



COMMISSION MEMORANDUM

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager 

DATE: May 11, 2011

SUBJECT: **COMMITTEE OF THE WHOLE – ACTING AS AUDIT COMMITTEE TO DISCUSS INTERIM STATUS REPORT OF INTERNAL AUDITS**

BACKGROUND

Previously, at the last Audit Committee Meeting held during the Committee of the Whole on November 17, 2010, the External Auditors presented their final reports for fiscal year 2008/09. The Internal Audit Division presented their 2011 Audit Plan along with a summary of audits completed for fiscal year 2009/10. The purpose of this meeting is to present an interim status report of internal audits completed and in process for the current year and to provide insight into potential audit areas for FY 2011/12.

Internal Auditor's Reports

The City's Internal Audit Division, a component of the Office of Budget and Performance Improvement, is responsible for ensuring:

- Compliance with Resort Tax Ordinances by auditing Miami Beach businesses;
- Compliance with City policies and procedures and financial integrity and sufficiency of internal controls by Departments and Not-for-Profits;
- Supporting and special projects assisting other City areas; and
- Integrity of performance measures reported Citywide.

Resort Tax Audits

The majority of resources in the Division are dedicated to auditing the Miami Beach businesses required to report and remit resort taxes. This effort is supported by approximately half of the positions in the Division as well as by outside contract auditors. Resort tax generated for the fiscal year 2009/10 was \$41,986,105.

Effective October 22, 2010, new auditing agreements were contracted with five separate audit firms. For the current year the department has targeted to complete 250 audits. Scheduled audits are based upon the type of business, actual resort tax receipts received, and the frequency of the last audit.

As of April 30, 2011, the Division has completed 89 resort tax audits (36% of our total goal) of which 60 were hotels, restaurants, nightclubs, and bars. These audits resulted in additional tax assessments of \$202,294. This represented 2.54% of the total resort tax reported for these entities over the multi-tax year audited. However, more important than the amount collected is the incentive this creates to ensure that entities are filing appropriately as these additional assessments are assigned interest and penalties. The number of audits completed during the first six months are not reflective of the anticipated annual total as it took time to bring the outside contractors onboard and first six months included larger audits performed by the inside field agents.

Agenda Item R9E
Date 5-11-11

Internal Audits

For Department and Not-for Profit Internal Audits, the City's Audit Plan is separated by different types of reviews. Annually required audits include those mandated by City Code and State Agreements, as well as providing assistance to the City's external auditors.

For the current year, the Division has scheduled 24 audits based upon a risk assessment approach. Audits are classified as to high, medium or low risk. Higher assigned risk areas are subject to more frequent audits, and lower risk areas are often less frequent. Overall, eleven internal audit areas have been substantially completed to date. Two audits have been issued, five are awaiting exit conferences and four are awaiting responses from Management. This represents 46% completed out of 24 audit areas initially targeted for this year. Out of the audit areas completed, one audit was added during the year. With the additional one audit, it is projected that we will complete all 25 audits for the year.

Attached is Summary of Internal Audit Activities (Exhibit 1) for the current fiscal year. Reports are listed on-line on the City's website at <http://web.miamibeachfl.gov/obpi/scroll.aspx?id=36612>. Exhibit 2 provides a listing of Audit Areas for the City. Audits substantially completed in 2011 are shown in bold.


JMG:KGB:JJS

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Exhibit 1 – Summary of Internal Audit Activities for Fiscal Year 2010/11

Internal Audits - Completed

Cultural Arts Council
First Class Parking, LLC Valet Parking

Internal Audits - Pending Final Reports

State Beachfront Management Agreement
Boucher Brothers Miami Beach, LLC Beachfront Concession Agreement
Concurrency Management Fees
Public Works Department's Warehouse Inventory
Sanitation Fees Residential Billings
Sanitation Fines and Forthwiths
Storm Water Review
Water and Sewer Impact Fees
Accumulated Leave Liability

For fiscal year 2010/11 internal audits to date included the following recommendations:

- Additional safeguards over inventory processing for areas of Public Works;
- Revisions to update several departmental procedures and improve controls for Code Compliance and Sanitation;
- Changes in procedures to comply to reporting requirements of approved grant funds distributed by the Cultural Arts Council;
- Improve internal control processes for Water and Sewer Impact Fees and Concurrency Fees;
- Strengthen oversight of compliance to the Beach Concession agreement.

