



OFFICE OF THE INSPECTOR GENERAL

Annual Report 2023

"To govern well, one must see things as they are."

— José Martí

MESSAGE FROM THE INSPECTOR GENERAL

- ▶ The City of Miami Beach is the only municipality in Miami-Dade County to have created its own Office of the Inspector General (OIG). The City's voters overwhelmingly approved a ballot referendum in 2018 which established the independent oversight agency to promote efficiency and integrity in the City government. What distinguishes it from every other City department is its independence, the watchword for all OIGs since the Inspector General Act of 1978 established such offices at the federal level.

In the ensuing years, states, counties, cities, and other local entities have created these unique government watchdogs, ferreting out fraud, waste, abuse and mismanagement and seeking greater efficiencies. The State of Florida has developed a strong representation in the OIG community, with numerous OIGs created at the state and local levels. This trend began when the late Governor Lawton Chiles, a former U.S. Senator, and a proponent of the OIG concept, promoted them in state agencies during the 1990's.

Most OIGs focus on investigative work, including criminal, ethics and administrative issues, as well as auditing, which may include analysis of financial, operational, contractual or related issues. Factually based findings often include recommendations for improvement. Most OIG reports are distinguished by fairness procedures, which involve submitting draft reports to all parties affected by them and inviting comments and/or criticisms of their findings that are then included in final reports. This process can be time-consuming but ensures that the final work product will be reliable and balanced.

While this Annual Report summarizes our major projects during the past year, a significant portion of our time involves reviewing complaints and tips from the City's employees, residents, visitors and business owners, as well providing advice upon request to City stakeholders. The OIG recently expanded its role in the oversight of the City's \$439 Million General Obligation (G.O.) Bond program to include the ambitious \$159 Million G.O. Bond for Arts and Culture, which promises to bolster the City's transformative efforts to promote such activity.

The Miami Beach OIG has striven to provide the City and the general public with reliable reports which provide information that might not otherwise reach the sunlight. All of our written reports are placed on our website, www.mbinspectorgeneral.com, and can be accessed by anyone. We welcome the involvement of the public in our oversight efforts through our Hotline at 786-897-1111, email at CityofMiamiBeachOIG@miamibeachfl.gov, or our office phone at 305-673-7020. We encourage anyone wishing to meet with us, even confidentially, to visit our offices located in the Historic City Hall at 1130 Washington Avenue, 6th Floor. Follow us on X (Twitter): @miamibeachOIG

Sincerely,



Joseph M. Centorino



Joseph M. Centorino
Inspector General
City of Miami Beach

MANAGEMENT INITIATIVES



Deputy Chief Auditor Norman Blaiotta, Investigator Dylan Hughes and Office Manager Elisa Alonso work on implementing the OIG's new K-10 software system.

- **Transition to Integrated Software for Conducting and Memorializing OIG Activities**

During the past year, the OIG embarked on an internal initiative to enhance and streamline its operations management software system. OIG staff closely evaluated several software systems to find a mechanism for effectively overseeing and managing all tasks undertaken by both its audit and investigative divisions from inception to conclusion.

The OIG opted for the acquisition of the K-10 Vision management software, which sets itself apart by leveraging cutting-edge development technologies and offering a high degree of adaptability that will enable the OIG to centralize its operations effectively.

The OIG is actively configuring and deploying the K-10 Vision system, with the objective of achieving full operational integration. The introduction of this software will eliminate the need for redundant applications, optimize workflow efficiency, enhance notification processes, and seamlessly integrate all facets of the OIG's operations.

- **Initiation of Regular City Manager Briefings/Risk Assessments**

By mutual agreement, the Inspector General and the City Manager have begun periodic meetings to discuss ongoing and planned audits of selected vendors, City Departments and programs, to promote greater sharing of information about current issues and priorities in the operation of City government. These discussions have included seeking management input on the OIG's risk assessment analysis that classifies various City functions as High, Medium or Low Risk, to be utilized in prioritizing audits, inspections, or other reviews. This collaboration of the OIG with the Office of the City Manager should improve the focus and coordination of oversight exercised by both offices and expedite the implementation of corrective action.

TRAINING AND CERTIFICATIONS



IG Joseph Centorino addresses the AIG Annual Conference in New York City on "PUBLIC SERVICE ETHICS: MORE THAN THE MINIMUM."



The City of Miami Beach IG participates on a conference panel with other recently appointed IGs from Atlanta, Dallas and Baltimore, discussing "Lessons Learned."

The OIG is a member of the Association of Inspectors General (AIG), a national organization that includes many inspector general offices from across the country at all levels of government. Located in Philadelphia, the AIG has established Principles and Standards for OIG investigations, audits, inspections, evaluations, and reviews. It annually offers certification courses and administers exams for inspectors general, auditors and investigators, as well as a recently developed "evaluator/inspector" course and promotes training and professional development of OIG personnel in best practices, policies and ethics at its annual conferences and special programs.

