



MIAMIBEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMITTEE MEMORANDUM

TO: Members of the Finance and Citywide Projects Committee

FROM: Jorge M. Gonzalez, City Manager

DATE: December 16, 2008

SUBJECT: Internal Audit Division's Audited Areas for Fiscal Year 2007/08

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; 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 FY 2007/08 was \$38,624,487.

Scheduled audits are based upon the type of business, actual resort tax receipts received, and the frequency of the last audit. There are approximately 1,712 businesses registered to collect resort taxes. Our goal is to audit the 650 businesses consisting of hotels, restaurants, nightclubs, and bars at least once every 4 years, approximately 163 per year. Newer accounts are to be audited soon after they are opened. The remaining 1,062 accounts representing apartments having less risk are audited much less frequently.

In Fiscal Year 2007/08 the Division completed 213 resort tax audits (85% of our goal) of which 126 were hotels, restaurants, nightclubs, and bars. The 213 audits resulted in additional tax assessments of \$288,016. This represented 1.43% of the total resort tax reported for these 213 entities over the multi-tax year audited and approximately 0.75% of the total resort tax generated for FY 2007/08.

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. Scheduled audits are those areas targeted by the Internal Audit Division based on 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. The Parking Department is considered particularly high risk due to the

considerable revenues received and the manner of collection and therefore has resources dedicated for ongoing audits. The review of waste franchise contractors and roll-off haulers for compliance with the City's sanitation ordinance also has been made a priority in the past three years. In addition, inputs for audits in other Departments are obtained from Directors and the City Manager. In general, our internal audit goals are as follows:

- Audit 90% of the high risk areas approximately once every five years
- Audit 75% of the medium risk areas approximately once every seven years
- Audit 60% of the low risk areas approximately once every ten years.

However, special circumstances are taken into account which may lengthen or shorten the period. In addition unplanned projects may impact the schedule in any given year. For example in the last three years, achieving these goals has been impacted by dedicating internal audit staff to hurricane reimbursement and Building Department assistance in collecting permit fees.

At previous Finance and City Wide Projects Committee meetings, the Committee recommended that the administration present a report annually on the status of Department and Not-For-Profit Internal Audits within the City. Attached is our Status of Audit Areas through Fiscal Year 2007/08. Audits completed in 2008 are shown in bold.

Overall, the Division audited twenty-three Department and Not-For-Profit areas during Fiscal Year 2007/08 with a staff of five, including 4 continuous monitoring audits in parking and sanitation by two of the staff. An additional departmental audit was started with the audit report to be completed during the first quarter of this Fiscal Year 2008/09. While the number of completed audits increased over the prior year, it continues to reflect the impact of resources being diverted to for the higher priority of continued assistance for the Building Department review and audit of permit fees prior to project close-out. In addition, although significantly less than in prior year, some resources continued to be diverted for FEMA's closeouts of prior hurricanes to ensure maximum recovery of FEMA grant revenues.

Building Department Support

Based on previous findings by the Building Department regarding discrepancies in construction costs estimates for the purpose of determining permit fees, the Division continues to provide ongoing staff assistance in verifying all documentation and calculating the permit fees prior to project close-out. In FY 2007/08, \$2,674,473 was collected resulting from our assistance. For months of October and November 2008, an additional \$2,018,045 has been collected with the Division's assistance. In addition, working with the Building Department staff, some key processes have been changed to help ensure fees are collected correctly on an ongoing basis.

Hurricane Grant Reimbursement Support

Additional hurricane related grant monitoring responsibilities for the Division included:

- Assisting FEMA and the State with their closeout for closeout for Hurricane Katrina 2005 and partial 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.

Additional monies recovered during the fiscal year for these claims amounted to \$200,187 for Hurricane Katrina and \$368,607 for Hurricane Wilma. Additional funds are pending as projects are completed. We anticipate that in FY 2008/09 additional time will be spent on

completing the request for payments and final closeouts for the 2005 storms.

