



Joseph M. Centorino, Inspector General

TO: Honorable Mayor and Members of the City Commission
FROM: Joseph Centorino, Inspector General

DATE: May 6, 2022

PROJECT: State Beachfront Management Agreement (#3595) Operational Audit Report
OIG No. 22-01

PERIOD: October 1, 2019, through September 30, 2020 (Sand Tax Payments)
October 1, 2020, through September 30, 2021 (Beachfront Concession Fees)

This report stems from the City of Miami Beach Office of the Inspector General (OIG) Auditor's completion of an audit of the operational controls surrounding the City's managing of State Beachfront Management Agreement No. 3595 and amendment number 1, signed on August 9, 2007, which extended its original terms until February 7, 2032. All 2019/20 fiscal year transactions recorded in the City's sand tax general ledger account and available departmental supporting documentation were reviewed for completeness and accuracy. The audit scope also included verifying whether 2020/21 fiscal year beachfront concession fees for equipment, food/beverage, and water sports were correctly billed through the Finance Department's Business Tax Receipt (BTR) process to the applicable hotels, apartments, and condominiums. Lastly, a separate audit report focusing on the OIG's financial review will be issued to the State of Florida Department of Environmental Protection (State) pursuant to the agreement.

INTRODUCTION

In 1982, the City entered into a Management Agreement (originally 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 an initial 25-year period, which was extended for an additional 25 years beginning February 7, 2007. In return, the City agreed to remit 25% of any and all monies (sand tax) collected from private concessionaires or other private concerns for the use of State beachfront property to the State. The City must also provide the State with an annual audited report of all monies collected from said concessionaires.

There are currently four categories of beachfront property users/concessionaires:

1. Operators of concessions seaward of Lummus Park, Ocean Terrace, North Shore Open Space Park, 21st and 46th Street, and Pier Park. The current City Commission approved concessionaires are Boucher Brothers Inc. and Penrods Brothers Inc., who pay for the use of the beachfront as per their respective contractual agreements with the City.
2. Miami Beach hoteliers, apartments and condominium associations located on the beachfront pay beach "upland" fees to the City annually based on the number of units

concurrent with its BTR fees. These BTRs may also include “non-upland” fee properties, i.e., not located on the beachfront, that have negotiated an agreement with nearby upland fee properties whereby their residents can use the beach amenities of these upland properties.

3. Members of the public who run organized, usually one time only events on the beach, such as weddings, and volleyball tournaments. The payments from these special events are remitted to the City Tourism and Culture Department (TCD).
4. Productions requiring the parking of essential vehicles on the beach or sand areas of Miami Beach may also involve the purchase of vehicle beach access (VBA) passes from the TCD. The cost of the pass was \$150 through October 4, 2019, which comprises the first four days of the audit period, before it was increased to \$155, per vehicle, per event, by the City Commission through the ratification of Ordinance No. 2019-4299. Event producers may purchase a maximum of ten VBA passes per event unless additional passes are approved by the City Manager or his/her designee.

The following table lists the City’s quarterly sand tax payments, totaling \$418,681.51, remitted to the State during the tested 2019/20 fiscal year:

Check Date	Period	Check Number	Check Amount
01/17/2020	Oct - Dec 2019	<u>447718</u>	\$62,532.69
04/20/2020	Jan - Mar 2020	<u>451250</u>	\$173,948.38
07/22/2020	Apr - Jun 2020	<u>453868</u>	\$163,960.31
09/30/2020	Jul - Sep 2020	<u>456648</u>	\$18,240.13
TOTAL			\$418,681.51

OVERALL OPINION

Based upon an examination of the furnished records for the reviewed period of October 1, 2019 through September 30, 2020, the OIG Auditor identified numerous errors resulting in both sand tax underpayments and overpayments to the State. The resulting net \$18,605.94 underpayment should be included in the City’s next quarterly sand tax payment.

In addition, some outstanding balances included in the OIG’s prior audit report, dated May 24, 2021, related to the 2018/19 fiscal year remain unpaid. Although the COVID-19 pandemic has most likely contributed to the named parties’ delinquency or inability to pay, the OIG strongly recommends that the City actively research different approaches to improve its collection efforts. Once these outstanding balances are paid, the corresponding 25% is to be included in the City’s next quarterly sand tax payment to the State.

While the sand tax calculations have remained relatively unchanged for years, an alarming number of the reviewed 2019/20 fiscal year transactions were incorrectly calculated and distributed among the appropriate general ledger accounts recorded in the City’s Financial System. The OIG realizes that some of these deficiencies were due to differences associated with the EnerGov system, the City’s licensing and permitting system, not being properly updated by the required Consumer Price Index (CPI) at the beginning of the 2019/20 fiscal year. When these errors were identified by City staff; however, the proper corrections were not always made. Consequently, the OIG Auditor spent many hours obtaining an understanding of the taxability of the initial transactions, reviewing the original entries and corresponding adjustments, and then

determining the appropriateness of the adjusting journal entries, to determine the accuracy of the corresponding general ledger account balances.

For example, sand tax transactions were to be increased by \$.01 for the approved CPI increase at the beginning of the 2019/20 fiscal year. Testing determined that the increase was only applied to a portion of the transactions based on the City's revenue account. The EnerGov system was incorrectly programmed to calculate sand tax and sales tax based on \$.25, not \$.26, with the CPI increase. Consequently, the sand tax and sales tax amounts were incorrectly calculated, and customers were underbilled. Although the Information Technology (I.T.) Department later corrected this EnerGov system error; some errors were missed and not corrected. Compounding matters, the TCD Special Events Division staff did not validate that the CPI increase was applied correctly to all pertinent transactions.

In addition, the TCD misallocated several special event transactions corresponding to the first quarter of the 2019/20 fiscal year (October 1, 2019, through December 31, 2019). More specifically, 100% of some tested invoice amounts were distributed to the sand tax account instead of 25% to the sand tax account and 75% to the appropriate revenue account after deducting 7% for state sales tax. Conversely, the distribution was inverted in other invoices, with 75% recorded in the sand tax general ledger account, and the remaining 25% applied to the appropriate revenue account.

In response, journal entries like J.E. #04-101 were created to correct the identified transactions. However, the reviewed journal entries also occasionally contained errors, such as when non-beach events were incorrectly charged sand tax, and events held east of the erosion control line on State owned property were not charged sand tax.

The OIG also found that the Facilities and Fleet Management Department Asset Management Division, incorrectly processed the Boucher Brothers Inc. payment for the 2020 1st Minimum Guarantee, resulting in an inaccurate general ledger distribution and a corresponding \$14,853.13 sand tax underpayment. This error is concerning to the OIG, because it identified a \$600,000 underpayment to the State in the prior year's State Beachfront Management Agreement (#3595) Operational Audit Report (OIG No. 21-20) dated May 24, 2021. As part of last year's audit process, OIG staff explained the calculation errors to applicable Asset Management Division staff as well as the appropriate methodology for prospective sand tax transactions; yet errors still occurred in this year's audit.

Furthermore, the OIG emphasizes its continuous findings related to the inaccurate billings of beachfront concessionaires on its BTRs. The Asset Management Division prepares, mails, and collects beachfront concession agreement letters from designated beachfront properties to obtain an accurate representation of its beachfront operations. The Finance Department's Licensing Section annually invoices beachfront properties for upland and permit fees through the BTR process.

One of the primary reasons for beachfront concession agreement letters is to determine the appropriate amount to bill on the customer's BTR. If these letters are not timely received and forwarded to the Licensing Division prior to the mailing of the BTRs, or if their recorded information is not reconciled to the BTRs prior to being mailed, then the likelihood of subsequent incorrect billings and customer payments is increased.

