



# MIAMI BEACH

BUDGET AND PERFORMANCE IMPROVEMENT  
Internal Audit Division

## INTERNAL AUDIT REPORT

TO: Kathie G. Brooks, Interim City Manager  
FROM: James J. Sutter, Internal Auditor

DATE: July 9, 2012  
AUDIT: State Beachfront Management Agreement (#3595) Financial Review  
PERIOD: October 1, 2010 through September 30, 2011

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 Penrods 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	\$769,166.76	\$192,291.69	\$192,292.86	(\$1.17)
Hoteliers/Condo Associations	\$168,235.24	\$42,058.81	\$42,058.81	\$0.00
Special Events	\$213,386.48	\$53,346.62	\$53,288.21	\$58.41
Total	\$1,150,788.48	\$287,697.12	\$287,639.88	\$57.24

\* The City made the following four sand tax payments totaling \$287,639.88 to the State of Florida based on the applicable revenues collected during the 2010/11 fiscal year:

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<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>
308358	01/11/11	\$209,668.60
312563	04/14/11	\$22,385.24
316993	07/19/11	\$19,901.68
321872	10/27/11	\$35,668.58

## OVERALL OPINION

Based upon our examination of City records, it has been determined that during the audit period of October 1, 2010 through September 30, 2011, the City received a total of \$1,150,788.48 in revenues subject to the State Beachfront Management Agreement. This figure represents an increase of \$27,931.59 or 2.49% over the fiscal year 2009/10's total of \$1,122,856.89.

## 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 \$57.24 in Sand Tax*

Internal Audit's testing found that the City remitted \$287,639.88 in sand taxes to the State of Florida which was \$57.24 less than the actual amount due of \$287,697.12 (\$1,150,788.48 x 25%) due to inaccurate general ledger distributions performed on four received payments. 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 \$57.24 to their next quarterly sand tax payment.

JJS:MC:mc

Audit performed by Senior Auditor 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 10/11

	<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</u> <u>STATE</u>
1	1500 Ocean Drive Associates	\$2,709.22	\$2,031.92	\$677.31	\$677.31	\$0.00
2	3B Productions LLC	\$37,383.16	\$28,037.37	\$9,345.79	\$9,345.79	\$0.00
3	Act Productions	\$13,060.76	\$9,795.57	\$3,265.19	\$3,265.19	\$0.00
4	Advantage Destination	\$654.20	\$490.65	\$163.55	\$163.55	\$0.00
5	Alexander Hotel	\$4,140.00	\$3,105.00	\$1,035.00	\$1,035.00	\$0.00
6	Beta Epsilon/Cadillac LLC	\$4,734.00	\$3,550.50	\$1,183.50	\$1,183.50	\$0.00
7	Betsy Ross Owner LLC	(\$171.48)	(\$128.61)	(\$42.87)	(\$42.87)	\$0.00
8	Boucher Brothers	\$686,462.72	\$514,847.04	\$171,615.68	\$171,615.68	\$0.00
9	Continuum on So. Beach	\$11,618.00	\$8,713.50	\$2,904.50	\$2,904.50	\$0.00
10	Crown	\$3,132.00	\$2,349.00	\$783.00	\$783.00	\$0.00
11	Crystal Beach Development	\$1,512.00	\$1,134.00	\$378.00	\$378.00	\$0.00
12	Dade Community Foundation	\$4,795.00	\$3,596.25	\$1,198.75	\$1,198.75	\$0.00
13	Days Inn Oceanside	\$2,527.00	\$1,895.25	\$631.75	\$631.75	\$0.00
14	Decoplage Condo Assn.	\$11,504.00	\$8,628.00	\$2,876.00	\$2,876.00	\$0.00
15	Delano Hotel	\$3,744.00	\$2,808.00	\$936.00	\$936.00	\$0.00
16	Doubletree Surfcomber Hotel	\$4,070.00	\$3,052.50	\$1,017.50	\$1,017.50	\$0.00
17	East Atlantic Gardens Condo	\$900.00	\$675.00	\$225.00	\$225.00	\$0.00
18	ECOMB, Inc.	\$116.80	\$87.60	\$29.20	\$29.20	\$0.00
19	Eden Roc Hotel	\$20,000.00	\$15,000.00	\$5,000.00	\$5,000.00	\$0.00
20	Exclusive Sports Marketing	\$4,988.32	\$3,741.24	\$1,247.08	\$1,247.08	\$0.00
21	Four Points/Sheraton	\$3,705.00	\$2,778.75	\$926.25	\$926.25	\$0.00
22	Grand Beach Hotel	\$8,170.00	\$6,127.50	\$2,042.50	\$2,042.50	\$0.00
23	Holiday Inn Miami Beach	\$4,674.00	\$3,505.50	\$1,168.50	\$1,168.50	\$0.00
24	Il Villaggio Condo Assn. International Merchandising Corporation	\$2,286.00	\$1,714.50	\$571.50	\$571.50	\$0.00
25	King Richard Condominium	\$2,981.32	\$2,235.99	\$745.33	\$745.33	\$0.00
26	Katrina's/The Bath Club	\$2,052.00	\$1,539.00	\$513.00	\$513.00	\$0.00
27	Logistics Management Group	\$935.98	\$701.99	\$234.00	\$234.00	\$0.00
28	Marriott Fairfield Inn	\$43,075.44	\$32,306.58	\$10,768.86	\$10,710.45	\$58.41
29	Miami Beach Marriott	\$3,876.00	\$2,907.00	\$969.00	\$969.00	\$0.00
30	Michael Clinger	\$4,484.00	\$3,363.00	\$1,121.00	\$1,121.00	\$0.00
31	Michael Epstein Productions LLC	\$11,682.24	\$8,761.68	\$2,920.56	\$2,920.56	\$0.00
32	Moises D. Ariza	\$3,117.48	\$2,338.11	\$779.37	\$779.37	\$0.00
33	Mosaic On Miami Beach	\$337.88	\$253.41	\$84.47	\$84.47	\$0.00
34	MYC Youth Sailing Foundation Inc.	\$3,182.00	\$2,386.50	\$795.50	\$795.50	\$0.00
35	Nautilus Club	\$735.96	\$551.97	\$183.99	\$183.99	\$0.00
36	Orange Drive LLC	\$9,287.00	\$6,965.25	\$2,321.75	\$2,321.75	\$0.00
37	Palms South Beach	\$16,121.48	\$12,091.11	\$4,030.37	\$4,030.37	\$0.00
38	Penrod Brothers (Beach Concessions)	\$4,428.00	\$3,321.00	\$1,107.00	\$1,107.00	\$0.00
39		\$38,704.04	\$29,028.03	\$9,676.01	\$9,676.01	\$0.00