Parking Monitoring Reviews

In the Parking area, the Division completed twelve meter enforcement, two attended lot cash operations and two coin room reviews during the current fiscal year. While our parking meter reviews identified an improvement in enforcement over the previous fiscal year, areas of enforcement still fell short of desired benchmarks. Operational procedures for attended lots were found to comply with the city's guidelines. In addition, coin room operations were functioning in accordance the city's procedures.

Sanitation Audits

For the current year, four audits of waste haulers were completed. We anticipated completing eight audits in this area for fiscal year 2010/11.

Other Support

Additional support was directed to performing non-audit activities.

- Assistance was provided for Cleanliness Assessment Program
 - Input of Daily Assessment results.
 - Preparation of Quarterly reports.
 - Testing new automated assessment system and reports.
- Hurricane related grant monitoring responsibilities for the past fiscal year included:
 - Assisting FEMA and the State with their ongoing closeout for Hurricane Wilma 2005.
 - Preparation of Quarterly Reports to FEMA (still ongoing for Hurricane Wilma projects).
 - Monitoring each open project for completion and requested reimbursement.
 - Assisting Office of Inspector General with audit of FEMA funding received for Hurricanes Katrina and Wilma.

Exhibit 2 – Audit Areas Interim Report as of 4/30/2011

CITY OF MIAMI BEACH INTERNAL AUDIT DEPARTMENT Audit Areas

Areas highlighted are considered for audit based on projected frequency. Comments provided indicate reasons why area may not be audited within the projected frequency.

| Department - Audit Area | Last Audit | Risk Type | Comments |
|---|------------|-----------|---|
| Mayor and City Commission | | | |
| Operations | | L | |
| Administrative Support Services | | | |
| City Manager Office | | | |
| Operations | | L | |
| Communications | | L | |
| Budget & Performance Improvement | | | |
| Management & Budget | | L | Annual budget has been presented to GFOA and earned their Distinguish Budget Award, and audited by external auditors. |
| Grants Management | | L | Grants are included in the City's single audit by the City's external auditors. |
| Finance | | | |
| Cashier Functions - Central Cashier | 2008 | H | |
| Cashier Functions - Other areas Building, Police, Parking) | 2008 | M | |
| City Payment Processing | 2009 | H | |
| Fixed Assets | 2009 | H | |
| Interfund Transfers (includes management fees for Convention Center, Parking, Sanitation, Storm, Sewer, Internal Service, Resort Tax) | | M | City's external auditors review the internal controls of these financial areas annually within the scope of their comprehensive financial audit of the city. |
| Intergovernmental Rev (S/Tax, Gas Tax Motor Fuel) | | M | While this does not constitute a detailed internal audit, the controls are being reviewed. The City has a consultant study underway to update the basis of determination for management fees. |
| Miscellaneous Revenues to include the following; Road Impact Fee reimbursement, Beach Access, | | L | |
| Accumulated Leave Liability | 2011 | L | |
| Business Tax Receipts / Certificate of Use | 2008 | M | |
| Communication Service Tax | 2009 | M | Previously Franchise Cable & Utility Tax - Telephone |
| Franchise Fees & Utility Taxes - Electric | 2009 | M | |
| Franchise Fees & Utility Taxes - Gas | 2009 | M | |
| Investments | | M | Strong investment policy and oversight by investment advisor. |
| Lien Letter Fees | | L | |
| Payroll Processing | 2008 | H | |
| Resort Tax Operations | | L | Audits of resort tax business are under the internal audit function. Daily contact with this Finance section keeps Audit Division informed. |
| Storm Water Fee Billing | | M | Consultant review of billings completed in 2009. |
| Water and Sewer Billings | | H | Consultant review of billings completed in 2009. |

