



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 31, 2011
AUDIT: State Beachfront Management Agreement (#3595) Financial Review
PERIOD: October 1, 2009 through September 30, 2010

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, which 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 with the City.
- 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 the City's Tourism and Cultural Development Department.

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	\$737,487	\$184,123	\$184,123	\$0
Hoteliers and Condo Associations	\$254,837	\$64,177	\$64,177	\$0
Special Events	\$129,654	\$32,414	\$32,273	(\$140)
Total	\$1,120,985	\$280,714	\$280,574	(\$140)

* The City made the following four sand tax payments totaling \$280,574.03 to the State of Florida based on the applicable revenues collected during the 2009/10 fiscal year:

Internal Audit Report
State Beachfront Management Agreement Financial Review (#3595)
For the Fiscal Year Ending September 30, 2010
October 31, 2011

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
292582	01/20/10	\$184,612.59
297236	05/04/10	\$39,427.60
301278	07/29/10	\$14,604.56
305300	10/20/10	\$41,929.28

OVERALL OPINION

Based upon our examination of City records, it has been determined that during the audit period of October 1, 2009 through September 30, 2010, the City received a total of \$1,122,856.89 in revenues subject to the State Beachfront Management Agreement. This figure represents an increase of \$114,201.39 or 11.32% over the fiscal year 2008/09's total of \$1,008,655.50.

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: *The State of Florida was Inadvertently Underpaid \$140.19 in Sand Tax*
Internal Audit's testing found that the City remitted \$280,574.03 in sand taxes to the State of Florida which was \$140.19 less than the actual amount due of \$280,714.22 ($\$1,122,856.89 \times 25\%$). This overage was identified in last year's audit but has not been corrected to date by the City's Finance Department. See the attached supporting schedule for revenue details by beachfront property user during the audit period.

Recommendation(s):

The City's Finance Department has been notified and will add \$140.19 to their next quarterly sand tax payment.

Management Response (Finance):

The City will increase its next quarterly sand tax payment by the \$140.19 identified by Internal Audit staff. This will bring the total tax remitted to the State of Florida for the period audited to the adjusted amount of \$280,714.22, instead of the initial remittance of \$280,574.04.

JJS:MC:mc
audit performed by Mark Coolidge

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

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Internal Audit Report
 State Beachfront Management Agreement Financial Review (#3595)
 For the Fiscal Year Ending September 30, 2010
 October 31, 2011

