



**Joseph M. Centorino**, Inspector General

TO: State of Florida Department of Environmental Protection  
FROM: Joseph Centorino, Inspector General

DATE: May 24, 2021  
PROJECT: State Beachfront Management Agreement (#3595) Financial Audit Report  
OIG No. 21-19  
PERIOD: October 1, 2018 through September 30, 2019

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 (25) years until February 7, 2032.

## INTRODUCTION

In 1982, the City entered into a Management Agreement (No. 750-0006, currently No. 3595) with the Board of Trustees of the Internal Improvement Trust Fund of the State of Florida to manage the State-owned beach east of the erosion control line within the City for a period of 25 years, which was extended for an additional 25 years beginning February 7, 2007. In return, the City agreed to remit twenty-five percent (25%) of any and all monies collected from concessionaires for the use of State beachfront property (i.e. "sand tax") to the State of Florida Department of Environmental Protection (State). The City is to provide the State with an annual audited report of all monies collected from these concessionaires.

The City is to remit 25% sand tax to the State for revenues collected from the following beachfront property users:

- Beachfront Concessions: beachfront operations authorized by the City to the upland owner concessionaire<sup>1</sup>, or a direct concessionaire<sup>2</sup>.
- Film & Print Vehicle Beach Access Passes: individuals and businesses wishing to conduct commercial film, television, video, photography, and all other media use projects on public property, which may require the parking of essential vehicles on sand areas.

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<sup>1</sup> Upland owner concessionaires include hotels, condominium associations and mobile cooking/heating (food trucks), also non-upland properties that have negotiated an agreement with the nearby upland owner for the use of the beachfront.

<sup>2</sup> Direct City Concessionaire is a provider of beach concession management and operation services with which the City has contracted directly.

- Special Event Permits and Vehicle Beach Access Passes: individuals and businesses wishing to conduct events on the beach, which in addition to the use of beachfront space may also require the parking of essential vehicles on sand areas.

The following table shows the City's quarterly payments totaling \$365,783.83 that were remitted to the State on applicable revenues received during the fiscal year ending September 30, 2019:

Check Date	Period	Check Number	Check Amount
1/23/2019	Oct-Dec 2018	435038	\$81,474.34
4/16/2019	Jan-Mar 2019	437899	146,287.41
7/10/2019	Apr-Jun 2019	441040	35,891.86
10/15/2019	Jul-Sep 2019	444546	102,130.22
<b>Total</b>			<b>\$365,783.83</b>

## OVERALL OPINION

Based upon the Office of the Inspector General's examination of City records, it has been determined that during the audit period of October 1, 2017 through September 30, 2018, the City underpaid the State of Florida by a total of \$589,692.75.

## PURPOSE

The purpose of this audit is to determine whether the City complied with State Beachfront Management Agreement No. 3595 and its amendment's terms by accurately calculating, timely remitting and properly recording sand tax monies to the Florida Department of Environmental Protection equal to 25% from any and all revenues collected from private concerns for the use of State beachfront property.

## FINDING(S) AND RECOMMENDATION(S)

### Finding 1:

Office of the Inspector General (OIG) staff reviewed every reported transaction occurring during the City's 2018/19 fiscal year for accuracy that was recorded in sand tax general ledger account number 601-7000-229068. In addition, we performed follow-up testing of all identified deficiencies identified during the 2017/18 fiscal year to verify that the State was properly compensated. As a result, it was determined that the City owed the State a total of \$589,767.75 (\$600,241.23 - \$10,473.48) due to the following sand tax underpayments and overpayments:

- A. Sand tax underpayments to the State totaling \$600,241.23
  - The Office of Real Estate incorrectly allocated the payments received from the Boucher Brothers during the period of June 2017 through October 2019 among the appropriate general ledger accounts as recorded in the Munis system (the City's enterprise resource planning system). As a result, OIG staff determined that the underpayment to the State totaled \$600,000.00.
  - Penrods Brothers Inc. incorrectly reported the amount of its beach sales to the City for the months of September 2018 through January 2019, and March 2019. Meanwhile, the City incorrectly recorded the direct concessionaire's February 2019 reported total beach sales. These errors resulted in an underpayment to the State of \$241.23, which the City resolved through the issuance of check number 456648 on October 22, 2020.

- B. Sand tax overpayments to the State totaling \$10,473.48
- The City overpaid the State by \$9,766.73 due to an improper calculation of year-end adjustments associated with Boucher Brothers Inc.'s reported 21<sup>st</sup> and 46<sup>th</sup> Street beach revenues. Upon notification to the City, the \$9,766.73 overpayment was deducted from the City's next quarterly payment sent on October 22, 2020.
  - Eight hoteliers (Crystal Beach Development Corp, Edition Management LLC, The Bath Club Entertainment LLC, Grand Beach Hotel, Carillon Hotel LLC, Shore Club Property Owners LLC, Setai Hotel, and The Palms South Beach Inc.) were inaccurately billed upland fees in the EnerGov system (the City's licensing and permitting system) due to a systematic rounding error. As a result, these hoteliers were overbilled by \$2,712.00 and the State was overpaid by \$678.00 (\$2,712.00 x 25%) in sand tax.
  - 955 Bay Drive LLC was incorrectly billed for upland fees ((\$57.50 in 2018) + (\$57.50 in 2019) = \$115.00 x 25%) in the EnerGov system, resulting in an overpayment to the State in the amount of \$28.75.

Recommendation(s):

The City Administration was immediately notified of the \$600,000 omission and check number 455752 was promptly remitted to the State on September 24, 2020. If not already resolved, any remaining under or overpayments to the State should be immediately corrected in the City's next quarterly payment to the State of Florida's Department of Environmental Protection.

Approved by:

  
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 Joseph Centorino, Inspector General

05/29/2021  
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 Date

Reviewed by:

  
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 Mark Coolidge, Chief Auditor

05-26-2021  
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 Date

Completed by:  
 Coral Delgado, Former Internal Auditor

- cc: Alina T. Hudak, City Manager  
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