MIAMIBEACH

INTERNAL AUDIT REPORT

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov
Office of Internal Audit
Tel: 305-673-7020

TO: Jimmy L. Morales, City Manager
FROM: James J. Sutter, Internal Auditor

DATE: August 30, 2017
AUDIT: State Beachfront Management Agreement (#3595) Financial Review
PERIOD: October 1, 2015 through September 30, 2016

This audit report is being submitted in compliance with the 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 the City of Miami Beach to remit 25% ("sand tax") of any and all monies collected from private concessionaires or other private concerns for the use of State beachfront property to the Florida Department of Environmental Protection. Also, in accordance with state statutes, the City collects 7% sales tax along with the beachfront rental revenue, and remits same to the State's Department of Revenue.

There are four 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, Penrods Brothers and Tim Wilcox, Inc.) who pay for use of the beachfront as per their respective contractual agreements with the City.
- Miami Beach hoteliers, apartments 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, Culture and Economic Development Department.
- Productions requiring to park essential vehicles on the beach or sand areas of Miami Beach may purchase vehicle beach access passes from the City's Tourism, Culture and Economic Development Department. The cost of the pass is $150, per vehicle, per event. Event producers may purchase a maximum of ten (10) vehicle access permits per event, unless additional passes are approved by the City Manager or his designee.

OVERALL OPINION

Based upon our examination of City records, it has been determined that during the audit period of October 1, 2015 through September 30, 2016, the City received a total of $1,812,439.14 in revenues subject to the State Beachfront Management Agreement. Testing determined that the City inadvertently underpaid the State of Florida by a total of $6,084.19 due primarily to incorrect general ledger distributions.

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

1. Finding: *The State of Florida was Inadvertently Underpaid by a Net Total of $6,084.19 in Sand Tax During the 2015/16 Fiscal Year*
   Internal Audit reviewed every reported sand tax transaction occurring during the 2015/16 fiscal year for accuracy. The table below summarizes our calculations concerning the amounts of sand tax (under) over paid to the State annually as well as the totals for the three year period:

Revenue Categories by Beachfront Property User	Total Revenues Collected	Sand Tax Payments	Sand Tax Due	Sand Tax Difference
Beachfront Concessions	$1,415,973.28	$347,893.31	$353,993.32	**($6,100.01)**
Upland Fees	$234,111.00	$58,527.75	$58,527.75	**$0.00**
Special Events	$165,988.20	$41,513.00	$41,497.05	**$15.95**
Vehicle Beach Access Fees	$50,775.50	$12,693.75	$12,693.88	**($.13)**
Subtotal	$1,866,847.98	$460,627.81	$466,712.00	**($6,084.19)**
Adjustment	($54,408.84)	($13,602.21)	($13,602.21)	**$0.00**
Total	**$1,812,439.14**	**$447,025.60**	**$453,109.79**	**($6,084.19)**

   The individual entities that comprise these differences can be found in Exhibit A located at the end of this audit report.

   Recommendation(s):
   This underpayment was subsequently added to the amounts owed from sand tax transactions occurring between 01/01/17 and 03/31/17 and was included in check #412927 dated 04/18/17 for $201,224.60.