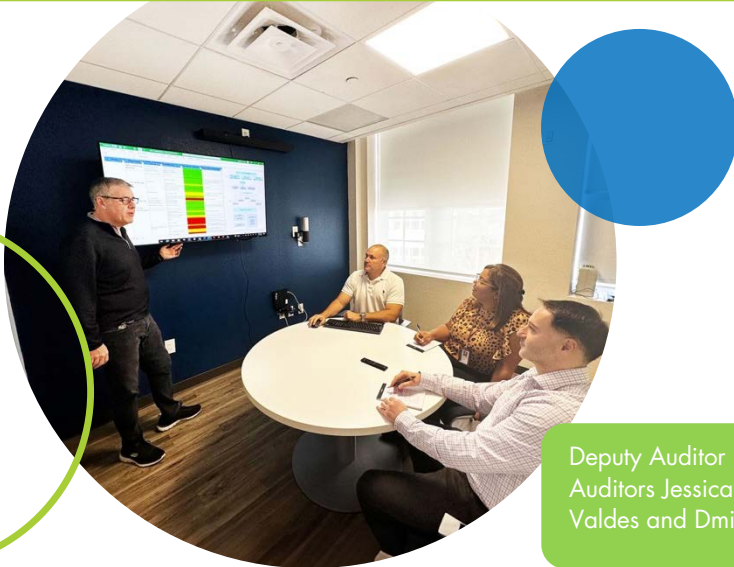
During past years, the Inspector General, the internal auditors, investigators and sanitation tax auditor, all successfully obtained certifications in their respective areas of expertise. During 2023 Inspector General Joseph Centorino obtained additional certification as an Inspector General Auditor; Chief Auditor Mark Coolidge and Investigators Jani Singer and Dylan Hughes obtained additional certifications as Inspector General Evaluators; and Sanitation Tax Auditor Juan Ospina obtained additional certification as an Inspector General Investigator.

For the second year in a row, the Inspector General was invited to be a featured speaker at the AIG Annual Conference, held in October 2023 in New York City. His presentation to the entire conference was titled, "Public Service Ethics: More Than the Minimum" and was well received. He also participated in a conference panel titled, "The Creation of New IG Offices: Lessons Learned," along with IGs from Atlanta, Dallas, and Baltimore.

Mr. Centorino has also continued to appear regularly as a speaker at the City of Miami Beach orientation sessions held by the Human Resources Department for new City personnel in order to acquaint newly hired employees with the OIG and to highlight important ethics policies.



INTERNAL AUDITS



Deputy Auditor Norman Blaiotta.
Auditors Jessica Romero, Tomas
Valdes and Dmitriy Sirota

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

Audits of City department operations and expenditures are typically assigned based on the assigned risk (high, medium, or low) and time since the previous audit. The audit plan may vary based on the OIG's evaluation of requests received from the City Commission, City Administration, Audit Committee, and others.

- **State Beachfront Management Agreement #3595 (Financial and Operational Reports) for the 2020/21 Fiscal Year**

This agreement requires the City of Miami Beach to remit 25% ("sand tax") to the State from monies collected from private concessionaires for the use of State-owned beachfront property. The OIG prepared a Financial report informing the State of the completeness and accuracy of the City's quarterly sand tax payments, as required by its agreement with the City, and an Operational report reviewing City procedures, internal controls and accuracy of transactions that is distributed to pertinent City staff.

Examination of City records for the period of October 1, 2020, through September 30, 2021, found underpayments and overpayments of sand taxes, resulting in a net underpayment to the State of \$160,927.55, due primarily to incorrect distribution of payments among general ledger accounts, and failure to remit sand tax on remitted Wedding, Ceremony, and Team Building permit fees since the 2010/11 fiscal year.

- **Review of Selected BDO USA, LLP (BDO) Audit Findings**

As part of a verbal agreement with the City Administration, the OIG performs annual testing of City staff's compliance with recommendations selected randomly from an external audit conducted by a private firm, BDO, in the aftermath of a \$3.6 million fraud involving disbursements by the City's Treasury and Automatic Clearing House, which was discovered during the fall of 2016.

This year's review focused on compliance with recommendations numbered 11, 12, 13, 14, 15, 16, 17, 27, and 40. Although compliance continues to be achieved with most sampled recommendations, OIG testing identified deficiencies in seven individual transactions during the 2021/22 fiscal year, totaling \$4,430,972.22, and released for payment with approval by only one person in the department where the expenditure originated. In four of the last five similar reviews, OIG staff identified 14 transactions, with a total amount exceeding \$5.6 million, that were also released for payment with only one departmental approval due to an incorrect workflow configuration; and 14 other transactions exceeding \$4.5 million approved twice by the same City official.