Any related errors result in additional work for all parties involved, as adjusting bills/credits must be prepared and disbursed; the beachfront properties must review these adjusting bills/credits for

accuracy; and the corresponding payments and/or credits must be used and processed by City staff. Regardless of the underlying reason(s), the frequency of billing mistakes is concerning and may create an appearance to beachfront concessionaires that the City's processes are lacking.

Similarly, discrepancies were observed when comparing the entries in the Special Event Fee Log, maintained by TCD staff, and the Beachfront Concession Fees List (Upland and Permit fees), provided by the Asset Management Division, with those entries in the Munis system, the City's enterprise resource planning system. OIG staff also encountered difficulties in determining the completeness and accuracy of the information contained in the Special Events Fee Log due to incomplete and inaccurate entries. These types of errors are preventable.

As this annual sand tax audit is required according to State Beachfront Management Agreement No. 3595, the workload for OIG staff continues to escalate as the root causes of identified errors are not resolved and similar mistakes occur each year. Systemic process changes are needed with better trained staff and improved supervisory oversight to prevent future mistakes.

It is also strongly recommended that templates with locked formulas be created and consistently used, so that future sand tax transactions are accurately recorded. City staff's inability to identify these errors and/or make the proper corrections is concerning, as there is a greater dependence on the OIG annual audit to determine its accuracy and to make any needed revisions.

The following shortcomings were noted during this audit:

1. TCD's Special Events Division underbilled customers by \$1,668.64, and twenty additional transactions totaling \$468.96 were noted wherein sand tax was not properly remitted to the State.
2. A comparison of the beachfront upland fees invoiced by the Finance Department's Licensing Section with the amounts in the Signed Beachfront Concession Letter Agreements resulted in a net overbilling of \$14,223.00 for the 2019/20 fiscal year, and a net sand tax underpayment of \$148.75 to the State.
3. A comparison of the beachfront concession permit fees invoiced by the Finance Department's Licensing Section and the Signed Beachfront Concession Letter Agreements issued by the Facilities and Fleet Management Department identified \$7,659.00 in overbilling and a net sand tax overpayment of \$425.50 to the State.
4. Incorrectly reported food and beverage sales from Penrods Brothers Inc. resulted in a net overpayment of \$175.17 to the State.
5. The Asset Management Division did not include the sand tax on the additional lump sum payment received from Penrods Brothers Inc., which was necessary to satisfy the required minimum guarantee amount, resulting in a \$4.52 underpayment to the State.
6. The tested Boucher Brothers Inc.'s 21st & 46th Street concession payments were not adequately distributed among the City's General Ledger accounts by the Asset Management Division; as a result, the State was underpaid by \$14,853.13. In addition, the payments were not calculated following Section 4.2 of the Concession Agreement's terms, resulting in a \$37,464.11 (excluding 7% sales tax) underbilling by the City and a \$9,122.29 sand tax underpayment to the State.
7. Prior audit findings from the 2018/19 fiscal year, that were not resolved during the 2019/20 fiscal year, totaled \$3,731.25 in sand tax.

SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this audit is to determine whether the City complied with the terms of State Beachfront Management Agreement No. 3595 by accurately calculating, remitting, and recording sand tax payments to the Florida Department of Environmental Protection equal to 25% of all revenues collected from private concerns for the use of State beachfront property during the 2019/20 fiscal year. Also, the 2020/21 fiscal year beachfront concession fees for equipment, food/beverage, and water sports billed to hotels, apartments, and condominium property owners will be examined to validate its accuracy and completeness.

The audit focused on the following general objectives:

- To determine whether tested sand tax transactions for the 2019/20 fiscal year were accurately calculated and recorded in the City's Financial System.
- To determine whether the City's Finance Department timely remitted all tested sand tax payments due to the State of Florida Department of Environmental Protection.
- To determine whether the Finance Department appropriately billed the 2020/21 fiscal year upland, non-upland, and beachfront concession fees to all tested hotels, apartments, and condominiums through the business tax receipt process.
- To determine whether deficiencies identified in prior audits have been corrected.
- Other audit procedures as deemed necessary.

The audit methodology included the following:

- Reviewed applicable provisions of agreements and approved Standard Operating Procedures;
- Interviewed and made inquiries of staff to gain an understanding of internal controls, assess control risk, and plan audit procedures;
- Performed substantive testing consistent with the audit objectives, including, but not limited to, examination of applicable transactions and records;
- Drew conclusions based on the results of testing with corresponding recommendations, and obtained auditee responses and corrective action plans; and
- Performed other audit procedures as deemed necessary.

FINDINGS, RECOMMENDATIONS, AND MANAGEMENT RESPONSES

OIG staff examined all general ledger recorded sand tax transactions processed during the 2019/20 fiscal year to verify that each was correctly calculated, accurately recorded in the City's Financial System, and timely remitted to the State. In addition, all supporting departmental documentation provided was reviewed. Numerous deficiencies were identified whereby the State was underpaid by a net total of \$18,605.94, as shown in the audit findings below.

1. **FINDING: TCD SPECIAL EVENTS DIVISION UNDERBILLED CUSTOMERS BY \$1,668.64, AND TWENTY ADDITIONAL EVENTS TOTALING \$468.96 WERE NOTED IN WHICH SAND TAX WAS NOT PROPERLY REMITTED TO THE STATE**

Pursuant to State Beachfront Management Agreement No. 3595, the City is to remit sand tax to the State equal to 25% of any and all revenue collected for the use of its property, located east of the erosion control line. Each transaction is distributed among the appropriate general ledger accounts (sales tax, sand tax, rental revenues, etc.). Then the City's Finance Department remits quarterly sand tax payments to the Florida Department

of Environmental Protection (State) based on the corresponding entries into general ledger account number 601-7012-229068.

The TCD Special Events Division creates invoices in the City's Financial System detailing the general ledger account distribution for special event permits, and any corresponding VBA passes issued, including individuals and businesses wishing to conduct commercial film, television, video, photography, and all other media use projects on public property.

City Code Chapter 12 - Arts, Culture and Entertainment (the department's name was later changed to TCD) Sections 12-1 and 12-5, film and print productions, as well as applicants wishing to hold special events, must submit complete documentation in addition to any required fees. As events held east of the erosion control line occur on State-owned property, there may be such additional charges as a \$150 beach access pass fee per vehicle and a \$.25 per beach square footage fee. These fees were increased to \$155 per vehicle beach access pass fee and a \$.26 beach square footage fee by the ratification of Ordinance No. 2019-4299, effective October 5, 2019.

When the amounts owed become known, the applicable department creates City Bills invoicing the event organizers. During audit fieldwork, invoicing errors were noted where the EnerGov system incorrectly calculated the corresponding amounts. Questioned TCD staff claimed that the errors were due to the EnerGov system not being updated with the new rates increased by the CPI. For example, Film and Print productions' VBA pass fee invoices were issued at the cost of \$150 each, instead of the CPI increased cost of \$155. Although the Information Technology Department later corrected this error; some completed transactions were not accurately corrected.

The sand tax was similarly incorrectly calculated based on a \$.25 beach square footage fee, instead of \$.26. Further testing revealed that the CPI increase was only applied to the City's recorded revenues and not to the applicable sand tax and sales tax computations comprising the remainder of the transaction. As a result, customers were underbilled, the sand and sales tax accounts understated, and the revenue account overstated based on the monies received.

In addition, discrepancies existed between the amounts included in TCD's maintained Special Events Fee Log and the corresponding Munis system invoices, creating confusion about which figures were correct.

