



Joseph M. Centorino, Inspector General

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

DATE: August 27, 2024
PROJECT: Miami Beach Cultural Arts Council Audit
OIG No. 24-18
PERIOD: October 1, 2020 - September 30, 2023 (2020/21 - 2022/23 Fiscal Years)

The City of Miami Beach Office of the Inspector General (OIG) conducted this audit of the Miami Beach Cultural Arts Council (CAC), pursuant to City Code Section 2-64, to determine compliance with tested provisions in Chapter 2, Article III, Division 6 of the City Code, entitled "Cultural Arts Council," including determining whether grants were awarded and disbursed pursuant to established requirements in the Program Guidelines and Eligibility Requirements (Program Guidelines) and other related grant documents during the October 1, 2020, through September 30, 2023, audit period.

INTRODUCTION

The March 5, 1997, adoption of Ordinance No. 97-3075 created the CAC, which consists of eleven members appointed at large by a majority vote of the Mayor and City Commission. CAC members routinely meet once a month to plan the organization's future. The CAC was created to develop, coordinate, and promote the visual and performing arts in the City of Miami Beach for the enjoyment, education, cultural enrichment, and benefit of both residents and visitors. Since the program's inception, the City has awarded approximately \$18 million in cultural grants.

The City of Miami Beach Tourism and Culture Department Cultural Affairs Division staff, together with the CAC, has the primary responsibility for annually reviewing applications received for the Cultural Arts Grant Program, ensuring that applicants meet the eligibility criteria, and providing award recommendations to the City Administration and City Commission.

To qualify for the grant program, applicants must be non-profit, 501(c)(3) cultural organizations, or cultural departments within an institution of higher learning (college or university) with tax exempt status under other subsections of 501(c)(3), wishing to present or produce cultural and artistic events in the City of Miami Beach. These organizations must complete the required Grant Application and provide the required documentation (i.e., Internal Revenue Service (I.R.S.) Forms 990, organizational charts, etc.) by the established program deadlines.

The 2020/21 - 2022/23 fiscal year grant programs were comprised of two primary categories, Anchors and Cultural Presenters. Within the Cultural Presenters category, there were seven subcategories including Film, Visual Arts, Theater, Multi-Disciplinary, Dance, Music, and Opera.

CAC program grants are funded via Resort Tax revenues, as the current split of Resort Tax Funds includes a 10% allocation of funding for the arts. The following bullet points summarize the annual budget allocations appropriated to the CAC and the corresponding amounts awarded to eligible grant applicants by the City Commission during the three-year audit period.

- A budget allocation of \$1,750,000 was appropriated to the CAC related to the 2020/21 fiscal year to continue the implementation of its programs. Of these monies, \$847,805 was awarded to 52 applicants through the City Commission's ratification of Resolution No. 2020-31428.
- A budget allocation of \$1,286,000 was appropriated to the CAC related to the 2021/22 fiscal year. Of these monies, \$818,085 was awarded to 46 applicants through the City Commission's ratification of Resolution No. 2021-31872.
- A budget allocation of \$1,750,000 was appropriated to the CAC related to the 2022/23 fiscal year. Of these monies, \$821,642 was awarded to 51 applicants through the City Commission's ratification of Resolution No. 2022-32334.

Grantees, pending the timely satisfaction of stated requirements, were eligible to receive up to the amounts awarded by the City Commission. Evidence concerning each grantee's related compliance was to be maintained in the corresponding grant files and/or GO Smart software maintained by the Cultural Affairs Division. According to the <https://www.gosmart.org> website, *GO Smart™ is an easy to use, time-saving, and affordable online grants management system that was designed for arts administrators by arts administrators. From intent to apply, creating the application, panel reviews, awards, and final reports - GO Smart will significantly simplify the way you manage your grants.*

OVERALL OPINION

The CAC and Cultural Affairs Division established a master plan for the arts and developed and followed the guidelines related to the approval, review, and funding of qualified not-for-profit organizations. Program files were well-organized for each sampled grantee, and supporting documentation was maintained in the physical files and/or GO Smart software. The OIG Auditors examined all documentation provided by the Cultural Affairs Division for sufficiency and completeness. The OIG auditors also verified whether sampled funded Miami Beach grant programs were performed and that the not-for-profit organizations' Final Reports and supporting documentation were received and reviewed/approved before grant funds were authorized for reimbursement. Despite many positive attributes and a significant improvement over prior year's audits, a few established procedures and internal controls require strengthening based on the following identified deficiencies:

1. Some sampled grantees submitted Final Reports and supporting documentation did not satisfy all tested Grant Agreement requirements.
2. \$2,962.21 in grant funds were reimbursed to sampled grantees during the audit period despite being specifically disallowed in the Program Guidelines.