• **Procurement Card Program Audit**

This audit was conducted to determine whether existing internal controls reasonably ensured that tested Procurement Card (P-Card) purchases were for authorized City purposes and in compliance with the Procedures Manual and Citywide Procedures. All P-Card transactions questioned by OIG staff were furnished to the City Administration for determination of their validity as well as corrective and/or disciplinary actions.

The following deficiencies were identified:

- 1) The City made nine duplicate payments to vendors resulting in a \$5,984.92 overpayment.
- 2) The segregation of duties principle, involving cardholders approving their own purchases, was violated in 208 P-Card transactions, totaling \$75,374.31.
- 3) Florida Sales Tax was incorrectly paid by the City on 94 sampled P-Card transactions totaling \$1,356.28.
- 4) Supporting documentation required by the Procedures Manual was not present in the Munis System in for two sampled transactions, totaling \$8,317.2
- 5) P-Card expenditures, totaling \$236,643.91, were paid by the City despite being specifically disallowed in Section 1.16 of the Procedures Manual.
- 6) The Procedures Manual contains vague, incomplete, and undefined general terms likely to cause confusion regarding the validity of some P-Card transactions.
- 7) Additional P-Card expenditures totaling \$23,581.99, although not expressly prohibited in the Procedures Manual, appeared questionable due to the nature of the transactions.
- 8) 39 P-Card purchases, totaling \$12,387.24, were made from disapproved merchant category codes that were not blocked in the City Banking System.

• **Trolley Ridership Inspection**

At the request of a Miami Beach Commissioner, OIG staff performed testing of the accuracy of the trolley ridership figures reported monthly to the City by the trolley contractor, Limousines of South Florida (LSF). Each trolley is equipped with cameras that record its daily activities, including all passengers entering and exiting the vehicle. Video footage for various trolleys was requested by OIG, but little was available due to a retention period of only up to two weeks because of technological issues.

Daily footage received for seven trolleys relating to nine days of activities was analyzed, leading the OIG to conclude, based on this limited sample, that the Automatic Passenger Counters (APCs), installed and maintained by a subcontractor, TSO Mobile, were not accurately counting riders. Widespread variances were noted, with actual ridership being understated or overstated depending on the trolley. Furthermore, manual counts compiled by trolley drivers were determined to be similarly inaccurate, leading to an OIG recommendation that a more reliable technology for the counting of ridership should be sought by the City.

- **Trolley Survey Methodology Review**

OIG staff was requested to review the draft scope of services for the Miami Beach Trolley Passenger Survey recently prepared by the ETC Institute, a company specializing in government surveys, to evaluate customer service satisfaction and the percentage of residents among those using trolley services. The recommendations made by the OIG were individually reviewed and evaluated by the City's Transportation Department, with several being adopted and explanations provided for those not adopted.

- **Public Service Tax Collection and Processing Audit (Gas Sellers)**

This audit was conducted of the City Finance Department's collection and processing of Public Service Tax returns received from gas sellers between October 1, 2016, and August 31, 2021, and contained recommendations for suggested City Code revisions to facilitate future compliance.

Identified deficiencies found included improper allowances for uncollectable accounts being deducted by Interconn Resources LLC; an allowance deduction repeatedly misused by Peoples Gas System, resulting in a \$9,753.37 underpayment to the City; two undetected mathematical errors on filed Public Service Tax returns, resulting in an underpayment to the City; incorrect/incomplete supporting documentation attached to accounts receivables in the Munis system, thereby adversely affecting the audit trail.

- **AmeriGas Propane, L.P. – Public Service (Gas) Tax Audit**

This audit of the Public Service Tax remitted by AmeriGas Propane, L.P. (AmeriGas) to the City between April 1, 2017, and August 31, 2021, found that the contractor did not remit \$102,471.26 in Public Service Tax due to the City including interest. The contractor agreed to the findings and promptly remitted the monies due. AmeriGas also did not file the required semi-annual Reports of Deliveries for Resale to the City pursuant to City Code Section 102-156.

- **City Department and Division Follow-up Self-Assessment of Selected OIG Audit Recommendations**

City staff performed self-assessments of recommendations on selected internal audits completed more than six months previously. Based on the responses received from City departments/divisions, the corrective actions implemented were evaluated and placed into one of the following defined categories: not implemented, partially implemented, fully implemented, will not implement, and no longer applicable. The OIG determined that 18 recommendations were fully implemented and only one was not implemented. The OIG will consider future testing to determine the effectiveness of the reported corrective actions.

- **OIG Comment on Proposed Reassignment of Internal Audit Function**

In response to a proposal before the City Commission to reassign the City's Internal Audit Unit from the OIG to the City Manager, the OIG issued a memorandum outlining its opposition to the proposal. Based on its mission in the City Charter, as well as national, state and local trends, the OIG believes that continued assignment of the Internal Audit function to the OIG is the best way to ensure that internal audits will be conducted independently of management and that both efficiency of audit operations and transparency of audit findings will be maximized to the benefit of the City government and the general public. The OIG continues to perform the City's internal auditing function.