Exhibit A₁ located at the end of this report, lists 41 transactions related to 23 events in which TCD incorrectly billed customers. It is important to note that an event may have one or more incorrectly billed transactions associated with it. In sum, twenty events with incorrectly recorded general ledger distributions resulted in a net \$468.96 sand tax underpayment to the State; 18 events in which the City underbilled customers by a net total of \$1,668.64; two events where Film & Print VBA pass fees were underbilled by \$15.00; and one event that was not billed to the customer in the amount of \$1,468.04. More detail regarding these incorrect billings are reported below, separated by overpayments and underpayments, which resulted in a net sand tax underpayment of \$468.96 to the State.

- A. Overpayments totaling \$304.00
 - Two events held west of the erosion control line, which is not State-owned

property, were incorrectly applied sand tax: (1) 2019 Miami Beach Halloween Half Marathon & Freaky 4-Miler, permit # SPE0719-0017, receipt #228755; and (2) Milonga by KCC, permit # SPE0819-0074, receipt #233087. Although journal entries were created to correct these errors, they were not accurately completed, resulting in a total overpayment of \$304.00 to the State.

- B. Underpayments totaling \$772.96
- For B.B. Deco Productions-Cisco Beach, permit # SPE0819-0056, receipt # 224872, the amount related to sand tax was incorrectly entered as sales tax, resulting in an underpayment to the State of \$318.75.
 - Two events were held east of the erosion control line; but no sand tax was applied to the (1) Kringstein and Sevin Wedding Ceremony, permit # SPE0220-0315, invoice # 25741, and (2) Elwing Wedding, permit # SPE0919-0083, receipt # 232534, resulting in a total underpayment to the State of \$315.00.
 - OIG staff noted the following 15 events where the City did not correctly invoice the named customers:
 1. SOHO House-Pre Art Basel Tent, permit #SPE1119-0173, receipt # 240363;
 2. SOHO House-Art Basel Tent, SPE1019-0143, receipt # 240364;
 3. BB_Edition-Full moon watch party, SPE1019-0162, receipt # 231382;
 4. BB_British Tobacco Beach Reception, permit # SPE1019-0128, receipt # 231383;
 5. BB_IMMUNOTEC/MONDOaquixia Beach BBQ, SPE1019-0144, receipt # 231947;
 6. Black & Decker Annual Conference, SPE1219-0210, receipt # 239308;
 7. BB_Tiger Risk, SPE1219-0244, receipt # 240358;
 8. BB_Patron Spirits, SPE1219-0252, receipt # 240356;
 9. Hakakian And Azulay Faena Beachfront Wedding, SPE1219-0203, receipt # 240155;
 10. BB_Event Consulting INTL, SPE1219-0240, receipt # 240357;
 11. BB_360 Destination FOX, SPE1219-0256, receipt # 242654;
 12. BB_Akoya Beach Reception, SPE0120-0283, receipt # 244699;
 13. BB_VEVO Beach Reception, SPE0120-0294, receipt # 244698;
 14. BB_EPIC TRAVEL EVENT, SPE0120-0287, receipt # 244701; and
 15. BB_YEXT Beach Reception, SPE0120-0282.

TCD staff claimed that the billing errors are due to the EnerGov system calculating sand tax based on a \$.25 beach square footage fee instead of \$.26 (with CPI

increase), resulting in a total sand tax underpayment to the State of \$139.21.

C. Underbilling totaling \$1,668.64

- In addition to the identified underpayments, the 15 events listed above were also underbilled by \$185.60.
- The City underbilled N House Productions, LLC for Film & Print VBA pass fees (invoices # 23002 and 23021) due to the EnerGov system not being updated with the correct VBA pass fee of \$155 per vehicle being charged. Three vehicles were incorrectly charged the previous \$150 rate, resulting in a total underbilling of \$15 (\$155 - \$150) x 3 vehicles).
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- One event was not billed to customer BB_JJLA Art Exhibition permit #SPE1119-0196, resulting in a \$1,468.04 underbilling (\$310.00 in VBAs + \$1,158.04 in square footage fees).

Internal Control Deficiencies:

The EnerGov system contained the following duplicate billings for the same event: BB_British Tobacco Beach Reception, Permit SPE1019-0128 receipt# 231383; Hakakian And Azulay Faena Beachfront Wedding, SPE1219-0203, receipt # 240155; and BB_Event Consulting INTL, SPE1219-0240, receipt # 240357.

Also, the TCD provided spreadsheet "F.Y. 19-20 Special Event Fee Log" (Special Event Fee Log) was not properly completed. For example, the OIG determined that the following events were not included: Ocean Drive New Year's Celebration, SPE1119-0180/Sparktacular, Inc., receipt # 239595, and Kirkland Events, SPE1119-0181/East Of The Collins Inc., receipt # 245998. However, invoice #s 24223 and 25165 were created in the Munis system for these events.

Such additional discrepancies observed included missing VBA fees and/or beach square footage fees, for the following: Boucher Brothers Corporate Team Building Master Permit, receipt # 229898, and BB_Deco Productions-Cisco Beach, receipt # 224872. Furthermore, the Special Event Fee Log included sales tax in the sand tax column for such non-beach events as Miami International Auto Show 2019, Once Upon A Kitchen, and NBCSports "My Premier League LIVE" Winter Fan Fest 2019.

Recommendation(s):

The implementation of the following recommendations should correct the identified deficiencies and help prevent similar future errors from occurring:

A. Overpayments

- The City's next quarterly payment to the State should be reduced by \$304.00 due to the inappropriate application of sand tax to non-beach-related transactions. The corresponding amounts should be reclassified to the appropriate general ledger revenue account from the sand tax account. In the future, TCD should verify the location of each special event to determine the applicability of sand tax before an adjusting journal entry is completed, so that the correct entries are made.

B. Underpayments

- The City's next quarterly payment to the State should be increased by \$318.75 due to the inappropriate allocation of sand tax to the sales tax account. TCD should verify the accuracy of each transaction before the entries are processed to reduce the need to create adjusting journal entries.
- \$315.00 in sand tax due to the State should be included in the next quarterly payment. TCD should verify that sand tax is only applied to events held east of the dunes on State-owned property.
- \$139.21 in sand tax due to the State should be added in the next quarterly payment. The TCD Director or her designee should review the approved F.Y. 2020 Fee Schedule for accuracy before it is implemented. When rates such as the square footage fee or VBA rates change, the Information Technology Department should timely and accurately update the new rates in the EnerGov system to help avoid billing errors.

C. Underbillings

- The TCD Department should evaluate whether the \$185.60 underbilled, related to the 15 events previously mentioned, should be billed to the customers. If payment is subsequently collected, \$46.40 should be added to the City's next quarterly sand tax payment to the State.
- The City was inadvertently underpaid by a total of \$15.00. Once full payment is received, the City should include \$3.75 in sand tax in its next quarterly remittance.
- TCD should immediately bill BB JJLA Art Exhibition \$1,468.04 (excluding state sales tax and application fees). Upon receiving full payment, \$367.01 should be included in the City's next quarterly sand tax payment to the State. In the future, TCD should perform at least year-end reconciliations to ensure that all monies were collected and that the corresponding amounts were remitted to the State.

Internal Control Deficiency Recommendations:

The TCD Director or her designee should incorporate the following changes to future Special Event Fee Logs: (1) separating events held east and west of the erosion control line; and (2) creating templates with locked formulas to calculate the corresponding amounts to be billed to customers depending on the type of transaction and how the payment should be distributed among the appropriate general ledger accounts. In addition, the Special Event Fee Log should be reconciled at least at year-end to ensure that all events are wholly and accurately recorded.