Parking Monitoring Reviews

In the Parking area, the Division completed ten meter, four attended lot cash operations and four coin room reviews during the past fiscal year. Parking meter reviews identified areas where enforcement 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

In FY 2006/07 our part time position was expanded to a fulltime position dedicated to monitoring and auditing waste haulers. This effort led to the issuance of ten audit reports in fiscal year 2007/08 resulted in \$30,985 being collected. An additional \$18,842 was collected in October 2008 leaving a balance of \$94,592 pending collection from all sanitation audits. Since the inception of our increased monitoring and auditing of these areas, roll-off fee revenues, net of audit assessment, increased from \$447,338 in FY 2003/04 to \$1,018,758 in FY 2007/08 representing an average increase of 23.6% per the last four fiscal years.

Performance Measure Verifications

The Division completed verification of three Key Performance Indicators (KPIs) from two departments (Building and Capital Improvement Programs Department). All measures were categorized as "Factors Preventing Certification" due to documentation being unavailable or incomplete. It is the intent of the Division to continue these verifications in other department within the City.

Other Audits:

For fiscal year 2007/08 scheduled audits resulted in: Additional safeguards implemented over the Public Works' inventory; Requested revisions to update several departmental procedures for payroll processing, Property Management maintenance contracts and Business tax receipts; Improvements in controls over building fees, fire rescue fees, purchase of pension time; Verification of election invoices and selected accounts used for the Convention Center closeout; Verification of approved grant funds distributed by the Cultural Arts Council; Confirmation of funds forwarded to non-profit agencies to be used for proper agency purposes; Confirmation of fire off-duty fees being properly recorded and paid to assigned employees; Verification of performance of valet operations and attended lots; and Compliance with the Parking Department's procedures for meter space rentals.

FY 2008/09 Audit Plan

Areas highlighted on the Status of Audit Areas report represent those areas considered for audits based upon the projected frequency. These highlighted areas are a primary source in developing the annual audit plan. However, the comments provided also indicate reasons why areas may not be audited within the projected frequency.

Internal audits completion rate in FY 200/08 increased over the past year. Three high priority audits were completed during the year and the balance has been carried over to be completed in FY 2008/09. Based on the FY 2008/09 audit plan, it is anticipated that the City will achieve a closer position with the above stated internal audit goals.

The Division continues to take on more supporting projects and other activities relating to OBPI objectives. These areas include assisting in the Service Shopper Program for verification of data accuracy.

JMG/KGB/JJS

Attachment

**CITY OF MIAMI BEACH
INTERNAL AUDIT DEPARTMENT**

Audit Areas
Fiscal Year Ended 9/30/08

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>
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		H	City's external auditors review the internal controls of these financial areas annually within the scope of their comprehensive financial audit of the city. 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.
Fixed Assets	1988	H	
Interfund Transfers (includes management fees for Convention Center, Parking, Sanitation, Storm, Sewer, Internal Service, Resort Tax)		M	
Intergovernmental Rev (S/Tax, Gas Tax Motor Fuel)		M	
Miscellaneous Revenues to include the following; Road Impact Fee reimbursement, Beach Access,		L	
Accumulated Leave Liability	2001	L	
Business Tax Receipts / Certificate of Use	2008	M	
Franchise Fees - Cable	1998	M	
Franchise Fees & Utility Taxes - Electric		M	
Franchise Fees & Utility Taxes - Gas	Underway	M	
Investments		M	Strong investment policy and oversight by investment advisor.
Lien Letter Fees		L	
Payroll Processing	2008	H	
Resort Tax Operations	1995	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 in process of reviewing water, sewer & Storm Water billing
Utility Taxes - Telephone	1998	M	
Water and Sewer Billings	1998	H	Consultant in process of reviewing water, sewer & Storm Water billing

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Procurement			
Operations	2003	H	Various contract and procurement policies are reviewed and comments under areas of user departments.
Public Auctions / Sale of Surplus Property		M	Procedures reviewed under Police PEU audit of auctioned items (2007). No problems noted.