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| Department - Audit Area | Last Audit | Risk Type | Comments |
|---|------------|-----------|--|
| Procurement | | | |
| Operations | 2003 | H | Various contract and procurement policies are reviewed and comments under areas of user departments. |
| Public Auctions / Sale of Surplus Property | 2010 | M | |
| Information Technology | | | |
| Operations (Applications, Support, Communications Services) | | M | Each year, external auditor reviews internal controls over IT functions in their annual audit. |
| IT Security (contract) recommended | | H | |
| Inventory | 2002 | L | |
| Human Resources | | | |
| Operations includes Labor Relations | | L | |
| Review of Benefits Formulas | 2005 | L | |
| Pension Time Purchased by Leave Hours | 2008 | L | |
| Health, Dental and Life Insurance | 2010 | L | |
| Risk Management | | | |
| Workers Compensation | 2005 | M | |
| General Liability Insurance | 2005 | L | |
| City Clerk | | | |
| Operations, Record Retention / Public Requests | | L | |
| Special Masters | 2010 | M | |
| Election Invoices | 2008 | L | |
| Central Services | | | |
| Inventory | 2003 | L | |
| Operations / Billings for Department Services | 2009 | L | |
| City Attorney | | | |
| Operations | | L | |
| Economic Dev. & Cultural Events | | | |
| Economic Development | | | |
| Economic Development | | | |
| Anchor Shop Retail / Garages | 2010 | L | |
| RDA - Administrative & Operations | | L | |
| Asset Management | | | |
| Beachfront Concession (Boucher Brothers) | 2011 | L | |
| City Leases, Historic City Hall, 777 Building, etc. | 2010 | M | Historic City hall under renovation through 2008. |
| Colony Theater Restaurant Agreement | 2008 | L | Reviewed RFP |
| Ballet Valet Company Lease Agreement | 2010 | L | |
| Vending Machines | 1993 | M | Contract calls for annual certified statement of revenue. Audit reviewed 2008 year revenues in 4/2009. |
| Penrods Pier Park | 2009 | L | |
| Miami Beach Marina | 2010 | L | |
| South Pointe Restaurant (Smith & Wollensky) | 2009 | L | |
| State Beachfront Management Agreement | 2011 | L | Required Annually by State Agreement |
| Market Places Concession Agreement | 2005 | L | |

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CITY OF MIAMI BEACH
INTERNAL AUDIT DEPARTMENT
Audit Areas

Areas highlighted are considered for audit based on projected frequency. Comments provided indicate reasons why area may not be audited within the projected frequency.

| <u>Department - Audit Area</u> | <u>Last Audit</u> | <u>Risk Type</u> | <u>Comments</u> |
|---|-------------------|------------------|---|
| Building | | | |
| Operations | 2009 | H | Outside Consultant completed an organizational review and operations analysis of the Building Department in 2009. |
| Master Building Permit Fee | 2008 | H | |
| Other Building Fees - Electrical, Plumbing, Mechanical, Training, Elevator Inspections, Recertification, Demolition, Building Code Violations, Expired Permits, | | H | |
| Certificate of Completion / Occupancy | | H | |

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|--------------------------------|------|---|--|
| Planning | | | |
| Operations | | L | Building Development Process Fee Study completed in 2009. Procurement of new permitting system in 2010 |
| Plans Review, Application Fees | 1996 | L | |
| Concurrency Fees | 2011 | M | |
| Parking Impact fees | 2010 | L | |

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|--|------|---|---|
| Tourism & Cultural Development | | | |
| Special Events | | L | |
| Byron Carlyle | | L | |
| Bass Museum Operation | 1989 | L | Expenditure audit, minimum risk. Analysis of revenues and operations was done in 2003 for Friends of the Bass Audit |
| Cultural Arts Council | 2011 | L | Required Annually by City Code |
| Convention Center Management Contract / Revenues - Rents & leases, Concessions, Telephones, Electrical, Services | 2008 | M | Close-out audit of SMG contract |
| Convention Center Food & Beverage/Centerplate | 2009 | M | |
| Convention Development Tax | | L | County audit completed in 2008. |

Operations

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|--|------|---|--|
| Code Compliance | | | |
| Code Enforcement Violations and Operations | 2010 | H | Code Compliance system being procured in 2010. |

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|----------------------------|------|---|--|
| Community Services | | | |
| Community Services | 2001 | L | |
| Homeless Outreach Services | | L | |

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|---|--|---|--|
| Housing & Community Development | | | |
| CDBG grants | | M | Department is reviewed periodically by the State of Florida and HUD. |
| Home Investment Partnerships (HOME Entitlement) | | M | |
| State Housing Initiatives Part (SHIP) Programs | | M | |

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CITY OF MIAMI BEACH
INTERNAL AUDIT DEPARTMENT
Audit Areas

Areas highlighted are considered for audit based on projected frequency. Comments provided indicate reasons why area may not be audited within the projected frequency.