The TCD Director or her designee should also ensure that the computation of the total Square Footage and VBA and the allocations for City revenue, sand tax, and sales tax reported in the EnerGov system are charged correctly based on the City Commission approved rates. If differences are identified, the Information Technology Department should be promptly contacted to make the necessary corrections.

Finance Department Responses:

The necessary corrections will be made in the next Sand Tax payment to the State.

Tourism and Culture Department Responses:

The Tourism & Culture Department processes an average of about 274 special events permits and 829 film permits annually. The workload and execution of these permits are processed by a limited staff of 3-4 employees. These permits average about **\$470,000.00** in revenue to the City annually. The initial OIG finding resulted in less than 1% of the overall revenue generated for the City. The City utilizes EnerGov, a financial permitting software, to issue Special Event permits. On the financial side of the program, the staff can only enter square footage, and the EnerGov program calculates the amounts and, therefore, the percentage due to Sand Tax. These calculations are embedded within EnerGov by our IT Department and done on the back end of the program, making it extremely difficult to isolate an error by TCD staff. Most of the findings result from the charge codes pointing at the wrong account or lack of CPI increase being added to EnerGov. To clarify, TCD does not oversee the management of the EnerGov system.

The Office of Tourism and Culture agrees with Finding #1: under billings did occur, but due to CPI not being implemented within EnerGov except for one, the JJLA Art Exhibition (which has been paid by the client after this initial audit). Again, we must reiterate that the CPI calculations are not entered or managed by TCD within EnerGov. The Office of Tourism and Culture has decided not to chargeback our clients for the difference in the CPI increase due to the time elapsed of the events and the minimal amount in question. The total amount referenced in the findings within the permits and vehicle passes fees would equal an amount of \$200.60, which would be counterproductive compared to the staff hours it would take to recuperate.

The Office of Tourism and Culture agrees that an overpayment of \$304 (Finding #1-A) occurred for two events west of dunes, not requiring sand tax. The department also acknowledges that \$318.75 (Finding #1-B) was inadvertently charged as sales tax instead of sand tax. Additionally, \$315 (Finding #1-B) was incorrectly mapped by EnerGov and not issued to sand tax. These will be corrected via journal entries.

Lastly, for the Sand Tax owed to the state due to lack of CPI increase, we agree \$139.20 (EnerGov not including CPI increase) is due to the state, even though the department has chosen not to collect the revenue portion of the CPI increase, again, due to the time elapsed of the event and the minimal amount.

\$ (304.00)	Overpayment to State
\$ 318.75	To State
\$ 315.00	To State
\$ 139.20	CPI Increase not calculated in EnerGov
\$ 468.95	Owed to state

The Tourism & Culture Department will create excel spreadsheets to calculate proper square footage and sand tax proportionate share to compare with each EnerGov entry for additional financial controls. Furthermore, the office will be implementing August meetings with internal and IT/EnerGov staff to verify CPI increases ahead of the CPI increased for FY 2023.

2. **FINDING: BEACHFRONT UPLAND FEE DISCREPANCIES RESULTED IN A NET OVERBILLING OF \$14,223.00 FOR THE 2020/21 FISCAL YEAR AND A \$148.75 UNDERPAYMENT TO THE STATE**

The Finance Department Licensing Section creates invoices in the City's Financial System detailing the general ledger account distribution for all beachfront property billed through the BTR process. City Ordinance No. 2003-3420 states that any hotel, apartment, or condominium operating on the beachfront shall pay an upland fee of \$15 per unit charge in the 2003/04 fiscal year. This charge has been increased by 5% every other year, rounded to the nearest dollar, to \$23 per unit for the 2019/20 and 2020/21 fiscal years.

In addition, the maximum annual fee per Upland Property was increased from \$10,000 to \$15,000 (increased annually afterward following the CPI) through the City Commission's adoption of Resolution No. 2016-29403 on October 1, 2016. Like the upland fee, the maximum annual upland fee has increased by 5% every other year to equal \$16,538 per property for the 2019/20 and 2020/21 fiscal years. Only three properties (Loews Hotel, One Hotel and Condominium, and Fontainebleau Hilton Resort) had more than the 720 ($720 \times \$23 > \$16,538$) units needed to be affected by the maximum annual upland fee during the audit period.

Section 3(c) of the Fifth Amended and Re-stated Rules and Regulations for Beachfront Concession Operation states, "In the event that the Concessionaire is an Upland Owner Concessionaire, and the Concession Area is utilized by any additional property or properties, other than the Upland Property, *the Upland Property owner must receive prior written approval from the City and shall pay an Upland Fee, per property, based on the number of units contained in the Upland Property and any additional properties. There shall be no maximum Upland Fee for Beachfront Concessions utilized by multiple properties or for two or more Beachfront Concessions held by a Concessionaire.*" This amendment was created when the City became aware that some non-upland fee properties were negotiating agreements with other upland fee properties, so its residents could use the beach amenities of these upland properties.

The Facilities and Fleet Management Department Asset Management Division prepared and mailed letter agreements to all known properties authorized to operate beachfront concession(s). These letter agreements provide the framework for permitted beachfront concessions, including the number of upland units, the amount of upland and beachfront concession permit fees due, etc. They also serve as the basis for billing on the beachfront concessionaires' annual BTRs (typically mailed annually in July/August) and must be timely provided to the Finance Department Licensing Section for billings to be accurate.

The Asset Management Division submits a master summary schedule of these fees for each beachfront property location to the Licensing Section, so that the corresponding BTRs could be accurately billed. This master summary schedule included the non-upland properties that negotiated agreements with upland fee properties.

A comparison of the upland fees owed according to the master summary schedule provided by the Asset Management Division on April 15, 2021, with the amounts billed in the City's EnerGov System, identified eight transactions not accurately billed (as shown below). Exhibit B located at the end of this audit report summarizes these eight differences resulting in a \$14,223.00 net overbilling.

- a. Five upland properties: (1) Georgian Condominium (Non-Upland Kaskades Hotel), license number: RL-03000250; (2) King Richard Condominium, license number: RL-03000189; (3) Vendome Place Condominium (Non-Upland Ocean Spray Hotel, license number: RL-03000188; (4) SoHo Beach House Hotel, license number: RL-10003800; and (5) Fontainebleau Hilton Resort, license number: RL-05001340; were overbilled by a net total of \$3,459.00. Most significant was the Fontainebleau Hilton Resort, RL-05001340, which was charged and paid \$20,102.00, which is \$3,564.00 more than the \$16,538.00 maximum annual upland fee. All the identified overbillings were paid in full after the audit period and resulted in the State receiving \$864.75 more in sand tax than was due.
- b. Three upland properties: (1) Beach Hotel Associates, LLC/ Delano Hotel, license number: RL-10005920; (2) Elmira Miami, LLC/Raleigh Hotel, license number: RL-10007290; and (3) Seagull Hotel/Days Inn, license number: RL-93177882; were overbilled upland fees in the amount of \$10,764.00 as they were not operating during the 2020/21 fiscal year.
- c. Sand tax was underpaid to the State during the audit period in the net amount of \$148.75 for (1) King Richard Condominium, license number: RL-03000189; and (2) SoHo Beach House Hotel, license number: RL-10003800.

