




Joseph M. Centorino, Inspector General

FOLLOW-UP REVIEW

TO: Honorable Mayor and Members of the City Commission
FROM: Joseph Centorino, Inspector General 
DATE: February 12, 2020
SUBJECT: Follow-Up Review of the State Beachfront Management Agreement (No. 3595) Audit
OIG Audit No. 20-02 (Follow-up Review)
PERIOD: October 1, 2017 through September 30, 2018 (Sand Tax Payments)
October 1, 2018 through September 30, 2019 (Beachfront Concession Fees)

Attached is a summary of the status of recommendations as determined from our follow-up review of our audit report entitled State Beachfront Management Agreement (No. 3595) audit previously issued on December 5, 2019 covering October 1, 2018 through September 30, 2018 for sand tax payments and October 1, 2018 through September 30, 2019 for beachfront concession fees.

RESULTS:

Of the nine (9) findings contained in the report that required corrective action by a City department/division, based upon management responses, eight (8) recommendations were fully implemented and one (1) recommendation was partially implemented as shown in Exhibit A located at the end of this report. It is recommended that the Office of Real Estate continue to address the one item (finding number 4) which is still open. Office of the Inspector General staff will verify the statuses listed by the City departments/divisions management as part of the next annual State Beachfront Management Agreement audit to be performed during the 2019/20 fiscal year.

STATUS DEFINED:

The statuses of the findings used in our follow-up review are defined as follows:

- “Not implemented” means that the applicable parties have not taken any corrective action since the completion of the original audit to decrease the likelihood that the noted deficiency may continue to occur.

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- “Partially implemented” means that the applicable parties have taken some steps to remedy the shortcoming, but additional ones are necessary to further reduce the associated risk to more acceptable levels.
- “Fully implemented” means that the applicable parties have taken the necessary actions to provide reasonable assurance that the aforementioned deficiency will not continue to occur.
- “No longer applicable” means that the circumstances have changed since the completion of the original audit (new technology implemented, new agreements reached, new vendors providing the stated service, etc.) thereby making the listed recommendation inapplicable to existing circumstances.

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cc: Jimmy Morales, City Manager
Mark Taxis, Assistant City Manager
Eric Carpenter, Assistant City Manager
Marcia Monserrat, Chief of Staff
Matt Kenny, Tourism and Culture Department Director
Bo Martinez, Economic Development Department Director
Mark Milisits, Division Director, Office of Real Estate
John Woodruff, Chief Financial Officer

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EXHIBIT A

Audit # 20-02
Audit Name State Beachfront Management Agreement (No. 3595)
Audit Period 10/01/17 - 09/30/18 (Sand Tax Payments)
 10/01/18 - 09/30/19 (Beachfront Concession Fees)
Report Date December 5, 2019

Implementation Status: Not Implemented, Partially Implemented, Fully Implemented or No Longer Applicable

Audit Finding #	Report Page #	Responsible Party (Auditees)	Audit Finding	Implementation Status per Auditee	Auditee Comments
1	3	Finance Department	The State of Florida was Inadvertently overpaid by \$2,363.94 in sand tax during the audit period due to incorrect general ledger entries.	Fully Implemented	Additional analysis concluded that the payment to the State of Florida should be reduced by \$2,260.50 instead of \$2,363.94, which was included in the 10/2019 remittance. See item A below for detail breakdown.
1	3	Office of Real Estate	The State of Florida was Inadvertently overpaid by \$2,363.94 in sand tax during the audit period due to incorrect general ledger entries.	Fully Implemented	The Office of Real Estate submitted the necessary journal entries to adjust the \$226.58 underpayment and the \$2,097.70 overpayment on 09/09/19.
1	3	Tourism and Culture Department	The State of Florida was Inadvertently overpaid by \$2,363.94 in sand tax during the audit period due to incorrect general ledger entries.	Fully Implemented	As stated in the memo response, TCD conducts an internal quarterly audit and had already submitted Journal Entries to correct in May '19 prior to the City Audit. It was still a finding, because although TCD had submitted Journal Entries to Finance in May- it had still not been done by Finance when this Audit was done.
2	6	Finance Department	Beachfront upland fees of \$7,051.00 were not properly billed based on a comparison with the signed beachfront concession letter agreements.	Fully Implemented	Shelbourne & Four Points Sheraton Hotels was billed, \$6,072 and \$1,100 respectively for a total of \$7,051.00 on september 9th, 2019.
2	6	Office of Real Estate	Beachfront upland fees of \$7,051.00 were not properly billed based on a comparison with the signed beachfront concession letter agreements.	Fully Implemented	Non-Upland Mondrian was not included on the original master summary and has since been added as a Non-Upland property to the Shelborne Hotel's permit including the corresponding fee of \$6,072.00.
3	8	Finance Department	Beachfront concession permit fees were incorrectly charged resulting in one (1) entity being overbilled by a total of \$810.00.	Fully Implemented	The overbilling invoice was reversed and all related accounts were automatically adjusted. The credit was applied to the Shore Club UB account # 512946-00 on 9/12/2019.
4	9	Office of Real Estate	The tested Boucher Brothers Inc.'s 21st and 46th Street concession payments were not properly distributed among the City's general ledger accounts by the Office of Real Estate and they were not calculated in accordance with Section 4.2 of the concession agreement's terms, resulting in a \$72,151.72 (excluding state sales tax) underbilling by the City of Miami Beach and a \$13,470.94 sand tax underpayment to the State of Florida's Department of Environmental Protection.	Partially Implemented	The Administration is preparing an item to present to the City Commission regarding the interpretation of Section 4.2 of the agreement, which accounts for \$56,000 of the 72,151.72 amount identified by Internal Audit. Of the remaining \$16,151.72, concessionaire had already paid \$8,953.27. The remaining amount of \$7,198.45 was billed and paid in September 2019 with the corresponding amount applied to sand tax.
5	14	Office of Real Estate	Penrod Brothers Inc. incorrectly reported food & beverage sales to the City resulting in a net \$113.56 overpayment to the State of Florida's Department of Environmental Protection.	Fully Implemented	Prior to receiving OIG's findings, the Office of Real Estate had identified the duplicative reporting and requested corrected sales reports from Penrods on 06/06/19. The Office of Real Estate requested the supporting documentation be provided with the monthly payments and Penrods has been including such documentation since July 2019. The Office of Real Estate submitted the necessary journal entry to adjust the sand tax amount of \$113.56 on 09/09/19.
6	14	Office of Real Estate	The Office of Real Estate did not include sand tax on the additional lump-sum amount remitted by Penrod Brothers Inc. needed to meet the minimum guarantee resulting in a \$555.25 underpayment to the State of Florida's Department of Environmental Protection.	Fully Implemented	The Office of Real Estate submitted the necessary journal entry to adjust the sand tax amount of \$555.25 on 09/09/19.