- **Miami Beach Cultural Arts Council Audit**

Section 2-64 of the City Code requires the performance of an audit to determine whether the CAC and City Tourism and Culture Department Cultural Affairs Division staff complied with the provisions set forth in Chapter 2, Article III, Division 6 of the City Code entitled “Cultural Arts Council,” and to determine whether grant funds were awarded and disbursed in accordance with the Program Guidelines and Application Instructions (Program Guidelines) and other pertinent documentation. In doing so, the OIG Auditor noted the following deficiencies requiring corrective action:

- 1) No evidence of any documented and approved internal Standard Operating Procedures detailing the grant funding process were provided to the OIG Auditor, and one grant award varied from the applied formula without a documented explanation.
- 2) Grantees that were noncompliant with some tested eligibility requirements in approved Grant Applications were not disqualified and were awarded funding contrary to Program Guidelines.
- 3) No disciplinary actions were enforced against grantees that did not comply with established deadlines in the Grant Agreements and Amendments.
- 4) Supporting documentation for expenditures submitted by some grantees was insufficient to comply with Grant Agreement provisions.
- 5) Changes were made to programming without the required documented advance approval from the Cultural Affairs Division.
- 6) One sampled grantee’s publications and credits did not contain the required City of Miami Beach logo.

- **Insurance Certificate Tracking System Process Review**

This audit focused on examining the insurance tracking process and determining the sufficiency of insurance coverage maintained by sampled City vendors in connection with the City’s contract with Exigis, LLC, to facilitate its tracking on City contracts. Testing by the OIG Auditor identified the following deficiencies requiring corrective action:

- 1) Misalignment exists between Exigis system parameters and insurance requirements in 20 of 21 OIG sampled contracts/agreements.
- 2) Minimum insurance coverage required by the City Risk Management Division was not satisfied by insurance provisions in some tested contracts.
- 3) No documented process has been followed to confirm that vendors maintain the required insurance coverage throughout the term of their contracts.
- 4) The Exigis user list was outdated, with unrevoked system access for 81 terminated employees as of November 3, 2022.
- 5) Lack of a centralized listing of all City contracts hinders the determination of those requiring insurance coverage.
- 6) Uncertainty exists in identifying city staff responsible for the Exigis RiskWorks software administration including ownership of the data.
- 7) No evidence was provided of documented Standard Operating Procedures for evaluating vendor-maintained insurance coverage, setting insurance parameters, and follow-up on non-compliant results.

SANITATION TAX AUDITS



Chief Auditor Mark Coolidge,
Sanitation Auditor Juan
Ospina and Deputy Chief
Auditor Norman Blaiotta

Sanitation Tax Audits determine whether private contractors collecting construction and demolition debris in roll-off containers in the City are properly permitted and paying the City 20% of gross receipts per City Code.

The OIG Sanitation Tax Auditor may also audit and investigate City-approved Sanitation franchise waste contractors and other Sanitation related projects.

- **Medley Metal Recycling, LLC Roll-Off Fee Revenues Audit**

Testing determined that Medley Metal Recycling, LLC had 11 unsubstantiated Miami Beach transactions, without payment of roll-off permit fees due to the City pursuant to the City Code, resulting in the contractor being assessed \$1,308.50 in permit fees and \$3,529.88 in related audit costs. Similarly, the contractor did not timely obtain its fiscal year business tax receipts related to roll-offs during the audit period and was issued related Notices of Violation by the City Code Compliance Department.

The OIG determined that the contractor did not timely remit required monthly recycling reports during the audit period pursuant to City Code and made the Finance Department aware that it had not charged the contractor penalties for failure to timely submit them.

- **All County Waste, Inc. Roll-Off Fee Revenues Audit**

Records furnished by the contractor showed that it did not report gross receipts generated from roll-off operations totaling \$34,374.21 to the City during the audit period, resulting in unpaid permit fees, related penalties and interest, and audit costs totaling \$11,883.23. It was also determined that the contractor did not timely obtain its 2019/20 fiscal year business tax receipt; that it performed roll-off services at twelve Miami Beach locations without obtaining the required permits contrary to City Code; and it did not timely submit its required lists of accounts to the City.

- **Waste Plus, Inc. Roll-Off Fee Revenues Audit**

This roll-off contractor had not filed required monthly returns to the Finance Department since December 2021, yet it continued to provide services to Miami Beach customers. OIG document examination showed the misclassification of 94 Miami Beach transactions, resulting in \$4,691.53

in permit fees due to the City (including penalties and interest). The contractor remained non-responsive over a lengthy period to multiple requests for additional information despite the issuance of three subpoenas. The OIG Sanitation Tax Auditor then consulted with the Office of the City Attorney and assessed the contractor an additional \$208,664.26 for unsubstantiated Miami Beach transactions found on its General Ledger, plus \$7,675.48 in audit costs pursuant to City Code.