In addition, the OIG auditors suggested an opportunity for improvement to compensate for Cultural Affairs Division staff not being able to determine when Cultural Anchors and Presenters submitted their Grant Applications in the GO Smart system. Once notified of this issue, the Tourism and Culture Development developed a sufficient workaround that appears acceptable to the OIG auditors.

SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of the audit was to evaluate whether the CAC and Cultural Affairs Division staff complied with selected provisions in Chapter 2, Article III, Division 6 of the City Code, entitled "Cultural Arts Council," and to determine whether grants were awarded in accordance with the Program Guidelines. The audit period was from October 1, 2020, through September 30, 2023, and selected transactions before and after this period were also reviewed as needed. In general, the audit focused on the following objectives:

- Confirm whether the Cultural Affairs Division complied with tested provisions in Chapter 2, Article III, Division 6, Section 2-55 of the City Code entitled "Cultural Arts Council."
- Confirm whether the selected applicants met the eligibility requirements of the grant category applied for.
- Confirm whether the Cultural Affairs Division properly reimbursed Anchors based on the submitted documentation, within the maximum allowed for Anchors, and not in excess of the total awarded by the City Commission.
- Confirm whether the Cultural Affairs Division properly reimbursed Cultural Presenters based on the submitted documentation, and not in excess of the total awarded by the City Commission.
- Confirm whether grantees complied with the requirements for the submittal of Final Reports in compliance with the executed Grant Agreements.
- Confirm whether tested grant payments remitted, and fiscal year-end accrual of any awarded but non-disbursed monies, were accurately recorded in the City's Financial System.
- Confirm whether deficiencies noted in the prior audits have been corrected.

The audit methodology included the following:

- Reviewed applicable provisions of the City Charter and Code of Ordinances and departmental Standard Operating Procedures.
- Interviewed and made inquiries of staff to gain an understanding of the internal controls (relative to the award of CAC grants), 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, made corresponding recommendations, and obtained auditee responses and corrective action plans; and
- Performed other audit procedures as deemed necessary.

FINDINGS, RECOMMENDATIONS, AND RESPONSES

1. FINDING: SOME GRANTEES' FINAL REPORTS AND SUPPORTING DOCUMENTATION DID NOT SATISFY ALL TESTED GRANT AGREEMENT REQUIREMENTS.

Before receiving any monies, a Grant Agreement must be completed and signed by representatives from both the City and the participating 501(c)(3) entity. The signed Grant Agreement, among other requirements, requires each grant recipient to submit a Final Report no later than the deadline stated in Article I-8 to receive the second half payment of its grant award, which must be approved for sufficiency before a Request for Payment is prepared by the Cultural Affairs Division authorizing the City Finance Department to issue a check to the grantee. Additionally, each prior-year grant recipient must submit a

completed Final Report form by the date indicated in its current grant to be eligible to receive any grant funds during the next fiscal year. As stated in the Program Guidelines during the audit period for Anchors and Cultural Presenters: *Application and Final Report deadlines will be strictly enforced.*

Cultural Affairs Division staff continually work with grant recipients to provide guidance and help them comply with deadlines in order to receive full funding, whenever possible. A comparison of the specific due dates with the documented received dates, found that ten sampled grantees had submitted Final Reports after the due dates, ranging from a low of 4 days to a high of 220 days (see below).

2020/21 Fiscal Year

OIG auditors conducted a random test on two of 16 Anchors and seven of 36 Cultural Presenters (2 Anchors + 7 Cultural Presenters = 9 total sampled grantees). Testing determined that four of the nine (44.4%) sampled grantees submitted the Final Reports after the established due dates.

