



Joseph M. Centorino, Inspector General

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

DATE: November 25, 2024

RE: City Administration Follow-up on OIG Recommendations on OIG No. 23-01 Miami Beach Watersport Center, Inc., OIG No. 23-06 Procurement Card Program Audit, OIG No. 23-22 The Ballet Valet Parking Company LTD Lease Agreements, OIG No. 23-24 Lincoln Place Ground Lease Agreement, OIG No. 23-26 Insurance Certificate Tracking System Review.
OIG No. 24-27

PERIOD: January 1, 2023, through December 31, 2023

It is an internal audit best practice to conduct a follow-up analysis of completed engagements, typically within a year from their issue date, to determine whether the auditees have taken any corrective actions to resolve the identified deficiencies. Consequently, the City of Miami Beach Office of the Inspector General (OIG) examined its issued audit reports related to the 2023 calendar year in connection with OIG reports to identify City departments or divisions that received recommendations to implement corrective actions.

Due to the limited internal audit staff at the OIG, a test-based follow-up analysis could not be conducted for every implemented corrective action. Instead, the OIG requested that each relevant City department or division carry out a self-assessment of their implementation of OIG recommendations. Some recommendations from issued reports may be excluded because they pertain to independent entities rather than City departments or divisions, involve non-audit activities, or have already undergone follow-up work by the OIG. If time allows, OIG staff may conduct future testing to evaluate the effectiveness of the reported corrective actions.

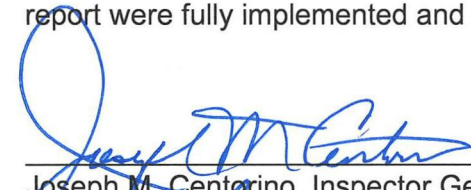
Management is solely responsible for its internal controls. City departments or divisions have various options to achieve desired outcomes, including accepting the risk without changing current practices, implementing OIG recommendations, or adopting other compensating controls.

Pages 3 through 7 of this report contain schedules showing the recommendation status of all self-assessments received from each department.

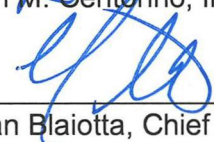
Proposed Definitions for Implementation Status:

- Not implemented: management has not taken action to implement the recommendation to decrease the likelihood that the noted deficiency may continue to occur.
- Partially implemented: management has taken some steps to remedy the shortcomings, but additional ones are necessary to reduce the associated risk to more acceptable levels.
- Fully implemented: management has taken the necessary actions to provide reasonable assurance that the listed deficiency will not continue to occur.
- Will not implement management is willing to accept the associated risks and will not implement corrective action.
- No longer applicable: the circumstances have changed since the completion of the original engagement (e.g., new technology implemented, new agreements reached, new vendors providing the service), thereby making the listed recommendation inapplicable to existing circumstances.

According to the self-assessment performed, 21 of the 27 recommendations referenced in this report were fully implemented and six were partially implemented.



Joseph M. Centorino, Inspector General



Norman Blaiotta, Chief Auditor

4/25/2024
Date

4/24/2024
Date

cc: Eric Carpenter, City Manager

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Implementation Status: Not Implemented, Partially Implemented, Fully Implemented or No Longer Applicable

Audit Finding #	Responsible Party (Auditees)	Audit Finding	Recommendation(s)	Report Page #	Implementation Status per Auditee	Auditee Comments
1	Risk Management Division Asset Management Division	THE WATERSPORTS CENTER WAS NOT FULLY COMPLIANT WITH THE STATED INSURANCE REQUIREMENTS IN SECTION 9.2 OF THE LEASE AGREEMENT.	The insurance parameters for the Watersport Center entered into Exigis should be revised by City staff to mirror the requirements listed in Section 9.2 of the Lease Agreement. Asset Management Division staff should notify the Watersports Center of the Commercial Liability insurance deficiency and the missing policies related to the required Automobile Liability insurance or Liquor Liability insurance coverage. If not timely resolved, the available disciplinary actions in the Lease Agreement may be enforced by the City.	6	Fully Implemented	Asset Management Division did take it upon themselves to secure the correct Certificates of Insurance or COIs, which were received November 2022, bringing the COI to \$4M of Commercial Liability coverage (on two policies) and \$1 M in auto. They do not sell liquor, so Liquor coverage is not necessary.
2	Asset Management Division	THE WATERSPORTS CENTER WAS NOT COMPLIANT WITH THE HAZARDOUS MATERIALS REQUIREMENTS IN SECTIONS 9.5 AND 9.7 OF THE LEASE AGREEMENT.	All hazardous materials stored on the premises should always be properly secured. Furthermore, the lessee should timely furnish the required hazardous materials report to the Asset Management Division pursuant to Section 9.7. Although Section 9.7 does not specify whether the annual hazardous material report needs to be filed if no hazardous materials were stored on the premises during the stated period, it is recommended that the report be filed each January 1 st and the Lease Agreement be clarified. Asset Management Division staff should periodically perform unannounced site visits of leased properties to verify compliance with stated requirements. The corresponding results should be documented and maintained in the lessee's file, and any identified deficiencies should be forwarded to the lessee for prompt resolution.	7	Fully Implemented	Lessee was notified of the required hazardous material notification each year. The Asset Management Division and Facilities Managers conduct regular site visits each year. Identified deficiencies are communicated with Lessee by the Facilities Department as necessary.
3	Asset Management Division	SUBLEASES WERE EXECUTED BY THE LESSEE WITHOUT APPROVAL OF THE CITY MANAGER, AS REQUIRED BY SECTION 13.1 OF THE LEASE AGREEMENT.	The Watersports Center should not enter into Sublease Agreements unless prior written consent is received indicating City Manager approval pursuant to Section 13.1. The OIG Auditor recommends that the existing Sublease Agreement between the Watersports Center and Hydrow Inc. be reviewed by the City, and be revised as deemed necessary. Also, the OIG recommends any City approved Sublease Agreements should include insurance requirements reviewed/approved by the Risk Management Division to minimize the City's risk exposure.	8	Fully Implemented	The Lessee was notified and educated on the proper timing of providing the Asset Management Division with notification on a new sub-lease, even if they are short term, so that the City Manager has time to review and provide approval.