Recommendation(s):

The Finance Department Licensing Section should promptly correct the upland fee owners' business tax receipts listed in Exhibit B accordingly:

- a. The four upland properties incorrectly overbilled should receive credits for overbillings, as follows: (1) a \$575.00 overbilling to the Georgian Condominium; (2) a \$5.00 overbilling to the King Richard Condominium (3) a \$5.00 overbilling to the SoHo Beach House Hotel; and (4) a \$3,564.00 overbilling to the Fontainebleau Hilton Resort. Once the property owners use these credits, the City's next quarterly sand tax payment should be decreased accordingly. In addition, the Vendome Place Condominium should be invoiced for the underbilled amount of \$690.00.
- b. Although the invoices appear in EnerGov as "pending for payment," all three pending invoices totaling \$10,764.00 should be deleted.
- c. \$148.75 in sand tax owed to the State should be remitted in the next quarterly payment.

In the future, the Facilities Management Division should only provide the Finance Department with the current upland and non-upland properties in the master summary schedule to avoid billing confusion. To illustrate, Asset Management Division staff should identify and separate upland and non-upland properties from the schedule when the properties are closed and not operating. This practice should help ensure that the property owner is billed correctly and that the stated amounts reconcile accurately with those amounts billed in the City's Financial System. Lastly, the Finance Department should

reconcile the upland fee amounts with those billed to help earlier detect any differences in order that they may be quickly corrected. It is recommended that this task be assigned to a specific individual to improve accountability and consistency.

Finance Department Responses:

The Finance Department is correcting the upland fees listed in Exhibit B by the end of April 2022 as follows:

- i. Georgian Condominium: \$575 Credit
- ii. King Richard Hotel: \$5 Credit
- iii. SoHo Beach House Hotel: \$5 Credit
- iv. Fontainebleau Hilton Resort: \$3,564 Credit
- v. Vendome Place Condominium: \$690 invoice for underbilling

The 2020/2021 overbilling for \$3,358 to Beach Hotel Associates, LLC/Delano Hotel, will be refunded or applied to another outstanding balance in April 2022. The remaining two upland properties, Elmira Miami, LLC (Raleigh Hotel), and Seagull Hotel (Days Inn) were not invoiced. EnerGov fees listed on accounts will be deleted.

The next quarterly payment to the State will be increased by \$148.75. The amount will be reclassified from BTR revenue to sand tax in the G/L account for April 2022.

3. **FINDING: BEACHFRONT CONCESSION PERMIT FEE DISCREPANCIES RESULTED IN AN OVERBILLING OF \$7,659.00 FOR THE 2020/21 FISCAL YEAR AND AN OVERPAYMENT TO THE STATE OF \$425.50 ON SAND TAX COLLECTED DURING THE 2019/20 FISCAL YEAR**

Hotels, apartments, and condominiums subject to upland fees, along with beachfront concessionaires, will typically owe some combination of concession fees related to equipment, food/beverage and/or water sports. The cost of each applicable beachfront concession fee permit for the 2020/21 fiscal year was \$851.00. The fees are billed through the City's annual BTR process, like upland fees.

Signed beachfront agreement letters authorize the entity to operate a beachfront concession, and among other terms, it includes the amount of fees owed. All the individual fees owed are summarized for each property in the master summary schedule furnished to the Licensing Section, so that the corresponding billings are accurate.

OIG staff performed a comparison of the Asset Management Division master summary schedule entries related to beachfront concession permit fees with the permit fees billed through the EnerGov system. Six concessionaires were found to have been billed inaccurately. Exhibit C, located at the end of this audit report, provides a detailed listing of these six differences, totaling \$7,659.00, as follows:

- a. Three permit fee transactions were mistakenly billed with the status in the EnerGov system appearing as "Due": (1) Beach Hotel Associates, LLC/ Delano Hotel, permit number: RL-10005920; (2) Elmira Miami, LLC/Raleigh Hotel, permit number: RL-10007290; and (3) Seagull Hotel/Days Inn, permit number: RL-93177882; resulting in a total overbilled amount of \$5,106.00. The Asset Management Division confirmed that the pending amounts correspond to closed properties that were not operating during the 2020/21 fiscal year.

- b. Three permit fee transactions were incorrectly overbilled by \$2,553.00, and paid by the following: (1) East Atlantic Gardens Condominium, license number: RL-03000512; (2) King Richard Condominium, license number: RL-03000189; (3) Eden Roc, LLLP, RL-10004440.

In addition, the OIG determined that \$425.50 in sand tax was overpaid to the State during the audit period related to overbilled food and beverage permit fees collected from (1) East Atlantic Gardens Condominium, license number: RL-03000512; and (2) King Richard Condominium, license number: RL-03000189. Also, Eden Roc, LLLP, RL-10004440 paid the overbilled amount on October 1, 2021, which is outside the audit period. Consequently, \$212.75 in sand tax will be overpaid to the State, if not corrected.

Recommendation(s):

The Licensing Section should correct the six transactions related to beachfront concession permit fees listed in Exhibit C accordingly:

- a. \$5,106.00 related to the three upland properties erroneously invoiced should be removed from the EnerGov system. In the future, the Licensing Section should ensure that the master summary schedule provided by the Asset Management Division reconciles with the amounts billed in the City's Financial System. Any differences should be promptly investigated and corrected so that the property owner is correctly billed and that the appropriate sand tax is remitted to the State.
- b. The three upland properties with incorrectly billed permit fees should receive credits totaling \$2,553.00.

Furthermore, \$425.50 in sand tax should be deducted from the City's next quarterly payment to the State related to the East Atlantic Gardens Condominium and the King Richard Condominium. Finally, the Finance Department should scrutinize more closely the permit fee billing process to determine the root cause(s) of the listed breakdowns to help prevent future inaccuracies from occurring.

Finance Department Response:

The 2020/2021 overbilling for \$5,106.00 to Beach Hotel Associates, LLC (Delano Hotel), Elmira Miami, LLC (Raleigh Hotel), and Seagull Hotel (Days Inn), will be refunded or applied to another outstanding balance in April 2022.

The 2020/2021 overbilling for \$2,553.00 to East Atlantic Gardens Condominium, King Richard Condominium, and Eden Roc, LLLP will be refunded or applied to another outstanding balance in April 2022.

The 2020/2021 overbilling for \$425.50 to East Atlantic Gardens Condominium, King Richard Condominium, and Eden Roc, LLLP will be reduced in the next quarterly payment to the State.

4. **FINDING: INCORRECTLY REPORTED FOOD AND BEVERAGE SALES BY PENRODS BROTHERS INC. RESULTED IN A \$175.17 SAND TAX OVERPAYMENT TO THE STATE**

Penrods Brothers Inc. submitted a monthly Rent Report to the City containing its beach-generated revenues, as well as its food and beverage sales. The Asset Management

Division invoiced Penrods Brothers Inc. each month based on the received Rent Reports, pursuant to the executed agreement.

The OIG compared the concessionaire's Sales Detail Reports to the furnished Rent Reports and noted that November 2019's beach sales were incorrectly reported to the City. In addition, the City incorrectly calculated and recorded the sand tax due on the reported September 2019 figures. The sand tax general ledger account was overstated, and the State was overpaid by a net total of \$175.17, as shown in the below table:

BEACH CONCESSIONAIRE	MONTH	RECEIPT NUMBER	AMOUNT SUBJECT TO TAX	SAND TAX DUE	SAND TAX PAID	DIFFERENCE (2 - 1)
PENRODS BROTHERS INC	Nov-19	239153	\$1,495.08	\$373.77	\$316.90	(\$56.87)
PENRODS BROTHERS INC	Sep-19	228355	\$1,294.85	\$323.71	\$555.75	\$232.04
TOTAL			\$2,789.93	\$697.48	\$872.65	\$175.17

Recommendation(s):

The Asset Management Division should request the Finance Department's preparation of the necessary adjusting journal entries, and the \$175.17 sand tax payments should be deducted from the City's next quarterly payment to the State. In the future, the Asset Management Division staff should request the supporting documentation (Beach Server Detail Report) from Penrods Brothers Inc. to compare and validate the amounts included on the Rent Reports to prevent future mistakes from occurring.