| Department - Audit Area | Last Audit | Risk Type | Comments |
|--|-------------------|------------------|---|
| Parks and Recreation | | | |
| Golf Management Agreement Miami Beach Golf | 2010 | M | |
| Golf Management Agreement Normandy Shores | 2010 | M | Course under renovation, completion in FY 2008/09. |
| Greenspace Management | | L | |
| Landscaping Agreements | 2010 | M | Contracts are effectively monitored by Parks Greenspace Mgmt and Procurement. Results are shared with Internal Audit. |
| Overtime (Parks & Recreation) | 2010 | M | |
| Recreation fees / Cashier functions | 2010 | M | |
| Tennis Centers Agreement | 2010 | L | |

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|--|------|---|--|
| Public Works | | | |
| Administration / Engineering | | L | |
| Bus Shelter / Lincoln Road Directories | 2009 | M | |
| Environmental Resource Management | | L | Area considered minimum risk. |
| Inventory (Public Works) | 2011 | M | |
| Inventory Processing | 2009 | M | |
| Operations - Sewer | | M | Various operational components were reviewed in conjunction with reimbursement requests made for prior hurricanes. |
| Operations - Storm Water | 2011 | M | |
| Operations - Streets, Street Lights | | L | |
| Operations - Water | | M | |
| Overtime (Public Works) | 2010 | M | |
| Permit Fees - News Racks | | L | |
| Permit Fees - Work in Right of Way | | L | |
| Permit Fees - Sidewalk | | L | |
| Purchasing - Public Works | 2009 | M | |
| Transportation Management | 2002 | L | |
| Water & Sewer Impact Fees | 2011 | L | |

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|---|------|---|---|
| Sanitation | | | |
| Operations | 1999 | L | Worked with department management on hurricane debris and roll-offs last four years, no problems noted. |
| Waste Franchise Fees | 2009 | M | Audited four contractors |
| Sanitation Fee Residential Billing | 2011 | M | |
| Sanitation Impact Fees (Construction & Commercial Billings) | | M | |
| Fines & Forthwiths (Sanitation) | 2011 | L | |
| Roll-Off Franchise Fees | 2010 | H | Continuous audits. Completed 8 audits in 2010. |

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|--|------|---|--|
| Property Management | | | |
| Maintenance Agreements | 2008 | M | |
| Internal Service Charge Billings (Including CAM) | 2010 | M | |
| Inventory (Property Management) | 2009 | L | |

| | | | |
|-------------------------------------|--|---|--|
| Capital Improvement Projects | | | |
| Financial Controls & Operations | | H | |

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Areas highlighted are considered for audit based on projected frequency. Comments provided indicate reasons why area may not be audited within the projected frequency.

| Department - Audit Area | Last Audit | Risk Type | Comments |
|---|------------|-----------|--|
| Parking | | | |
| Attended Parking Lots Monitoring | 2010 | H | Completed 4 reviews during the year. |
| Boat Show Parking | 2008 | M | |
| Cashiers & Attendants Agreement (Parking) | 2010 | M | As of 8/2009 audit required annually. |
| Coin Room (Monitoring) Meter Collection | 2010 | H | Completed 4 reviews of coin room during the year. |
| County Court Fines Parking | 2003 | L | |
| Meter Collection Agreement | 2009 | M | |
| Parking Debit Card/In Car Meters | 2010 | M | |
| Parking Enforcement Reviews (Meters) | 2010 | H | Continuously monitored throughout year. 24 separate reviews performed. |
| Parking Permits (Non-Revenue) | 2002 | L | |
| Parking Permits (Revenue) | 2007 | M | |
| Space Rentals - Meters | 2008 | M | |
| Space Rentals - Parking Garages | 2009 | M | |
| Towing Fees - Parking Department | 2009 | L | |
| Valet Parking Agreement (Gold Star) | 2011 | M | |

Fleet Management

| | | | |
|--|------|---|-------------------------------------|
| Fuel distribution | 2009 | M | |
| Inventory & Processing | 2010 | L | |
| Operations / Internal Service Charges Billings | 2007 | L | |
| Vehicle Purchases | 2007 | L | Audited vehicle purchasing process. |