JJS:MC:mc
Audit performed by Assistant Internal Auditor Mark Coolidge

cc: John Woodruff, Chief Financial Officer

SCHEDULE OF FEES COLLECTED
BEACHFRONT MANAGEMENT AGREEMENT
FISCAL YEAR 2015/16
EXHIBIT A

	CONCESSIONAIRE		TOTAL FEES *	75% OF TOTAL	25% DUE STATE	REMITTED TO STATE	OWED TO STATE
1	305 Films	Vehicle Beach Access	$300.00	$225.00	$75.00	$75.00	$0.00
2	360 Destination Group	Special Events	$3,125.00	$2,343.75	$781.25	$781.25	$0.00
	360 Destination Group	Vehicle Beach Access	$1,500.00	$1,125.00	$375.00	$375.00	$0.00
3	ACT Productions	Special Events	$9,174.00	$6,880.50	$2,293.50	$2,293.50	$0.00
	ACT Productions	Vehicle Beach Access	$1,800.00	$1,350.00	$450.00	$450.00	$0.00
4	Add Fire Inc.	Vehicle Beach Access	$150.00	$112.50	$37.50	$37.50	$0.00
5	Alchemy Consulting LLC	Vehicle Beach Access	$300.00	$225.00	$75.00	$75.00	$0.00
6	Alexander Condominium	Upland Fees	$4,830.00	$3,622.50	$1,207.50	$1,207.50	$0.00
7	Amanda Dowds	Special Events	$875.00	$656.25	$218.75	$218.75	$0.00
8	Anand Event Services	Vehicle Beach Access	$150.00	$112.50	$37.50	$37.50	$0.00
9	Armo Productions LLC	Vehicle Beach Access	$900.00	$675.00	$225.00	$225.00	$0.00
10	Arpi Group	Special Events	$386.00	$289.50	$96.50	$96.50	$0.00
11	Art Fairs Unlimited LLC	Special Events	$31,948.76	$23,961.57	$7,987.19	$7,987.19	$0.00
	Art Fairs Unlimited LLC	Vehicle Beach Access	$2,250.00	$1,687.50	$562.50	$562.50	$0.00
12	Best Western Atlantic Beach	Upland Fees	$4,284.00	$3,213.00	$1,071.00	$1,071.00	$0.00
13	Beth Studenberg Inc.	Vehicle Beach Access	$300.00	$225.00	$75.00	$75.00	$0.00
14	Bond Brand Loyalty	Special Events	$1,295.00	$971.25	$323.75	$323.75	$0.00
15	Boucher Brothers LLC	Beachfront Concessionaire	$1,353,045.52	$1,014,784.14	$338,261.38	$332,161.37	$6,100.01
	Boucher Brothers LLC	Special Events	$375.00	$281.25	$93.75	$93.75	$0.00
16	Bridge Productions	Vehicle Beach Access	$450.00	$337.50	$112.50	$112.50	$0.00
17	Bright Horizons	Special Events	$1,250.00	$937.50	$312.50	$312.50	$0.00
18	Broder Productions	Vehicle Beach Access	$1,650.00	$1,237.50	$412.50	$412.50	$0.00
19	Carlos Buitron	Special Events	$875.00	$656.25	$218.75	$218.75	$0.00
20	Chisholm Properties Sobe	Special Events	$146.48	$109.86	$36.62	$36.62	$0.00
21	CMRG Apparel	Vehicle Beach Access	$300.00	$225.00	$75.00	$75.00	$0.00
22	D Joy Productions Inc.	Vehicle Beach Access	$150.00	$112.50	$37.50	$37.50	$0.00
23	Danny Cardozo	Vehicle Beach Access	$150.00	$112.50	$37.50	$37.50	$0.00
24	Days Inn Oceanside	Upland Fees	$2,793.00	$2,094.75	$698.25	$698.25	$0.00
25	Doubletree Surfcomber	Upland Fees	$2,310.00	$1,732.50	$577.50	$577.50	$0.00
26	Douglas Mott Photography	Vehicle Beach Access	$450.00	$337.50	$112.50	$112.50	$0.00
27	East of Collins Expediting Inc.	Vehicle Beach Access	$612.48	$459.36	$153.12	$153.12	$0.00
28	Eden Roc Renaissance Resort	Upland Fees	$10,000.00	$7,500.00	$2,500.00	$2,500.00	$0.00
29	Eighty Seven Park	Special Events	$1,000.00	$750.00	$250.00	$250.00	$0.00
	Eighty Seven Park	Vehicle Beach Access	$150.00	$112.50	$37.50	$37.50	$0.00
30	Elite Planning Firm	Special Events	$450.00	$337.50	$112.50	$112.50	$0.00