Facilities and Fleet Management Department Responses:

The Asset Management Division agrees with the OIG's calculation and will be corrected via journal entry. The \$175.17 should be deducted from the City's next quarterly payment to the State.

Finance Department Responses:

The necessary corrections will be made in the next Sand Tax payment to the State.

5. **FINDING: SAND TAX REMITTED BY PENRODS BROTHERS INC. MUST INCLUDE AN ADDITIONAL LUMP AMOUNT TO MEET THE REQUIRED MINIMUM GUARANTEE**
 Penrods Brothers Inc.'s Beachfront Concession Agreement (Agreement) states that the concessionaire shall pay to the City a minimum guaranteed annual concession fee (M.G.) equal to a percentage of their gross receipts. The M.G. shall be payable as a monthly percentage (6.5%) rent to the City by the fifteenth day of each month for the preceding month. The City should review the concessionaire's annual gross receipts to recalculate the M.G. every year. If the concessionaire does not satisfy the M.G. amount, it must pay an additional lump-sum amount to the City equal to the difference between the percentage of gross receipts amount and the M.G. amount.

The reviewed Written Annual Statement of Gross Receipts for the period of May 1, 2019 - April 30, 2020, found that sales were underreported on the Rent Reports by \$10,372.71 due to a repeated error in the spreadsheets involving West Indies Trading. Penrods Brothers Inc. paid an additional rent due in the amount of \$718.05 (rent due of \$674.23 plus 6.5% sales tax of \$43.82). The Asset Management Division did not apply the corresponding sand tax to this payment (Invoice# 27253).

OIG staff requested the monthly Rent Report, calculated the percentage of sales on the beach for that period (2.7%), and applied this percentage to the total additional lump-sum

amount. As a result, it was determined that the State was underpaid by \$4.52 in sand tax ($\$674.23 \times 2.7\% \text{ beachfront sales} \times 25\% \text{ sand tax percentage} = \$4.52 \text{ sand tax due}$). Although not a material deficiency, similar findings were noted in previous audits.

Recommendation(s):

After completing the necessary adjusting journal entry, \$4.52 should be included in the City's next quarterly sand tax payment to the State. In the future, the Asset Management Division should recalculate the percentage of beach sales for each period, and if an additional lump sum payment is due, then it should use the percentage of applicable beach sales to determine the amount of sand tax to be remitted.

Facilities and Fleet Management Department responses:

The Asset Management Division agrees with the OIG that Penrod Brothers Inc. was billed incorrectly for the Additional Annual Rent resulting in an underpayment to the State in the amount of \$4.52.

Action Taken: The Asset Management Division submitted a journal entry to correct the \$4.52 difference owed to the State on March 28, 2022.

Finance Department Response:

The necessary corrections will be made in the next sand tax payment to the State.

6. **FINDING: UNDERPAYMENT OF \$14,853.13 TO THE STATE DUE TO AN INCORRECT PAYMENT DISTRIBUTION AMONG THE CITY'S GENERAL LEDGER ACCOUNTS**

Boucher Brothers Inc.'s 21st and 46th Street Public Beachfront Concession Agreement (Agreement) states that the concessionaire shall pay the City a minimum guarantee annual concession fee in the amount of \$122,000 for food and beverage sales, beach equipment rentals, and the sale of beach-related sundries/skincare products. Fifty percent of the M.G. for each Agreement year shall be due and payable to the City on January 1 of each such year during the term, and the remaining 50% of the M.G. for that Agreement year shall be due and payable to the City on July 1 of each such year during the term for the right to operate the concessions.

As the actual sales occurring on the beach are unknown when the M.G. payments are received, the Facilities and Fleet Management Department Asset Management Division initially estimates the portion of sales subject to sand tax based primarily on projected sales. When documentation is subsequently received reporting the actual beach sales, among other revenue categories, the Asset Management Division then recalculates the amount of sand tax due and makes the necessary adjustments.

The Asset Management Division creates invoices in the City's Financial System detailing the general ledger account number for the distribution of concessionaire monies billed under each contractual agreement. Given this information, testing was conducted on Boucher Brothers Inc.'s concession payments remitted to the City during the audit period, where it was determined that the Asset Management Division incorrectly allocated the Boucher Brothers 21st and 46th Street payment for the 2020 1st M.G. in the Munis system.

As summarized in the table below, OIG staff noted during the review of the 1st M.G. payment for the 2019/20 fiscal year remitted by Boucher Brothers Inc. on December 31,

2019 (Invoice #23791), that it omitted the sand tax general ledger account, resulting in an underpayment to the State of \$14,853.13. The Fleet and Facilities Management Director was notified of this omission by the OIG staff. The Asset Management Division Director subsequently created Journal Entry 09-088 on June 8, 2021 to remedy the matter.

Invoice Number	Amount Paid by Concessionaire		Percentage of Sand Revenues	Amount Subject to Sand Tax	Sand Tax Due		Difference Over/(Under)
					Based on Actuals	Sand Tax Paid to State	
23791	MG	\$61,000	97.40%	\$ 59,412.54	14,853.13	-	(14,853.13)
	Sales Tax	\$4,270					
	Total	\$65,270					
					Sand Tax Due to State		14,853.13

In addition, Boucher Brothers Inc. did not remit the required July 2020 M.G. payment for its 21st and 46th Street operations under the Agreement, as the concessionaire claimed that the closure of the beaches resulted in a significant decline in revenues. The concessionaire also claimed it suspended its March 2020 through June 2020 beach operations due to the COVID-19 pandemic.

Recommendation(s):

Going forward, the Asset Management Division should ensure that an estimated sand tax is consistently applied to the 1st and 2nd M.G. payments. Also, at year-end, the percentage related to sand tax should be recalculated based on the actuals furnished, and any additional amounts due timely remitted to the State.

Facilities and Fleet Management Department responses:

Action Taken: The Asset Management Division agrees with the OIG finding and submitted the necessary journal entry to adjust the underpayment in the amount of \$14,853.13 on June 8, 2021. The concessionaire's amended agreement addressed all other items as of July 28, 2021.

7. FINDING: PRIOR AUDIT FINDINGS THAT WERE NOT RESOLVED DURING THE AUDIT PERIOD RESULTED IN A NET SAND TAX UNDERPAYMENT OF \$3,731.25 TO THE STATE

As part of OIG's prior audit follow-up of the report dated May 24, 2021, it was noted that the following items, related to the 2018/19 fiscal year, still had not been resolved, resulting in a net sand tax underpayment to the State for \$3,731.25:

- a. 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 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 in sand tax. Although this issue was resolved internally in the EnerGov and Munis systems and all the upland property customers were credited for the overpayment amount in their utility bill account, it was noted that the request for credit to the State was not correctly completed for the following three upland properties: (1) Shore Club Property Owners LLC, permit number: RL-10007078; (2) Setai Hotel, permit number: RL-10007896; and (3) The Palms South Beach Inc. permit number: RL-92162870, in the total sand tax amount of \$206.75.

When questioned, Finance Department personnel stated that this credit would be included in the next City's quarterly payment to the State and that the next quarterly payment to the State would be reduced by \$206.75.