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40	Penrod Brothers (Special Events)	\$31,503.60	\$23,627.70	\$7,875.90	\$7,875.90	\$0.00
41	Polo Life LLC	\$24,306.20	\$18,229.65	\$6,076.55	\$6,076.55	\$0.00
42	Pro Foot Volley Tour LLC	\$5,700.00	\$4,275.00	\$1,425.00	\$1,425.00	\$0.00
43	Quality Inn	\$4,180.00	\$3,135.00	\$1,045.00	\$1,045.00	\$0.00
44	Relevant	\$4,018.68	\$3,014.01	\$1,004.67	\$1,004.67	\$0.00
45	Revolution	\$7,150.00	\$5,362.50	\$1,787.50	\$1,787.50	\$0.00
46	Richmond Hotel	\$2,033.00	\$1,524.75	\$508.25	\$508.25	\$0.00
47	Ritz Carlton	\$7,144.00	\$5,358.00	\$1,786.00	\$1,786.00	\$0.00
48	Riutel Florida	\$5,396.00	\$4,047.00	\$1,349.00	\$1,349.00	\$0.00
49	Seagull Hotel	\$2,774.00	\$2,080.50	\$693.50	\$693.50	\$0.00
50	Shelborne Beach Resort	\$4,826.00	\$3,619.50	\$1,206.50	\$1,206.50	\$0.00
51	Sobe Miami LLC Palace	\$754.68	\$566.01	\$188.67	\$188.67	\$0.00
52	Soho House Beach House LLC	\$1,850.00	\$1,387.50	\$462.50	\$462.50	\$0.00
53	South of Fifth Condo Association	\$504.00	\$378.00	\$126.00	\$126.00	\$0.00
54	South Seas Hotel	\$2,223.00	\$1,667.25	\$555.75	\$555.75	\$0.00
55	The Setai Resort and Condo	\$4,806.00	\$3,604.50	\$1,201.50	\$1,201.50	\$0.00
56	The Shore Club Hotel/Philips	\$5,850.00	\$4,387.50	\$1,462.50	\$1,462.50	\$0.00
57	Tim Wilcox, Inc.	\$44,000.00	\$33,000.00	\$11,000.00	\$11,001.17	(\$1.17)
58	U.S. Vood Sports	\$1,074.76	\$806.07	\$268.69	\$268.69	\$0.00
59	Westgate Resort	\$828.00	\$621.00	\$207.00	\$207.00	\$0.00
60	Wyndham Miami Beach Resort	\$8,151.00	\$6,113.25	\$2,037.75	\$2,037.75	\$0.00
	<b>Total</b>	<b>\$1,150,788.44</b>	<b>\$863,091.33</b>	<b>\$287,697.11</b>	<b>\$287,639.88</b>	<b>\$57.24</b>

\*Excludes sales tax