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31	ESPN	Vehicle Beach Access	$300.00	$225.00	$75.00	$75.00	$0.00
32	Event Activation Team	Special Events	$22,102.00	$16,576.50	$5,525.50	$5,525.50	$0.00
	Event Activation Team	Vehicle Beach Access	$2,250.00	$1,687.50	$562.50	$562.50	$0.00
33	Event Consulting International	Special Events	$0.00	$0.00	$0.00	$0.00	$0.00
34	Exclusive Sports Marketing	Vehicle Beach Access	$600.00	$450.00	$150.00	$150.00	$0.00
35	Faena Hotel Miami Beach	Special Events	$11,584.48	$8,688.36	$2,896.12	$2,896.12	$0.00
	Faena Hotel Miami Beach	Upland Fees	$7,644.00	$5,733.00	$1,911.00	$1,911.00	$0.00
	Faena Hotel Miami Beach	Vehicle Beach Access	$1,650.00	$1,237.50	$412.50	$412.50	$0.00
36	Faena House Condominium	Upland Fees	$1,848.00	$1,386.00	$462.00	$462.00	$0.00
37	Fireworks by Santore, Inc.	Vehicle Beach Access	$300.00	$225.00	$75.00	$75.00	$0.00
38	FIU Sports	Special Events	$325.00	$243.75	$81.25	$81.25	$0.00
39	Fontainbleau Hilton Resort	Upland Fees	$15,000.00	$11,250.00	$3,750.00	$3,750.00	$0.00
40	Four Points by ITT Sheraton	Upland Fees	$4,536.00	$3,402.00	$1,134.00	$1,134.00	$0.00
41	Fox Entertainment	Vehicle Beach Access	$750.00	$562.50	$187.50	$187.50	$0.00
42	Funkshion LLC	Vehicle Beach Access	$300.00	$225.00	$75.00	$75.00	$0.00
43	Global Arts Project, Inc.	Special Events	$275.00	$206.25	$68.75	$68.75	$0.00
44	Goose Communications Ltd	Vehicle Beach Access	$900.00	$675.00	$225.00	$225.00	$0.00
45	Grand Beach Hotel	Upland Fees	$9,030.00	$6,772.50	$2,257.50	$2,257.50	$0.00
46	Greg Hinsdale	Vehicle Beach Access	$1,200.00	$900.00	$300.00	$300.00	$0.00
47	Harbour Films	Vehicle Beach Access	$150.00	$112.50	$37.50	$37.50	$0.00
48	Hartland Productions, LLC	Vehicle Beach Access	$300.00	$225.00	$75.00	$75.00	$0.00
49	Hello Florida Destination	Special Events	$612.48	$459.36	$153.12	$153.12	$0.00
50	HG Producers	Vehicle Beach Access	$4,050.00	$3,037.50	$1,012.50	$1,012.50	$0.00
51	HHLP Miami Beach Associates	Upland Fees	$1,932.00	$1,449.00	$483.00	$483.00	$0.00
52	Hilton Cabana Miami Beach	Upland Fees	$4,851.00	$3,638.25	$1,212.75	$1,212.75	$0.00
53	Holiday Inn Miami Beach	Upland Fees	$5,208.00	$3,906.00	$1,302.00	$1,302.00	$0.00
54	Icza Avila	Vehicle Beach Access	$75.00	$56.25	$18.75	$18.75	$0.00
55	Joe Montezinos	Vehicle Beach Access	$150.00	$112.50	$37.50	$37.50	$0.00
56	Keith Lathrop	Vehicle Beach Access	$300.00	$225.00	$75.00	$75.00	$0.00
57	King Richard Condominium	Upland Fees	$1,092.00	$819.00	$273.00	$273.00	$0.00
58	La Tour Condominium	Upland Fees	$1,407.00	$1,055.25	$351.75	$351.75	$0.00
59	Life Time Fitness Athletic	Special Events	$5,460.04	$4,095.03	$1,365.01	$1,365.01	$0.00
	Life Time Fitness Athletic	Vehicle Beach Access	$3,000.00	$2,250.00	$750.00	$750.00	$0.00
60	Live Ultimate Run	Vehicle Beach Access	$900.00	$675.00	$225.00	$225.00	$0.00
61	Location Resources	Special Events	$750.00	$562.50	$187.50	$187.50	$0.00
	Location Resources	Vehicle Beach Access	$900.00	$675.00	$225.00	$225.00	$0.00
62	Loews Hotel	Upland Fees	$15,000.00	$11,250.00	$3,750.00	$3,750.00	$0.00
63	Logistics Management Group	Special Events	$33,403.76	$25,052.82	$8,350.94	$8,350.94	$0.00
	Logistics Management Group	Vehicle Beach Access	$4,200.00	$3,150.00	$1,050.00	$1,050.00	$0.00
64	Marriott Stanton South Beach	Upland Fees	$4,956.00	$3,717.00	$1,239.00	$1,239.00	$0.00
65	Marseille Hotel	Upland Fees	$2,373.00	$1,779.75	$593.25	$593.25	$0.00
66	Michael Filonow	Vehicle Beach Access	$450.00	$337.50	$112.50	$112.50	$0.00
67	MM Productions	Vehicle Beach Access	$2,100.00	$1,575.00	$525.00	$525.00	$0.00
68	MRM Productions	Vehicle Beach Access	$300.00	$225.00	$75.00	$75.00	$0.00