- b. The Setai Hotel was incorrectly billed for 88 units for 2016/17 through 2019/20 fiscal years. According to the Miami-Dade County Property Appraiser's records, the property consists of two different addresses, with 267 units. OIG staff calculated that the Setai Hotel was underbilled for upland fees by \$15,752.00 for the additional 179 units for the specified fiscal years.

OIG's September 2021 EnerGov system review determined that the Setai Hotel finding was not resolved. However, on September 8, 2021, invoice # 00308960 was issued for the outstanding amount of \$15,752.00. After collecting the total amount due from Setai Hotel and completing the necessary adjusting journal entries, \$3,938.00 in sand tax amount should be added to the City's next quarterly sand tax payment to the State.

Finance Department Response:

The adjustments were completed on 6/16/2021 and 08/19/2021. The payment was made on 09/08/2021 and was applied to the sand tax general ledger account.

ADDITIONAL OBSERVATIONS:

Section 4.2 of the City's concession agreement with Boucher Brothers Inc. states that it shall pay the City the greater of the minimum guaranteed (\$122,000), or if annual gross receipts exceed \$600,000, 25% of all gross receipts. This true-up provision is calculated based on the concessionaire's revenue reports provided for the following March.

Based on the interpretation of the Office of the City Manager and the Asset Management Division, the additional 25% was only calculated over the \$600,000. However, under Section 4.2, as interpreted by the OIG and the City Attorney's Office, the 25% should apply to all Gross Receipts, as presented in the prior year's OIG audit report. Under this scenario, the OIG calculated that the beachfront concessionaire owed the City \$100,151.72 (\$38,999.44 for the 2016/17 fiscal year, \$33,152.28 for the 2017/18 fiscal year, and \$28,000.00 for the 2018/19 fiscal year). An additional amount of \$28,000.00 would be due related to the 2019/20 fiscal year for a total of \$128,151.72 for 2016/17 through 2019/20 fiscal years.

Boucher Brothers Inc. requested the City Administration to consider financial relief due to the economic impact caused by the COVID-19 pandemic. Accordingly, the City Administration proposed an amendment to the "Amended and Restated Public Beachfront Concession Agreement" to modify the essential terms for Amendment No. 1. Then on July 28, 2021, the Mayor and City Commission adopted Resolution No. 2021-31789 amending Resolution No. 2020-31368, which included the following terms:

- 2) *incorporate the 21st and 46th Street concessions into the Amended and Restated Agreement;*

- A) *financial terms relating to the 21st & 46th Street concessions*

- *Minimum Guaranteed Annual Concession Fee (MG): \$122,000 (payable \$61,000 in January & \$61,000 in July);*
- *MG for July 2020 waived*
- *Concessionaire paid MG of \$61,000 in January, 2020 (covers January-June, 2020);*
- *MG Credit of \$35,922 due to closures (March 12, 2020 – June 30, 2020);*
- *MG January 2021 (\$61,000 - \$35,922 credit); and*
- *MG as of January 2022 increases from \$122,000 to \$200,000; and*

- *Annual Percentage of Gross Receipts (PG);*
- *Abatement of PG from January 2020 through February 2021;*
- *PG starting March 1, 2021 = 25% of gross receipts;*
- *Releasing the \$20,833 security deposit to the City, to be used for community events; and*
- *Providing a \$5,000 annual contribution to the City to be used for beach initiatives (i.e. seaweed removal, sanitation, marketing, etc.), as an additional public benefit to the \$30,000 Concessionaire already pays annually under the scope of the Amended and Restated Agreement, for a total of \$35,000 annually; and*

B) Incorporation of miscellaneous provisions relating to the 21st and 46th Street Agreement:

- *audit Findings; clarifying Sections 4.2 and 4.4;*
 - *From January 1, 2017 – December 31, 2020 – Sections 4.2 and 4.2 shall be interpreted as 25% of PG only applying to the portion of gross receipts which exceeds \$600,000, waiving the \$128,151.72 balance which the audit found to be due to the City; and*
 - *Commencing on March 1, 2021, 25% of PG shall apply to all gross receipts; Abatement of PG {Percentage of Gross Receipts} sales for January 2020 through February 2021.*
- *PG starting March 1, 2021 = 25% of gross receipts.*

Based upon the approval of Resolution No. 2021-31789, the interpretation of the OIG and Office of the City Attorney related to the true-up for the 2016/17 through 2019/20 fiscal years was not applied. As the \$128,151.72 balance (including the 2019/20 fiscal year true-up) is no longer considered due, no corresponding monies are owed to the State for sand tax. Among other revisions, the beachfront concessionaire is now required to remit 25% of gross receipts starting March 1, 2021 which will increase both the City's revenues and the sand tax amounts due to the State.

Approved by:


 Joseph Centorino, Inspector General

05/04/2022
 Date

Reviewed by:



Mark D. Coolidge, CPA, CIA, CIGA
Chief Auditor

05/06/2022

Date

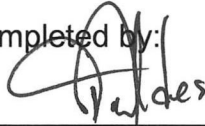


Norman Blaiotta, CIA, CFE, CIGA
Deputy Chief Auditor

5/6/2022

Date

Completed by:



Tomas Valdes, CIGA Auditor

05/06/2022

Date

- cc: Alina Hudak, City Manager
- Lester Sola, Assistant City Manager
- Marcia Monserrat, Chief of Staff
- Adrian Morales, Facilities and Fleet Management Department Director
- Lissette Garcia Arrogante, Tourism and Culture Department Director
- John Woodruff, Chief Financial Officer

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**DULE OF DIFFERENCES
BEACHFRONT MANAGEMENT AGREEMENT
FISCAL YEAR 2019/20
EXHIBIT A**

REVENUE CATEGORIES	ENTITY/EVENT NAME	FEES BILLED*	OIG CORRECTED FEES AMOUNT	BEACH CONCESSION 25% DUE TO STATE	VEHICLE BEACH ACCESS 25% DUE TO STATE	SPECIAL EVENT SQFT 25% DUE TO STATE	TOTAL 25% DUE TO STATE	REMITTED TO STATE	OWED TO STATE**	AMOUNT UNDERBILLED
SPECIAL EVENTS	BB_Deco Productions-Cisco Beach	\$1,275.00	\$1,275.00		\$37.50	\$281.25	\$318.75	\$0.00	\$318.75	
SPECIAL EVENTS	2019 Miami Beach Halloween Half Marathon & Freaky 4-Miler	\$300.00	\$0.00		\$0.00		\$0.00	\$75.00	(\$75.00)	
SPECIAL EVENTS	Elwing Wedding	\$950.00	\$950.00			\$237.50	\$237.50	\$0.00	\$237.50	
SPECIAL EVENTS	Milonga by KCC	\$450.00	\$0.00		\$0.00		\$0.00	\$229.00	(\$229.00)	
SPECIAL EVENTS	SOHO House-Pre Art Basel-Tent	\$1,673.75	\$1,690.00			\$418.44	\$418.44	\$406.25	\$12.19	\$16.25
SPECIAL EVENTS	SOHO House-Art Basel Tent	\$1,673.75	\$1,690.00			\$418.44	\$418.44	\$406.25	\$12.19	\$16.25
SPECIAL EVENTS	BB_Edition-Full Moon Watch Party	\$1,628.69	\$1,644.51			\$407.17	\$407.17	\$395.31	\$11.86	\$15.82
SPECIAL EVENTS	BB_British Tobacco Beach Reception	\$1,081.50	\$1,092.00			\$270.38	\$270.38	\$262.50	\$7.88	\$10.50
SPECIAL EVENTS	BB_IMMUNOTEC/MONDOaquixia Beach BBQ	\$721.00	\$728.00			\$180.25	\$180.25	\$175.00	\$5.25	\$7.00
SPECIAL EVENTS	BB_JULA Art Exhibition	\$0.00	\$1,468.04		\$77.50	\$289.51	\$0.00	\$0.00	\$0.00	\$1,468.04
SPECIAL EVENTS	Black & Decker Annual Conference	\$3,360.37	\$3,393.00			\$840.09	\$840.09	\$815.62	\$24.47	\$32.63
SPECIAL EVENTS	BB_Tiger Risk	\$869.04	\$877.49			\$217.26	\$217.26	\$210.94	\$6.32	\$8.45
SPECIAL EVENTS	BB_Patron Spirits	\$824.00	\$832.00			\$206.00	\$206.00	\$200.00	\$6.00	\$8.00
SPECIAL EVENTS	Hakakian And Azulay Faena Beachfront Wedding	\$840.48	\$848.64			\$210.12	\$210.12	\$204.00	\$6.12	\$8.16
SPECIAL EVENTS	BB_Event consulting INTL	\$869.06	\$877.49			\$217.27	\$217.27	\$210.94	\$6.33	\$8.43
SPECIAL EVENTS	BB_360 Destination FOX	\$1,184.50	\$1,196.00			\$296.13	\$296.13	\$287.50	\$8.63	\$11.50
SPECIAL EVENTS	BB_Akoya Beach Reception	\$869.06	\$877.49			\$217.27	\$217.27	\$210.94	\$6.33	\$8.43
SPECIAL EVENTS	BB_VEVO Beach Reception	\$1,030.00	\$1,040.00			\$257.50	\$257.50	\$250.00	\$7.50	\$10.00