2021/22 Fiscal Year

OIG auditors conducted a random test on two of 15 Anchors and seven of 31 Cultural Presenters (2 Anchors + 7 Cultural Presenters = 9 total sampled grantees). It was concluded that three of nine (33.3%) sampled grantees submitted the Final Reports after the established due dates.

2022/23 Fiscal Year

OIG auditors randomly selected two of 14 Anchors and seven of 37 Cultural Presenters to conduct an expenditure test (2 Anchors + 7 Cultural Presenters = 9 total sampled grantees). It was concluded that three of nine (33.3%) sampled grantees submitted their Final Reports after the established due dates.

More detail concerning the ten deficient grantees (4 grantees in the 2020/21 fiscal year + 3 grantees in the 2020/21 fiscal year + 3 grantees in the 2022/23 fiscal year = 10 total) is provided in the following table:

GRANTEE	PROGRAM	FISCAL YEAR	FINAL REPORT DATE	FINAL REPORT DEADLINE	# OF DAYS LATE
FIU-MIAMI BEACH URBAN STUDIOS	ANCHOR	2020/21	05/23/2022	10/15/2021	220
EDGE ZONES	PRESENTER	2020/21	04/11/2022	10/15/2021	178
FANTASY THEATER FACTORY	PRESENTER	2020/21	04/04/2022	10/15/2021	171
INTERACTIVE INITIATIVE	PRESENTER	2020/21	04/13/2022	10/15/2021	180
MIAMI BEACH GARDEN CONSERVANCY	ANCHOR	2021/22	11/14/2022	10/14/2022	31
FANTASY THEATER FACTORY	PRESENTER	2021/22	10/18/2022	10/14/2022	4
SERAPHIC FIRE	PRESENTER	2021/22	11/18/2022	10/14/2022	35
FRIENDS OF THE BASS MUSEUM INC.	ANCHOR	2022/23	11/01/2023	10/13/2023	19
HUED SONGS	PRESENTER	2022/23	11/09/2023	10/13/2023	27
FLORIDA OPERA PRIMA	PRESENTER	2022/23	10/18/2023	10/13/2023	5

No evidence was provided indicating that disciplinary actions were implemented against any of these sampled non-compliant grantees that Final Reports submitted after the stated

deadlines. This is a long-standing deficiency which has been similarly noted in prior completed annual CAC audits.

Recommendation(s):

The Cultural Affairs Division should either follow the terms in its grant documents, (e.g., Grant Guidelines and Grant Agreements) or it should revise/remove the wording "Application and Final Report deadlines will be strictly enforced."

Tourism and Culture Department Response:

Staff is appreciative of the OIG recommendation to revise the wording "Application and Final Report deadlines will be strictly enforced" within the program guidelines. Due to the COVID-19 pandemic, grantees in FY 2020/21 may have paused their programming. To address the lapse in programming, the City amended the grant agreements to include the following:

- Paragraph 3 of Section 3 (Budget) of Article II/General Conditions was modified as follows: Grant award budget "shall not exceed the total amount of Grant funds," while previously the agreement stated, "shall not exceed ten percent (10%) per category and shall in no event exceed the total amount of Grant funds."
- In cases where grantees were "not able to fulfill the programmatic activities by December 31, 2021, Cultural Affairs Division staff would consider allowable expenses to include indirect or general operating costs related to the operation of the organization."

As a result, staff extended the final report deadline to include additional programs occurring after the original deadline, with a new deadline of December 31, 2021. Correspondence with the grantees took place in subsequent months to provide feedback and modifications to the final report.

Staff continues to assert that penalizing cultural organizations financially is in opposition to the purpose of the grant program and to standard cultural arts grant practices. Cultural organizations experienced unprecedented revenue loss due to the COVID-19 Pandemic. Most of the CAC grantees are small organizations that operate with significantly reduced staff and budgets. As such, penalizing these organizations could abolish their operations.

The final reports for the listed grantees in FY 2021/22 and FY 2022/23 were delivered by the deadline. However, after the final report submission, Staff conducts a corrections period with the grantees to provide feedback and recommended modifications to ensure the reports are comprehensive and have met the listed requirements and guidelines. Grantees then submit their finalized revisions to their final report online on GoSmart. The GoSmart interface has a system limitation where once the revisions are submitted the system automatically creates a new timestamp. As mentioned at the end of this report, staff provided information to the auditors regarding the system limitations.

