 0.00 | 248.58 | (248.58) |
| 57 | The Bentley Beach | 3,837.00 | 2,877.75 | 959.25 | 959.25 | 0.00 |
| 58 | The Michael Alan Group | 0.00 | 0.00 | 0.00 | (140.19) | 140.19 |
| 59 | The National | 5,440.00 | 4,080.00 | 1,360.00 | 1,360.00 | 0.00 |
| 60 | The Raleigh Hotel | 1,961.00 | 1,470.75 | 490.25 | 490.25 | 0.00 |
| 61 | The Savoy on South Beach | 1,152.00 | 864.00 | 288.00 | 288.00 | 0.00 |
| 62 | The Setai Resort and Condo | 4,806.00 | 3,604.50 | 1,201.50 | 1,201.50 | 0.00 |
| 63 | The Shore Club Hotel/Philips | 5,590.00 | 4,192.50 | 1,397.50 | 1,397.50 | 0.00 |
| 64 | Westgate Resort | 782.00 | 586.50 | 195.50 | 195.50 | 0.00 |
| 65 | Wyndham Miami Beach Resort | 15,101.00 | 11,325.75 | 3,775.25 | 3,775.25 | 0.00 |
| | Subtotal | \$1,049,609.38 | \$787,207.03 | \$262,402.34 | \$262,510.73 | (\$108.39) |
| | Adjustments | (\$40,953.88) | (\$30,715.41) | (\$10,238.47) | (\$10,238.47) | \$0.00 |
| | Total | \$1,008,655.50 | \$756,491.62 | \$252,163.87 | \$252,272.26 | (\$108.39) |

*Excludes sales tax