Information Technology

Operations (Applications, Support, Communications Services)		M	Each year, external auditor reviews internal controls over IT functions in their annual audit.
IT Security		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 & Life Insurance	1992	L	

Risk Management

Workers Compensation	2005	M	
General Liability Insurance	2005	L	

City Clerk

Operations, Record Retention / Public Requests		L	
Special Masters	2000	M	
Election Invoices	2008	L	

Central Services

Inventory	2003	L	
Operations / Billings for Department Services		L	

City Attorney

Operations		L	
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Economic Dev. & Cultural Events

Economic Development

Economic Development

Anchor Shop Retail / Garages		L	
RDA - Administrative & Operations		L	

Asset Management

Beachfront Concession (Boucher Brothers)	2005	L	
City Leases, Historic City Hall, 777 Building, etc.	2002	M	Historic City hall under renovation through 2008.
Colony Theater Restaurant Agreement	2008	L	Reviewed RFP
Ballet Valet Company Lease Agreement		L	
Vending Machines	1993	M	New contract in 10/2005, contract calls for annual certified statement of revenue. Audit reviewed first year (2006) revenues in 10/2006.
Penrods Pier Park	2001	L	Food and beverage revenues audited by resort tax section in 2005, no discrepancies noted. Contract calls for annual certified statement of revenues.
Miami Beach Marina	2002	L	
South Pointe Restaurant (Smith & Wollensky)	2002	L	
State Beachfront Management Agreement	2008	L	Required Annually by State Agreement
Market Places Concession Agreement	2005	L	

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<u>Department - Audit Area</u>	<u>Last Audit</u>	<u>Risk Type</u>	<u>Comments</u>
Building			
Operations		H	Outside Consultant is performing an organizational review and operations analysis of the Building department.
Master Building Permit Fee	2008	H	
Other Building Fees - Electrical, Plumbing, Mechanical, Training, Elevator Inspections, Recertification, Demolition, Building Code Violations, Expired Permits,		H	Outside Consultant is performing an organizational review and operations analysis of the Building department.
Certificate of Completion / Occupancy		H	
Planning			
Operations		L	
Plans Review, Application Fees	1996	L	
Concurrency Fees		M	Outside Consultant is performing a review in conjunction with the organizational review and operations analysis of the Building department.
Parking Impact fees	2004	L	
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	2008	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		M	
Convention Development Tax		L	
Operations			
Code Compliance			
Code Enforcement Violations		H	
Code Compliance - Operations	1999	H	
Community Services			
Community Services	2001	L	
Homeless Outreach Services		L	
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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Parks and Recreation			
Recreation Administrative Operations		L	
Golf Management Agreement Miami Beach Golf	2005	M	
Golf Management Agreement Normandy Shores		M	Course under renovation, completion in FY 2008/09.
Greenspace Management		L	
Landscaping Agreements	1999	M	Contracts are effectively monitored by Parks Greenspace Mgmt and Procurement. Results are shared with Internal Audit.
Overtime (Parks & Recreation)		M	
Recreation fees / Cashier functions	2008	M	
Tennis Centers Agreement	2004	L	
Public Works			
Administration / Engineering		L	
Bus Shelter	1996	M	Revenues amount to \$274,000 per year.
Environmental Resource Management		L	Area considered minimum risk.
Inventory (Public Works)	2008	M	
Operations - Sewer		M	Various operational components were reviewed in conjunction with reimbursement requests made for prior hurricanes.
Operations - Storm Water		M	
Operations - Streets, Street Lights		L	
Operations - Water		M	
Overtime (Public Works)		M	
Permit Fees - News Racks		L	
Permit Fees - Work in Right of Way		L	
Permit Fees - Sidewalk		L	
Purchasing - Public Works		M	
Transportation Management	2002	L	
Water & Sewer Impact Fees		L	
Sanitation			
Operations	1999	L	Worked with department management on hurricane debris and roll-offs last four years, no problems noted.
Waste Franchise Fees	Underway	M	
Sanitation Fee Residential Billing		M	
Sanitation Impact Fees (Construction & Commercial Billings)		M	
Fines & Forfeits (Sanitation)		L	
Roll-Off Franchise Fees	2008	H	Continuous audits. Completed 10 audits in 2008.
Property Management			
Maintenance Contracts	2008	M	
Internal Service Charge Billings (Including CAM)		M	
Inventory (Property Management)	2004	L	
Capital Improvement Projects			
Financial Controls		H	