The OIG also determined that the contractor performed roll-off services at 26 Miami Beach locations without obtaining the permits required under City Code; did not timely obtain its 2018/19 and 2019/20 fiscal year business tax receipts; and did not remit \$7,300 in previously issued Notices of Violations by the City Code Compliance Department.

- **Sanitation Tax Auditor Annual Activity Summary (2021/22 Fiscal Year)**

The OIG issued its first Sanitation Tax Auditor Annual Activity Summary report dated October 19, 2022, detailing the positive impact of the work of the OIG Sanitation Tax Auditor in relation to increases in the issuance of business tax receipts for roll-off services, more Notices of Violations issued by the Code Compliance Department due to non-compliant roll-off contractors, and the increase in roll-off permit fees (excluding audit and annual permit fee revenues) in comparison to the previous five fiscal years.

- **AES Portable Sanitation, Inc. Roll-off Permit Fee Revenues Audit**

The OIG Auditor determined from business records provided by this contractor, which also owns and operates J&M Scaffolds of Florida, Inc. (see below), that it did not remit to the City roll-off permit fees due of \$28,070.37 (including penalties and interest), as a result of which audit costs of \$1,949.85 were also levied. The company also did not obtain the required permits at 21 identified Miami Beach locations in which it provided roll-off services and did not timely obtain the related business tax receipts for fiscal years 2017/18, 2018/19, 2019/20, 2020/21, and 2021/22.

- **Audit of J & M Scaffolds of Florida, Inc. Roll-off Fee Revenues**

This contractor consistently filed monthly Roll-Off Permit Fee Returns during the audit period, but its records indicated that \$364.96 in unpaid fees (including penalties and interest) and \$1,687.89 in associated audit costs were due. Furthermore, its records indicated the performance of roll-off services at five Miami Beach locations without the required permits, and the contractor did not timely obtain its 2018/19 business tax receipt related to roll-offs. Lastly, the contractor was not charged penalties and interest for late filings to the Finance Department during the audit period and did not timely submit its required lists of accounts to the City Manager pursuant to City Code.

- **Sanitation Field Observations Report**

The OIG Sanitation Tax Auditor performed unannounced field observations of various Miami Beach properties from June 6, 2022, through June 29, 2022, to determine whether roll-off contractors at those locations had obtained valid business tax receipts (BTRs), acquired the required Building and/or Roll-off permits, and filed Roll-off Permit Fee Returns with the City that included revenues derived from the observed properties. Noted deficiencies were forwarded to the Code Compliance Department for review and issuance of warranted Notices of Violations, with the following results:

- 82 violations issued to non-compliant roll-off contractors ranging from \$100 to \$1,000, totaling \$32,300. Eight of the roll-off contractors had not obtained the required business tax receipt for the 2021/22 fiscal year, and five of 43 addresses had not been issued Building permits required by the Florida Building Code.
- Three contractors did not obtain the required annual roll-off permits during the 2021/22 fiscal year and were cited by Code Compliance.
- The OIG made various recommendations related to roll-offs to improve the enforcement process and the City Code.

- **Lopefra Corp. Permit Fee Revenues Audit**

After multiple meetings and discussions with staff from the City Administration, Office of the City Attorney, Sanitation Division, the contractor and its hired attorneys, a consensus was reached whereby unpaid permit fees were due. Other fees possibly owed to the City could not be collected due to the necessity of clarifying City Code provisions related to the definition of roll-offs. The contractor may also be assessed audit costs for the time spent by the Sanitation Tax Auditor to complete this engagement. The OIG auditor also found that the contractor did not submit its 2017, 2018, 2019, 2020, and 2021 annual statements of gross receipts certified by a C.P.A. pursuant to City Code and did not submit its required lists of accounts during the audit period.

- **Superior Recycling & Waste Management Inc. Roll-Off Permit Fee Revenues Audit**

This contractor was uncooperative and provided limited documentation to the OIG Sanitation Tax Auditor despite multiple requests and the issuance of subpoenas over many months. Since, according to the Office of the City Attorney, the burden of proof is on the contractor to show it is exempt from sanitation taxes on roll-offs and the contractor is only known to use roll-off containers, all unsubstantiated Miami Beach transactions were deemed taxable. The following related deficiencies were noted:

- Contractor was assessed \$137,834.09 in roll-off permit fees and \$4,778.96 in audit costs.
- Required permits were not obtained from the Sanitation Division for roll-off services performed at seven Miami Beach locations.
- The contractor did not timely obtain its 2017/18 and 2018/19 fiscal year business tax receipts (BTRs) related to roll-offs.
- \$8,050.00 in Notices of Violations previously issued by the Code Compliance Department during the 2020/21 and 2021/22 fiscal year for not timely obtaining its required BTRs and/or roll-off permits remained unpaid.
- Its required lists of accounts were not timely submitted to the City Manager pursuant to City Code

- **Sanitation Tax Auditor Annual Activity Summary (2022/23 Fiscal Year)**

The OIG issued its second Sanitation Tax Auditor Annual Activity Summary report dated November 6, 2023, detailing the positive impact of its Sanitation Tax Auditor in relation to the issuance of business tax receipts for roll-off services, Notices of Violations issued by the Code Compliance Department due to non-compliant roll-off contractors, and the amount of roll-off permit fees paid (excluding audit and annual permit fee revenues) in comparison to the previous five fiscal years.

RESORT TAX AUDITS



Chief Auditor Mark Coolidge, Resort Tax Auditors Yorney Sanchez and El Mostafa Achar

The Resort Tax Unit conducts random audits of the more than 4000 hotels, motels, apartment houses, bars, nightclubs and restaurants required to pay resort taxes to the City. The City received over \$100 million in resort taxes during the 2022-23 Fiscal Year. Each registered taxpayer is required to timely remit 2% of taxable food and beverage revenues and 4% of taxable lodging revenues. Funds received due to OIG assessments represent monies that the City would not have otherwise collected.

Resort Tax Auditors, whose salaries are paid through resort tax revenues, completed 182 audits between October 1, 2022 and September 30, 2023 with net assessments of \$2,552,315.50. These assessments are forwarded to the City Finance Department for collection or other resolution. The OIG issues semi-annual reports to the City Commission regarding its overall resort tax audit activities to provide transparency for the resort tax audit process.

INVESTIGATIONS AND REVIEWS



The Investigative Unit conducts investigations, reviews and inspections that may include criminal, ethical or administrative misconduct. Investigators may work jointly with auditors as well as with criminal justice or other enforcement agencies when necessary and collaborate with the City Administration on needed reforms to City policies and procedures.

- **Review of Building Department Outside Employment Policy and Public Records Issue**

This matter was opened upon receipt of several allegations related to Building Department Management regarding staff complaints of mistreatment, alleged conflict of interest in the hiring of a private provider by the department, and complaints about the fairness of the department's outside employment policy. That review determined that the allegations were unsubstantiated but led to an OIG review of the department's outside employment policy and a related public records issue.

The review centered on the department's policy concerning whether staff should be allowed to work as private licensed contractors or to own or be employed by construction companies. The OIG

concluded that the written policy adopted by the Director was an appropriate method of making that determination, given the unique and legally sensitive operations of the department. However, it also found that the failure of the City to maintain copies of unapproved requests for outside employment could violate the State Public Records Act. This finding led to a City Administration decision to require retention and maintenance of all outside employment requests in all City departments regardless of approval status.

- **Investigation/Review of City Hiring Procedure and Outside Employment Conflict of Interest Re: Sanitation Division Director**

The OIG was provided with information anonymously received by an Assistant City Manager alleging improprieties in connection with the procedure in the hiring of the current Sanitation Division Director and a potential conflict of interest. The OIG conducted an extensive review of the Human Resources Department background investigation and subsequent administrative action leading to the hiring. Also reviewed was the administration's approval of a request filed by the Division Director for outside employment as a consultant for a former employer working under a franchise agreement with the City of Miami Beach as a commercial waste hauler.

Allegations that the background investigation failed to identify several terminations for misconduct in the background of the applicant were determined to be unfounded. Two issues of importance were identified: 1) the former Human Resources (HR) Director had not approved the hiring because the hiring decision had already been made, which led to an OIG recommendation that no future hiring decision occur without the HR Director's input; and 2) a problematic conflict of interest in a private outside consulting contract held by the new Sanitation Director and approved by the prior City Administration, had placed the Director in a position to oversee the City of Miami Beach's franchise agreement with a private company then in litigation with his former employer. The conflict should have been identified prior to the approval of the requested employment. The approval was rescinded by the current administration prior to the completion of this investigation.

- **Investigation of Unauthorized Outside Employment and Exploitation of Official Position by Public Works Employee**

This investigation was commenced following receipt by the OIG of allegations from an anonymous source that a Public Works Department Control Room Supervisor was operating private businesses on City time and utilizing a city computer in that activity. The investigation, conducted jointly with the Miami-Dade Commission on Ethics and Public Trust (COE), developed evidence leading to the filing of a complaint with the COE by the Commission Advocate for violations of Miami-Dade County Code Sections 2-11.1(k)(2) *Prohibition on Outside Employment* and 2-11.1(g) *Exploitation of Official Position*. The Final Order of the COE, uncontested by the employee, found that both violations had occurred, imposed a fine of \$1,500, and directed that a letter of instruction be issued to the Subject employee. Prior to final action by the COE, the employee resigned from her City position.