To better reflect this process, staff will revise the statement in the program guidelines to the following: *"Application and final report deadlines will be observed. Applicants may receive feedback after the deadline to ensure their submissions adhere to program guidelines and are comprehensive. We encourage timely submissions to avoid unnecessary delays in the process."*

2. FINDING: \$2,962.21 IN GRANT FUNDS WERE REIMBURSED TO SAMPLED GRANTEES DURING THE AUDIT PERIOD DESPITE BEING SPECIFICALLY DISALLOWED IN THE PROGRAM GUIDELINES.

The CAC Grant Agreement states that for the grantee to demonstrate that the grant has fulfilled its purpose, the grantee must provide the Cultural Affairs Program Manager with a written Final Report, which shall document the grantee's satisfaction of all requirements (i.e., copies of all receipts, invoices, canceled checks and proof of expenditures of grant monies). These documents are to be reviewed and approved by designated Cultural Affairs Division staff to ensure compliance with grant requirements before any second-half grant funds are disbursed.

As stated in the Program Guidelines, *allowable grant expenditures include:*

- *Artistic, technical, and outside artistic fees directly related to the proposed program or event that occur within the City of Miami Beach;*
- *Marketing, publicity, and printing;*
- *Honoraria;*
- *Postage;*
- *Equipment rental and expendable materials;*
- *Equipment rental and personnel necessary to provide program accessibility as mandated by the Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973;*
- *Space rental (performance-related only); and*
- *Production costs related to the proposed program, project or event.*

In addition, grant funds may not be used for the following purposes:

- *Projects that are primarily recreational, political, therapeutic, vocational, rehabilitative or intended solely for practitioners of a specific religion;*
- *Remuneration of City of Miami Beach employees for any services rendered as part of a project funded by the City's Cultural Affairs grant program;*
- *Administrative salaries or fees (Cultural Anchors are excluded from this restriction);*
- *"Bricks and mortar" or permanent equipment (unless the purchase price is less than the cost of rental);*
- *City of Miami Beach fees or services (City permit fees, off-duty police, insurance, electrician, etc.);*
- *Debt reduction;*
- *Contests;*
- *Indirect or general operating costs related to the operation of the organization (Cultural Anchors are excluded from this restriction);*
- *Travel or transportation;*
- *Insurance fees;*
- *Social/fundraising events, beauty pageants, or sporting events;*
- *Hospitality costs, including decorations or affiliate personnel with the exception of artists;*
- *Cash prizes;*
- *Lobbying or propaganda materials;*
- *Charitable contributions;*
- *Events not open to the public; unless the event serves to specifically benefit City of Miami Beach government.*

All documents submitted by randomly sampled grantees to the OIG auditors (e.g., Final

Reports, invoices, and payment support) were examined to determine compliance with the stated requirements. In sum, the following deficiencies, totaling \$2,962.21, were noted for each fiscal year:

Fiscal Year 2020/21 = \$1,014.00

OIG Auditors randomly selected two Anchors and seven Cultural Presenters to conduct expenditure testing. During the examination, it was determined that Nu Deco Ensemble Inc. was reimbursed \$1,014 for a travel reimbursement expense, although travel or transportation expenses are disallowed according to the Program Guidelines.

Fiscal Year 2021/22 = \$1,948.21

OIG Auditors randomly selected two Anchors and seven Cultural Presenters to conduct expenditure testing. During the examination, it was discovered that the following three disallowable grant expenses were approved for Bas Fisher Invitational Inc., a Cultural Presenter:

VENDOR	EXPENDITURE-TYPE	DISALLOWABLE AMOUNT	PAYMENT DATE	COMMENTS
Jessica Gonzalez	Other-Materials	\$871.91	09/30/2022	Phone Charges
Fisher Worldwide	Other-Materials	\$967.74	09/30/2022	Phone Charges
Orlando Estrada	Other-Materials	\$108.56	09/30/2022	Trip Reimbursement
TOTAL		\$1,948.21		

The two above phone charges represent non-reimbursable indirect or general operating costs related to the operation of the organization and the trip reimbursement is an impermissible travel or transportation charge, each of which is disallowed in the Program Guidelines.