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Parking			
Attended Parking Lots Monitoring	2008	H	Completed 4 reviews in 2007
Boat Show Parking	2008	M	
Cashiers & Attendants Agreement (Parking)	2007	M	As of 8/08 audit required annually.
Coin Room (Monitoring) Meter Collection	2008	H	Completed 4 reviews of coin room during the year.
County Court Fines Parking	2003	L	
Meter Collection Agreement		M	
Operations (On Street and Off-Street Divisions)		L	
Parking Debit Card/In Car Meters	2001	M	Previous audit reported no significant control issues. In Car cards will be implemented by 11/1/08.
Parking Enforcement Reviews (Meters)	2008	H	Continuously monitored throughout year. 10 separate reviews performed last year.
Parking Permits (Non-Revenue)	2002	L	
Parking Permits (Revenue)	2007	M	
Space Rentals - Meters	2008	M	
Space Rentals - Parking Garages		M	
Towing Fees - Parking Department	2001	L	Performed various follow-up reviews in subsequent year.
Valet Parking Agreement (Gold Star)	2008	M	Audited in conjunction with Art Basel.

Fleet Management

Fuel distribution	1996	M	
Inventory	2005	L	
Operations / Internal Service Charges Billings		L	
Vehicle Purchases	2007	L	Audited vehicle purchasing process.

Public Safety

Police

County Court Fines - Traffic	2001	L	Follow-up audit preformed 10/2003, no exceptions were noted.
False Alarm/Registration		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		L	
Off Duty Account (Police)		M	New procedures for payment implemented 10/1/06.
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)		L	
Overtime (Police)		H	
Property Evidence Unit (Police)	2007	M	Audited process of transfer items for auction. Preformed annually by Police Department.
Towing Fees (Police)		L	Same towing companies used by parking department.

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Fire			
Annual Fire Inspection Fees		L	
Fire Code Violations		L	
Fire Plan Review		L	
Fire Rescue Fees	2008	M	
Ocean Rescue Operations		L	
Off Duty Account (Fire)	2008	M	
Operations (Suppression, Rescue, Support Services, Prevention)		L	
Overtime - (Fire including Ocean Rescue)		M	

Citywide Projects

Capital Projects - CIP, Public Works, RDA		H	
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Non-Profit Organizations

CDBG funding source:

American Veteran News		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		L	
Food for Life Network		L	
HIV Education law Project (HELP)		L	
HOPE, INC		L	
Little Havana Activities and Nutrition Center		L	
Miami Beach Adult Community Education Center		L	
Miami Beach Community Development Corp		L	
Montessori Academy at St. John's		L	
Prime Time Seniors		L	
RAIN Parents Inc.		L	
Shelbourne House		L	
Unidad of Miami Beach, Inc.		L	

General fund funding source:

Douglas Garden Community Mental Health Center		L	General fund for 2009 is \$21,660.
Jewish Vocational Services -Hot Meals		L	General fund for 2009 is \$46,930
Latin Chamber of Commerce	2006	L	General fund for 2009 is \$20,000.
MDPL- 10th St auditorium		L	General fund for 2009 is \$25,000.
Miami Beach Botanical Gardens	2005	L	General fund for 2009 is \$152,475.
Miami Beach Chamber of Commerce	2008	L	General fund for 2009 is \$70,000.
Sanford L. Ziff Jewish Museum		L	General fund for 2009 is \$55,000
Sister Cities		L	General fund for 2009 is \$15,200.
South Florida & Greater Miami Hispanic	2008	L	General fund for 2009 is \$20,000.

Both general fund and CDBG funding source:

Boys and Girls Club		L	General Fund for 2009 is \$16,606.
Miami Beach Community Health Center		L	General Fund for 2009 is \$21,660.
North Beach Development Corp	2008	L	General Fund for 2009 is \$20,000.

Other funding sources:

Friends of the Bass	2003	L	
Police Athletic League	2005	L	