- **Investigation of Complaint and Process Review Regarding Issuance of Certificate of Use and Business Tax Receipt for 1330 15th Street**

The OIG concluded an investigation and process review arising from a complaint from a property owner regarding the issuance of a Certificate of Use (CU) and Business Tax Receipt (BTR) for 1330 15th Street. The investigation determined that allegations of forgery on the application and misconduct by City employees were unsubstantiated. The OIG's review of the documents as well as

the procedures followed during the process, together with interviews of those involved, found that miscommunication, misunderstanding, and/or misinterpretation of terminology related to types of accommodation establishments and insufficient quality control within the City's application processes resulted in an appeal and possible legal action in connection with the Board of Adjustment decision on the issuance of the CU and BTR by the City.

The OIG recommendations, which have been largely implemented by the City, included steps to clarify the definition of short-term rental in Land Development Regulations; improve instructions for applicants, ensuring that the CU application is fully completed; make the CU application consistent with that of the BTR application regarding the selection of available uses; and create a protocol for facilitating the identification of any individual making changes to the original application documents.

- **Investigation of LaGorce Island Security Gate Complaint**

The OIG received a complaint alleging that personnel at the LaGorce Island security guard house were improperly impeding public access to the island. The investigation revealed that the City previously received similar reports regarding efforts to restrict access to public roads on the island. In 2021, a Miami Beach police captain advised the LaGorce Homeowner Association Manager that guards could neither require ID to enter the island nor attempt to limit access to the public roads. The OIG determined that the practice was ongoing and reminded the HOA Manager of the prior police instruction. The current Post Orders were forwarded to a First Assistant City Attorney who opined that the practice was illegal. After sharing that opinion with a representative of the HOA, the OIG was advised that the LaGorce Island security guards were no longer requesting photo identification from visitors to the island.

- **Review of Complaints re: Golden Dreams Condominium Owners**

The OIG received numerous complaints from an individual alleging multiple building permit and code compliance violations by owners at the condominium located at 65 Washington Avenue. The complaints were referred to the City departments involved. The Building Department issued a violation for unpermitted work at one of the units and issued Building Access Notices for six others. Code Compliance discovered that the Condominium Association did not have a valid Business Tax Receipt and issued an initial violation and a second violation for continual non-compliance until the violation was remedied.

G.O. BOND OVERSIGHT



The City ordinance establishing the powers and duties of the OIG specifies that “The Inspector General shall review, audit inspect, and investigate City contracts, programs, and expenditures associated with the City’s General Obligation Bond Program.”

OIG Investigator Jani Singer attends the program’s internal implementation team meetings, bi-weekly Capital Improvement Projects (CIP) and Procurement staff meetings, G.O. Bond Oversight Committee meetings, and has also met with the Program Director to discuss issues such as the impact of the slowed spending on the prioritization of the projects and the likelihood of scope reduction and/or elimination of projects. In its quarterly public reports, the OIG documents the slowing of expenditures and changing cost projections due to rising inflation, construction cost escalation, and shifting timelines for project design and construction.

The OIG collaborated last year with the Administration in creating an internal controls policy that included a requirement that any major design change in a construction project, i.e., a change to the scope that would require significant redesign or revision to any major design element or any change that could result in a project construction cost increase of more than 10%, should require the responsible City department to initiate, prepare and sign a Request for Major Modification to the Project’s Scope to be submitted to the Project Directors and respective City managers. The OIG Investigator met with the Capital Improvement Projects Director and determined that none of the G.O. Bond projects within the scope of the internal controls policy were in violation of the policy during the past year.

The OIG utilized its Risk Assessment procedure to calculate and apply assessment scores to RFQ 2023-120-ND - 72nd Street CMR Services and RFQ 2023-121-ND-A&E Services for 72nd Street Community Complex. These procurements were determined to be high risk, thereby helping the OIG to determine where to focus its procurement and contracting oversight efforts.

CONTRACT OVERSIGHT



OIG auditors and investigators may perform Contract Oversight in connection with any City contract from procurement through completion, with an emphasis on contracts deemed to be “high risk.”

- **Contract Oversight Audit of Miami Beach Watersports Center, Inc. Lease Agreement**

The OIG examined the performance of the Watersports Center with selected provisions of its Lease Agreement with the City related to operation and maintenance of the Ronald W. Shane Center and the oversight provided by the City Fleet and Facilities Management Department Asset Management Division. Testing determined that the Center was not fully compliant with certain contract insurance requirements in Section 9.2; hazardous materials were observed stored in an unlocked room during an unannounced site visit; and subleases were executed without the required advance approval of the City Manager.