SCHEDULE OF FEES COLLECTED
 BEACHFRONT MANAGEMENT AGREEMENT
 FISCAL YEAR 09/10

<u>CONCESSIONAIRE</u>	<u>TOTAL FEES *</u>	<u>75% OF TOTAL</u>	<u>25% DUE STATE</u>	<u>REMITTED TO STATE</u>	<u>DIFFERENCE</u>
1500 Ocean Drive Associates	\$1,322.76	\$992.07	\$330.69	\$330.69	\$0.00
2201 Collins Avenue, LLC	\$6,372.00	\$4,779.00	\$1,593.00	\$1,593.00	\$0.00
3B Productions LLC	\$700.92	\$525.69	\$175.23	\$175.23	\$0.00
AGT Crunch Acquisition LLC	\$93.44	\$70.08	\$23.36	\$23.36	\$0.00
Alexander Hotel	\$4,140.00	\$3,105.00	\$1,035.00	\$1,035.00	\$0.00
Beta Epsilon/Cadillac LLC	\$4,734.00	\$3,550.50	\$1,183.50	\$1,183.50	\$0.00
Betsy Ross Owner LLC	\$638.76	\$479.07	\$159.69	\$159.69	\$0.00
BGW Design Limited Inc.	\$3,364.48	\$2,523.36	\$841.12	\$841.12	\$0.00
Boucher Brothers	\$710,973.32	\$533,229.99	\$177,743.33	\$177,743.33	\$0.00
Caribbean Condominium Association	\$1,872.00	\$1,404.00	\$468.00	\$468.00	\$0.00
Continuum on So. Beach	\$5,604.98	\$4,203.74	\$1,401.25	\$1,401.25	\$0.00
CR Miami LLC	\$5,004.00	\$3,753.00	\$1,251.00	\$1,251.00	\$0.00
Crown	\$3,132.00	\$2,349.00	\$783.00	\$783.00	\$0.00
Crystal Beach Development	\$1,512.00	\$1,134.00	\$378.00	\$378.00	\$0.00
Dade Community Foundation	\$9,710.28	\$7,282.71	\$2,427.57	\$2,427.57	\$0.00
Damien J. Gallo & Associates	\$337.88	\$253.41	\$84.47	\$84.47	\$0.00
Days Inn Art Deco	\$2,628.00	\$1,971.00	\$657.00	\$657.00	\$0.00
Days Inn Oceanside	\$2,394.00	\$1,795.50	\$598.50	\$598.50	\$0.00
Decoplage Condo Assn.	\$18,496.00	\$13,872.00	\$4,624.00	\$4,624.00	\$0.00
Delano Hotel	\$42.00	\$31.50	\$10.50	\$10.50	\$0.00
Dental Productions Event Co.	\$360.76	\$270.57	\$90.19	\$90.19	\$0.00
Destination South Florida/USA LLC	\$700.92	\$525.69	\$175.23	\$175.23	\$0.00
Exclusive Sports Marketing	\$1,740.64	\$1,305.48	\$435.16	\$435.16	\$0.00
Fontainebleau Hotel	\$20,000.00	\$15,000.00	\$5,000.00	\$5,000.00	\$0.00
Four Points By ITT Sheraton	\$3,510.00	\$2,632.50	\$877.50	\$877.50	\$0.00
Gansevoort	\$22,020.00	\$16,515.00	\$5,505.00	\$5,505.00	\$0.00
George A. Skestos	\$584.12	\$438.09	\$146.03	\$146.03	\$0.00
Grand Beach Hotel	\$15,498.00	\$11,623.50	\$3,874.50	\$3,874.50	\$0.00
Hello Florida Inc.	\$1,812.12	\$1,359.09	\$453.03	\$453.03	\$0.00
Holiday Inn Miami Beach	\$4,428.00	\$3,321.00	\$1,107.00	\$1,107.00	\$0.00
Il Villaggio Condo Assn.	\$2,286.00	\$1,714.50	\$571.50	\$571.50	\$0.00
IMG Worldwide Inc. Operator	\$4,105.12	\$3,078.84	\$1,026.28	\$1,026.28	\$0.00
Katrina's/The Bath Club	\$3,600.00	\$2,700.00	\$900.00	\$900.00	\$0.00
King Richard Condominium	\$2,132.75	\$1,599.56	\$533.19	\$533.19	\$0.00
Leader Enterprise Inc.	\$18,950.48	\$14,212.86	\$4,737.62	\$4,737.62	\$0.00
Live Nation	\$31,343.44	\$23,507.58	\$7,835.86	\$7,835.86	\$0.00
Loews	\$20,000.00	\$15,000.00	\$5,000.00	\$5,000.00	\$0.00
Marriott Fairfield Inn	\$3,672.00	\$2,754.00	\$918.00	\$918.00	\$0.00
Marseille Hotel	\$2,034.00	\$1,525.50	\$508.50	\$508.50	\$0.00
Miami Beach Marriott	\$8,496.00	\$6,372.00	\$2,124.00	\$2,124.00	\$0.00
Michael Epstein Sports Productions LLC	\$2,913.56	\$2,185.17	\$728.39	\$728.39	\$0.00

Internal Audit Report
 State Beachfront Management Agreement Financial Review (#3595)
 For the Fiscal Year Ending September 30, 2010
 October 31, 2011