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69	Mosaic on Miami Beach	Upland Fees	$1,806.00	$1,354.50	$451.50	$451.50	$0.00
70	Nautilus South Beach Hotel	Upland Fees	$5,271.00	$3,953.25	$1,317.75	$1,317.75	$0.00
71	Ocean Walk on South Beach	Upland Fees	$1,659.00	$1,244.25	$414.75	$414.75	$0.00
72	Pazit	Vehicle Beach Access	$600.00	$450.00	$150.00	$150.00	$0.00
73	Penrods Brothers Inc.	Beachfront Concessionaire	$54,927.76	$41,195.82	$13,731.94	$13,731.94	$0.00
	Penrods Brothers Inc.	Special Events	$1,944.00	$1,458.00	$486.00	$486.00	$0.00
	Penrods Brothers Inc.	Vehicle Beach Access	$300.00	$225.00	$75.00	$75.00	$0.00
74	Pro One Productions	Vehicle Beach Access	$1,800.50	$1,350.38	$450.13	$450.00	$0.13
75	Production Factory	Vehicle Beach Access	$1,200.00	$900.00	$300.00	$300.00	$0.00
76	Quadrum Miami Beach LLC	Special Events	$1,275.00	$956.25	$318.75	$318.75	$0.00
	Quadrum Miami Beach LLC	Vehicle Beach Access	$450.00	$337.50	$112.50	$112.50	$0.00
77	Riu Florida Beach Hotel	Upland Fees	$5,964.00	$4,473.00	$1,491.00	$1,491.00	$0.00
78	Robert J. Day III	Special Events	$512.52	$384.39	$128.13	$128.13	$0.00
79	Route 7 Productions	Vehicle Beach Access	$1,050.00	$787.50	$262.50	$262.50	$0.00
80	Royal Palm Hotel	Upland Fees	$16,506.00	$12,379.50	$4,126.50	$4,126.50	$0.00
81	Saint Lucy Represents	Vehicle Beach Access	$150.00	$112.50	$37.50	$37.50	$0.00
82	Seagull Hotel Miami Beach	Upland Fees	$3,066.00	$2,299.50	$766.50	$766.50	$0.00
83	Select Services	Vehicle Beach Access	$1,050.00	$787.50	$262.50	$262.50	$0.00
84	Shelborne South Beach	Upland Fees	$10,710.00	$8,032.50	$2,677.50	$2,677.50	$0.00
85	Shore Club	Upland Fees	$6,825.00	$5,118.75	$1,706.25	$1,706.25	$0.00
86	Six Degrees	Vehicle Beach Access	$600.00	$450.00	$150.00	$150.00	$0.00
87	SLS South Beach Hotel	Upland Fees	$2,772.00	$2,079.00	$693.00	$693.00	$0.00
88	Soho House Beach House	Special Events	$1,886.20	$1,414.65	$471.55	$487.50	($15.95)
	Soho House Beach House	Upland Fees	$1,050.00	$787.50	$262.50	$262.50	$0.00
	Soho House Beach House	Vehicle Beach Access	$450.00	$337.50	$112.50	$112.50	$0.00
89	South Beach Chamber Ensemble	Special Events	$70.00	$52.50	$17.50	$17.50	$0.00
90	South Seas Hotel	Upland Fees	$2,457.00	$1,842.75	$614.25	$614.25	$0.00
91	Sparktacular	Vehicle Beach Access	$750.00	$562.50	$187.50	$187.50	$0.00
92	Sullivan Productions	Vehicle Beach Access	$150.00	$112.50	$37.50	$37.50	$0.00
93	Texas Roadhouse Holdings LLC	Special Events	$7,750.00	$5,812.50	$1,937.50	$1,937.50	$0.00
	Texas Roadhouse Holdings LLC	Vehicle Beach Access	$150.00	$112.50	$37.50	$37.50	$0.00
94	The Bath Club	Upland Fees	$2,394.00	$1,795.50	$598.50	$598.50	$0.00
95	The Bentley Beach Hotel	Upland Fees	$4,578.00	$3,433.50	$1,144.50	$1,144.50	$0.00
96	The Carillon Hotel & Spa	Upland Fees	$10,000.00	$7,500.00	$2,500.00	$2,500.00	$0.00
97	The Deauville Beach Resort	Upland Fees	$11,340.00	$8,505.00	$2,835.00	$2,835.00	$0.00
98	The Miami Beach Edition Hotel	Upland Fees	$6,174.00	$4,630.50	$1,543.50	$1,543.50	$0.00
99	The One Hotel & Condominium	Upland Fees	$10,000.00	$7,500.00	$2,500.00	$2,500.00	$0.00
100	The Palms Hotel & Spa	Upland Fees	$5,166.00	$3,874.50	$1,291.50	$1,291.50	$0.00
101	The Raleigh Hotel	Upland Fees	$2,394.00	$1,795.50	$598.50	$598.50	$0.00
102	The Ritz Carlton South Beach	Upland Fees	$7,896.00	$5,922.00	$1,974.00	$1,974.00	$0.00
103	The Savoy on South Beach	Upland Fees	$4,221.00	$3,165.75	$1,055.25	$1,055.25	$0.00
104	The Setai Resort	Special Events	$200.00	$150.00	$50.00	$50.00	$0.00
	The Setai Resort	Upland Fees	$1,848.00	$1,386.00	$462.00	$462.00	$0.00
105	The W South Beach Hotel	Upland Fees	$8,253.00	$6,189.75	$2,063.25	$2,063.25	$0.00