SPECIAL EVENTS	BB_EPIC TRAVEL EVENT	\$1,622.25	\$1,638.00	\$405.56	\$393.75	\$11.81	\$15.75
SPECIAL EVENTS	BB_YEXT Beach Reception	\$869.08	\$877.49	\$217.27	\$210.94	\$6.33	\$8.43
SPECIAL EVENTS	Kringstein and Sevin Wedding Ceremony	\$310.00	\$310.00	\$77.50	\$0.00	\$77.50	
F&P VEHICLE BEACH ACCESS FEES	N HOUSE PRODUCTIONS, LLC	\$300.00	\$310.00	\$75.00	\$75.00	\$0.00	\$10.00
F&P VEHICLE BEACH ACCESS FEES	N HOUSE PRODUCTIONS, LLC	\$150.00	\$155.00	\$37.50	\$37.50	\$0.00	\$5.00
	Total	\$22,851.53	\$23,770.15	\$5,699.91	\$5,056.44	\$468.96	\$1,668.64

* Total fees related to the deficiency excluding sales tax

** Any negative amounts listed above indicate that the City overpaid the State, while any positive amounts mean that the State was underpaid

**SCHEDULE OF BEACHFRONT UPLAND FEES
BEACHFRONT MANAGEMENT AGREEMENT
EXHIBIT B**

UPLAND CONCESSIONAIRE	CMB ADDRESS	CONCESSION AGREEMENT CALCULATED NUMBER OF UNITS	PER UNIT UPLAND FEE	CONCESSION AGREEMENT UPLAND FEES DUE	ENERGOV UPLAND FEES BILLED	UPLAND FEES DIFFERENCE	NOTES
1 Georgian Condominium (Non-Upland Kaskades Hotel)	1621 Collins Ave.	25	\$0.00	\$0.00	\$575.00	\$575.00	Overbilled (non-upland)
2 Beach Hotel Associates, LLC Delano Hotel	1685 Collins Ave.	208	\$0.00	\$0.00	\$4,784.00	\$4,784.00	Overbilled (Property Closed)
3 Elmira Miami, LLC/ Raleigh Hotel	1775 Collins Ave.	114	\$0.00	\$0.00	\$2,622.00	\$2,622.00	Overbilled (Property Closed)
4 Seagull Hotel/Days Inn	100 21st St.	146	\$0.00	\$0.00	\$3,358.00	\$3,358.00	Overbilled (Property Closed)
5 King Richard Condominium	4141 Collins Ave.	52	\$23.00	\$1,196.00	\$1,201.00	\$5.00	Overbilled
6 Vendome Place Condominium (Non-Upland Ocean Spray Hotel)	4301 Collins Ave.	135	\$23.00	\$3,105.00	\$2,415.00	(\$690.00)	Underbilled
7 SoHo Beach House Hotel	4385 Collins Ave.	50	\$23.00	\$1,150.00	\$1,155.00	\$5.00	Overbilled
8 Fontainebleau Hilton Resort	4441 Collins Ave.	874	\$23.00	\$16,538.00	\$20,102.00	\$3,564.00	Overbilled (Cap was not applied)
TOTAL				\$21,989.00	\$36,212.00	\$14,223.00	

UPLAND CONCESSIONAIRE	CORRECT UPLAND AMOUNT	INVOICE NUMBER	UPLAND AMOUNT INVOICE	SAND TAX RATE	SAND TAX PAID TO THE STATE	DIFFERENCE	NOTES
1 King Richard Condominium	\$600.00	00240510	\$600.00	25%	\$0.00	(\$150.00)	Underpaid
2 SoHo Beach House Hotel	\$1,150.00	00236452	\$1,155.00	25%	\$288.75	\$1.25	Overpaid
TOTAL					\$437.50	(\$148.75)	

* Any negative amounts listed above indicate that the City underpaid the State, while any positive amounts mean that the State was overpaid

**SCHEDULE OF BEACHFRONT CONCESSION FEES
BEACHFRONT MANAGEMENT AGREEMENT
EXHIBIT C**

CONCESSIONAIRE	LICENSE NUMBER	CMB ADDRESS	BEACHFRONT CONCESSION EQUIPMENT *	BEACHFRONT CONCESSION FOOD *	BEACHFRONT CONCESSION WATERSPORTS *	TOTAL FEES OVERBILLED	NOTES
1 East Atlantic Gardens Condominium	RL-03000512	325 Ocean Dr		\$851.00		\$851.00	
2 Beach Hotel Associates, LLC/Delano Hotel	RL-10005920	1685 Collins Ave	\$851.00	\$851.00		\$1,702.00	Property Closed
3 Elmira Miami, LLC/Raleigh Hotel	RL-10007290	1775 Collins Ave	\$851.00	\$851.00		\$1,702.00	Property Closed
4 Seagull Hotel/Days Inn	RL-93177882	100 21st St.	\$851.00	\$851.00		\$1,702.00	Property Closed
5 King Richard Condominium	RL-03000189	4141 Collins Ave			\$851.00	\$851.00	
6 Eden Roc, LLLP	RL-10004440	4525 Collins Ave			\$851.00	\$851.00	
Total			\$2,553.00	\$4,255.00	\$851.00	\$7,659.00	

UPLAND CONCESSIONAIRE	INVOICE NUMBER	BILLED BEACHFRONT CONCESSION FOOD	SAND TAX RATE	SAND TAX PAID TO THE STATE	CORRECTED BEACHFRONT CONCESSION FOOD	SAND TAX TO BE PAID THE STATE	SAND TAX DIFFERENCE	NOTES
1 East Atlantic Gardens Condominium	00238268	\$851.00	25%	\$212.75	\$0.00	\$0.00	\$212.75	Overpaid
2 King Richard Condominium	00236452	\$851.00	25%	\$212.75	\$0.00	\$0.00	\$212.75	Overpaid
TOTAL				\$425.50	\$0.00	\$0.00	\$425.50	

* Any negative amounts listed above indicate that the City underpaid the State, while any positive amounts mean that the State was overpaid