Recommendation(s):

The Cultural Affairs Division should more closely scrutinize the documents received when comparing the submitted expenditures to those allowable in the Program Guidelines to determine whether each is eligible for reimbursement. Because of the reimbursement of some disallowed expenditures, it is recommended that Cultural Affairs Division staff collect any related monies due, unless it opts to accept additional supporting documentation (i.e., invoices, cancelled checks) provided by the grantees in satisfaction of the requirements listed in the Final Reports.

Tourism and Culture Department Response:

Staff agrees with the OIG recommendation that submitted expenditures should continue to be closely scrutinized when compared to allowable expenditures.

The report addresses two sampled grantees, Nu Deco Ensemble from FY 2020/21 and Bas Fisher Invitational, Inc. from FY 2021/22 grant cycles.

Nu Deco Ensemble – FY 2020/21

As part of the Nu Deco Ensemble’s FY 2020/21 Final Report, the total amount of expenses submitted (both allowable and unallowable) was \$18,514. After reviewing these expenses, it was determined that \$17,500 was permissible. Given that the maximum allowable grant awarded to Nu Deco Ensemble was up to \$16,826, the staff did not include the \$1,014 in unallowable costs in the \$16,826 reimbursement.

Bas Fisher Invitational, Inc. – FY 2021/22

To address and rectify the oversight, the staff will request additional invoices and receipts for allowable expenses made during the FY 2021/22 grant period to compensate for the \$1,948.21 of unallowable expenses made. If Bas Fisher Invitational, Inc., is unable to provide the required documentation, staff will collect the related monies due in the form of an invoice from the City.

On August 22, 2024, staff met with Bas Fisher Invitational, Inc. to inform of the audit finding and request additional invoices and receipts from the grant period in question. Bas Fisher Invitational, Inc. has confirmed that they will present the requested documentation by the end of August 2024.

OIG SUGGESTED OPPORTUNITY FOR IMPROVEMENT

Regardless of the level of oversight exercised, opportunities for improvement may always be explored, which is a benefit of an independent audit. The following point is presented for evaluation purposes:

1. **GO Smart System Limitation**

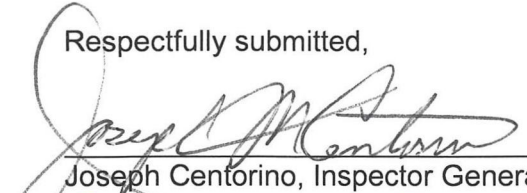
According to the Program Guidelines for Anchors and Cultural Presenters, the deadlines for Grant Applications and Final Reports will be strictly enforced. The OIG Auditors noted that the full Grant Application due date was indicated in the Program Guidelines; however, during the testing phase, it was unable to determine the specific date in which the full Grant Application was submitted.

In the email dated April 12, 2024, the Tourism and Culture Development Department Director informed the OIG auditors that, due to GO Smart system limitations, the department did not maintain evidence indicating the date in which the Cultural Anchors and Presenters submitted their Grant Applications. Consequently, the OIG auditors were unable to verify whether each sampled Grant Application was submitted timely.

In the email dated April 12, 2024, the Tourism and Culture Department Director informed OIG auditors that they are now aware of the GO Smart system limitation. As a result, they started taking prospective screenshots after each phase of the cycle and have added a section for the date submission for the application with signature.

All management responses received will be included in the final report pursuant to City Code Section 2-256(h).

Respectfully submitted,



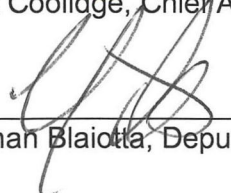
Joseph Centorino, Inspector General

08/28/2024
Date



Mark Coolidge, Chief Auditor

08/28/2024
Date



Norman Blaiotta, Deputy Chief Auditor

8/28/2024
Date

cc: Eric Carpenter, City Manager
Rickelle Williams, Assistant City Manager
Lissette Garcia Arrogante, Tourism and Culture Department Director
Jason Greene, Chief Financial Officer