The OIG also suggested opportunities for improvement that should be addressed, including the re-selling by the lessee of Parking Department hangtags at a significant markup that were provided at cost by the City; the escalation of maintenance and repair costs to the City as the facility ages while lessee pays minimum annual rent; the possibility that resort tax monies will go uncollected by the City from the sale of food and beverages at future special events on the premises.

- **Contract Oversight Audit of Restaurant Lease and Concession Agreements between the City and Smith & Wollensky Restaurant for its Operation on City Property**

The OIG performed testing to evaluate the performance during the first year of the Agreements. Noted deficiencies included the following:

- The contractor was not billed \$38,147 in late charges plus \$2,479 in sales tax due for late payments of Monthly Minimum Guarantee (MMG) payments.
- Required monthly Statements of Gross Sales/Receipts were not submitted.
- The Agreements needed to be revised based on an OIG finding of a lack of clarity regarding payment requirements.
- The Percentage Gross payments during the first year were not paid timely, resulting in \$43,248 in interest/late charges due to the City plus \$2,811 in sales tax.
- Underbilled sales tax related to the July 2022 Concession Agreement MMG payment resulted in \$1,950 due to the State.
- Parking Impact fees were incorrectly billed resulting in a \$27,143 contractor underpayment related to the 2021/22 and 2022/23 fiscal years.

- **Public Records Compliance Review of Trolley Ridership Video Retention**

The OIG issued this report to document a deficiency in the length of the retention of video footage recorded onboard the City's trolley system in connection with the City's contract with Limousines of South Florida, Inc. (LSF) for operation of the system. The issue was discovered during the trolley ridership audit previously referenced in this report. Transportation America, the parent company of LSF, previously retained available video footage for each Miami Beach trolley for up to 15 days, the maximum storage capacity of the outdated memory card in the system.

Amendment #5 Exhibit A to the LSF Agreement requires video retention for a minimum of three weeks, while the State Public Records Act, as interpreted by the City Attorney's Office, may require retention for 30 days. The OIG recommended that the 30-day retention period which was agreed to by the contractor and is being implemented.

- **The Ballet Valet Parking Company, LTD. and Lease and Parking Agreements Contract Oversight/Audit**

This audit focused primarily on rental and parking payments due to the City under these contracts and found the following deficiencies requiring corrective action:

- Ballet Valet overpaid the City in monthly rental payments by a total of \$21,924, consisting of \$20,581 in base rent and \$1,343 in sales tax.
- Ballet Valet underpaid the City \$17,349 in parking fees.
- The Parking Department did not collect Florida Sales Tax for the use of parking fees, resulting in an underbilling of \$12,879.

Inasmuch as Ballet Valet routinely remitted late payments to the City under both agreements without any consequences, the OIG suggested that the agreement could be improved if it provided for the charging of penalties and/or interest for late payments by the lessee.

- **Lincoln Place Ground Lease Agreement Compliance Audit**

This audit of a long-term Ground Lease Agreement for Lincoln Place, a City-owned high-rise building located at 1601 Washington Avenue, revealed the following shortcomings:

- The City was underpaid \$9,922 in base rent, including sales tax, due to incorrect calculations involving cumulative CPI adjustments.
- Florida Sales tax on commercial rent was not included in the percentage rent payments received by the City, resulting in a \$45,692 underbilling.
- Percentage rent payments were remitted to the City after the due dates specified in the lease, but late fees were not accurately charged, resulting in \$2,729 due.
- The Tenant did not submit all the required reports for the percentage rent payments by the designated due dates specified in the lease.
- Percentage rent payments could not be verified due to insufficient documentation
- The Tenant was not compliant with insurance requirements.

The OIG suggested the following improvements:

- Accounting method inconsistencies between the computation of project revenue on a cash basis and the preparation of financial statements for audit on an accrual basis should be resolved.
- The lease should provide specific consequences for failure to timely submit required reports.

CITY CHARTER, SECTION 9.01

The Office of Inspector General is herein established as an independent body to perform investigations, audits, reviews, and oversight of municipal matters including City contracts, programs, projects, and expenditures, in order to identify efficiencies, and to detect, investigate and prevent fraud, waste, mismanagement, misconduct, and abuse of power. The Office shall have the power to subpoena witnesses, administer oaths, and require the production of records, in order to conduct its investigations. The Inspector General shall be appointed by the Ad Hoc Inspector General Section Committee, as further established by ordinance; however, before any appointment by the Ad Hoc Inspector General Section Committee shall become effective, the appointment must be approved by a majority vote of the City Commission. The Inspector General may be removed from office upon a five-sevenths (5/7) vote of the City Commission. Such Office's appointment, reappointment, term, functions, authority, and powers shall be further established by Ordinance. (Res. No. 2018-30437, 7-25-18, passed by voters 11-6-18)

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CALL OUR CONFIDENTIAL HOTLINE:

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