Michael J. Male & Lauren R. Male	\$272.84	\$204.63	\$68.21	\$68.21	\$0.00
Mosaic On Miami Beach	\$1,548.00	\$1,161.00	\$387.00	\$387.00	\$0.00
NASCAR	\$1,133.16	\$849.87	\$283.29	\$283.29	\$0.00
Nautilus Club	\$4,518.00	\$3,388.50	\$1,129.50	\$1,129.50	\$0.00
Palms South Beach	\$4,428.00	\$3,321.00	\$1,107.00	\$1,107.00	\$0.00
Penrod Brothers (Beach Concessions)	\$26,514.12	\$19,885.59	\$6,628.53	\$6,628.53	\$0.00
Penrod Brothers (Special Events)	\$21,000.00	\$15,750.00	\$5,250.00	\$5,250.00	\$0.00
Quality Inn	\$3,960.00	\$2,970.00	\$990.00	\$990.00	\$0.00
Radisson Deauville	\$8,604.00	\$6,453.00	\$2,151.00	\$2,151.00	\$0.00
Revolution	\$6,682.24	\$5,011.68	\$1,670.56	\$1,670.56	\$0.00
Richmond Hotel	\$1,926.00	\$1,444.50	\$481.50	\$481.50	\$0.00
Ritz Carlton	\$6,768.00	\$5,076.00	\$1,692.00	\$1,692.00	\$0.00
Ritz Plaza	\$2,376.00	\$1,782.00	\$594.00	\$594.00	\$0.00
Riutel Florida	\$5,112.00	\$3,834.00	\$1,278.00	\$1,278.00	\$0.00
Royal Palm	\$14,595.00	\$10,946.25	\$3,648.75	\$3,648.75	\$0.00
Sagamore Hotel	\$3,312.00	\$2,484.00	\$828.00	\$828.00	\$0.00
Shelborne Beach Resort	\$4,572.00	\$3,429.00	\$1,143.00	\$1,143.00	\$0.00
SI Inc. LLC	\$12,482.48	\$9,361.86	\$3,120.62	\$3,120.62	\$0.00
So Be Fit Inc.	\$724.28	\$543.21	\$181.07	\$181.07	\$0.00
South of Fifth Condo Association	\$504.00	\$378.00	\$126.00	\$126.00	\$0.00
South Seas Hotel	\$2,106.00	\$1,579.50	\$526.50	\$526.50	\$0.00
Sports Mark	\$6,915.88	\$5,186.91	\$1,728.97	\$1,728.97	\$0.00
Starwood Hotel & Resorts	\$1,275.72	\$956.79	\$318.93	\$318.93	\$0.00
Sunshine Restaurant Merger	(\$994.32)	(\$745.74)	(\$248.58)	(\$248.58)	\$0.00
The Bentley Beach	\$1,962.00	\$1,471.50	\$490.50	\$490.50	\$0.00
The Michael Alan Group	\$560.76	\$420.57	\$140.19	\$0.00	\$140.19
The National Hotel (Special Events)	\$408.88	\$306.66	\$102.22	\$102.22	\$0.00
The National Hotel (Upland Fees)	\$5,760.00	\$4,320.00	\$1,440.00	\$1,440.00	\$0.00
The Savoy on South Beach	\$2,412.00	\$1,809.00	\$603.00	\$603.00	\$0.00
The Shore Club Hotel	\$5,850.00	\$4,387.50	\$1,462.50	\$1,462.50	\$0.00
U.S. Road Sports & Entertainment Fla	\$841.12	\$630.84	\$210.28	\$210.28	\$0.00
Vendome Place Condo	\$2,916.00	\$2,187.00	\$729.00	\$729.00	\$0.00
Westgate Resort	\$828.00	\$621.00	\$207.00	\$207.00	\$0.00
Wyndham Miami Beach Resort	\$7,722.00	\$5,791.50	\$1,930.50	\$1,930.50	\$0.00
Total	\$1,122,856.89	\$842,142.67	\$280,714.22	\$280,574.04	\$140.19

*Excludes sales tax