Public Safety

Police

| | | | |
|--|------|---|--|
| County Court Fines - Traffic | 2001 | L | Follow-up audit performed 10/2003, no exceptions were noted. |
| False Alarm/Registration | 2007 | L | Internal Audit assisted police in reviewing new procedures for false alarm. Police in process of obtaining new software for operations |
| Forfeited Funds - Federal | 2006 | L | |
| Forfeited Funds - State | 2007 | L | |
| Off Duty Account (Police) | 2009 | M | |
| Official Authorized Funds - Criminal Investigation Unit (CIU) | 2007 | L | |
| Official Authorized Funds - Strategic Investigation Unit (SIU) | 2007 | L | |
| Operations - (Patrol, Criminal Investigation, Support Services & Technical Services) | 2007 | L | |
| Overtime (Police) | 2009 | H | |
| Property Evidence Unit (Police) | 2009 | M | |
| Towing Fees (Police) | 2009 | L | |

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CITY OF MIAMI BEACH
INTERNAL AUDIT DEPARTMENT
Audit Areas

Areas highlighted are considered for audit based on projected frequency. Comments provided indicate reasons why area may not be audited within the projected frequency.

| Department - Audit Area | Last Audit | Risk Type | Comments |
|--|------------|-----------|---|
| Fire | | | |
| Annual Fire Inspection Fees | | L | Building Development Process Fee Study completed in 2009. Procurement of new permitting system in 2009. |
| Fire Code Violations | | L | |
| Fire Plan Review | | L | Building Development Process Fee Study completed in 2009. Procurement of new permitting system in 2009. |
| Fire Rescue Fees | 2008 | M | |
| Ocean Rescue Operations | | L | |
| Off Duty Account (Fire) | 2008 | M | |
| Fire Prevention | | L | |
| Operations (Suppression, Rescue, Support Services,) | | L | |
| Overtime - (Fire including Ocean Rescue) | 2010 | M | |

Citywide Projects

| | | | |
|---|--|---|--|
| Capital Projects - Non-CIP, (Public Works, Parks, RDA, Convention Center, Etc.) | | H | |
|---|--|---|--|

Non-Profit Organizations

CDBG funding source:

| | | | | |
|---|---|------|---|---|
| American Veteran News | c | | L | CDBG funding reviewed by City Econ Dev. Periodically reviewed by Federal HUD. Areas reviewed by external auditors through the Single Audit Report under OMB Circular A-133. |
| ASPIRA of South Florida | c | | L | |
| Food for Life Network | c | | L | |
| HIV Education law Project (HELP) | c | | L | |
| HOPE, INC | c | | L | |
| Little Havana Activities and Nutrition Center | c | | L | |
| Miami Beach Adult Community Education Center | c | | L | |
| Miami Beach Community Development Corp | c | 2009 | L | |
| Montessori Academy at St. John's | c | | L | |
| Prime Time Seniors | c | | L | |
| RAIN Parents Inc. | c | | L | |
| Shelbourne House | c | | L | |
| Unidad of Miami Beach, Inc. | c | | L | |

General fund funding source:

| | | | | |
|---|---|------|---|-------------------------------------|
| Douglas Garden Community Mental Health Center | g | | L | General fund for 2011 is \$21,660. |
| Jewish Vocational Services -Hot Meals | g | | L | General fund for 2011 is \$46,930 |
| Latin Chamber of Commerce | g | 2006 | L | General fund for 2011 is \$18,000. |
| MDPL- 10th St auditorium | g | | L | General fund for 2011 is \$22,500. |
| Miami Beach Botanical Gardens | g | 2005 | L | General fund for 2011 is \$137,228. |
| Miami Beach Chamber of Commerce | g | 2008 | L | General fund for 2011 is \$36,000. |
| Sanford L. Ziff Jewish Museum | | | L | General fund for 2011 is \$49,500 |
| Sister Cities | g | | L | General fund for 2011 is \$13,680. |
| South Florida & Greater Miami Hispanic | g | 2008 | L | General fund for 2011 is \$18,000. |

Both general fund and CDBG funding source:

| | | | | |
|-------------------------------------|----|------|---|------------------------------------|
| Boys and Girls Club | gc | 2010 | L | General Fund for 2011 is \$16,606. |
| Miami Beach Community Health Center | | | L | General Fund for 2011 is \$21,660. |
| North Beach Development Corp | gc | 2008 | L | General Fund for 2011 is \$18,000. |

Other funding sources:

| | | | | |
|------------------------|---|------|---|--|
| Friends of the Bass | o | 2003 | L | |
| Police Athletic League | o | 2009 | L | |

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