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106	Tim Wilcox, Inc.	Beachfront Concessionaire	$8,000.00	$6,000.00	$2,000.00	$2,000.00	$0.00
107	Tops Equestrian Events	Special Events	$26,325.00	$19,743.75	$6,581.25	$6,581.25	$0.00
	Tops Equestrian Events	Vehicle Beach Access	$2,250.00	$1,687.50	$562.50	$562.50	$0.00
108	Vendome Place Condominium	Upland Fees	$1,701.00	$1,275.75	$425.25	$425.25	$0.00
109	Westgate South Beach	Upland Fees	$966.00	$724.50	$241.50	$241.50	$0.00
110	Yachting Promotions Inc.	Vehicle Beach Access	$3,750.00	$2,812.50	$937.50	$937.50	$0.00
	Subtotal		$1,866,847.98	$1,400,135.99	$466,712.00	$460,627.81	$6,084.19
	Prior Sand Tax Audit Corrections		$36,628.08	$27,471.06	$9,157.02	$9,157.02	$0.00
	Tim Wilcox, Inc. Audit Corrections		($98,877.04)	($74,157.78)	($24,719.26)	($24,719.26)	$0.00
	Prior Audit Corrections		$7,840.12	$5,880.09	$1,960.03	$1,960.03	$0.00
	Subtotal		($54,408.84)	($40,806.63)	($13,602.21)	($13,602.21)	$0.00
	Grand Total		**$1,812,439.14**	**$1,359,329.36**	**$453,109.79**	**$447,025.60**	**$6,084.19**

***Excludes sales tax**