Implementation Status: Not Implemented, Partially Implemented, Fully Implemented or No Longer Applicable

Audit Finding #	Responsible Party (Auditees)	Audit Finding	Recommendation (s)	Report Page #	Implementation Status per Auditee	Auditee Comments
1	Finance Department	THE CITY MADE NINE DUPLICATE PAYMENTS TO VENDORS RESULTING IN \$5,984.92 OVERPAYMENT.	The Finance Department should establish and follow a documented procedure to reduce the risk of duplicate payments. It should contain, at a minimum, the following recommended provisions: (1) a process to recover duplicate payments; (2) identification of the employee responsible for the recovery process; (3) when attempted recovery should begin; (4) how vendors should be notified; and (5) how to document the recovery efforts.	7	Partially Implemented	Finance Department is in the process of updating the Purchasing Card procedures guidelines. The Finance Department is recommending that departments periodically review their actual expenses and compare to budget to ensure that no duplicates are made and that corrective actions are taken by the individual departments in the unlikely event of such an occurrence. Updated procedures will emphasize this item in both the Purchasing Card Procedures and to cardholders and approvers during their respective training and other communications. Also, reconcilers were recommended to start adding invoice numbers to the Munis P-card Module when adding the required support and G/L allocation.
2	Finance Department	THE SEGREGATION OF DUTIES PRINCIPLE, INVOLVING CARDHOLDERS APPROVING THEIR OWN PURCHASES, WAS VIOLATED IN 208 P-CARD TRANSACTIONS TOTALING \$75,374.31.	Department or Division Directors requesting changes to the established Munis system P-Card approval queue should ensure that a proper SOD is maintained after the changes are implemented. The cardholder should never be able to approve his/her own P-Card purchases, and this requirement should be added to the Citywide Procedures. Also, the City Administration should complete its examination regarding the 208 identified P-Card transactions, totaling \$75,374.31, to determine the legitimacy of each purchase. Appropriate action should be taken regarding any verified unpermitted purchases.	8	Fully Implemented	The Munis workflow is laid out to avoid duplicate approvals and for segregation of duties. However, the Munis workflow does not prohibit the forwarding of transactions to another individual which has, historically, resulted in approval of the cardholders own p-card purchases. The Finance Department will emphasize this item in both the updated Purchasing Card Procedures (Section 5B) and to cardholders and approvers during training and other communications. The transactions that were identified in this finding were reviewed by the approvers and physical signatures were obtained for each statement. These signed statements were uploaded into the Munis record. Also, as a detective control, the finance department reviews a report quarterly to identify and mitigate any situations where the cardholder may inadvertently approve their respective card transactions. Corrective actions, if needed are communicated to Department personnel.
3	Finance Department	TAX WAS IMPROPERLY PAID BY THE CITY ON 94 SAMPLED P-CARD TRANSACTIONS TOTALING \$1,356.28.	The City Administration should decide whether any action should be taken pursuant to SOP FI.16.01 to obtain reimbursement for incorrectly paid sales taxes in P-Card purchases. All individuals involved in the processing of P-Cards, including the cardholders, assigned reviewers, approvers, Department or Division Directors, designated Finance Department staff should be instructed to scrutinize future P-Card purchases to help prevent similar errors from occurring. Any noted future deficiencies should be documented and provided periodically to the Chief Financial Officer and City Administration. Repeat offenders should be required to attend refresher trainings.	10	Partially Implemented	The Finance Department will emphasize this item in both the updated Purchasing Card Procedures (Section 2D) and to cardholders and approvers during training and other communications. To assist the cardholders, the new JP Morgan Chase P-cards includes the City's State of Florida tax exemption ID on the front of the card to avoid not having the number available at the time of purchases. An explanation of why sales tax was paid will be required to be included in the supporting documents for purchases with taxes. In today's methods of procuring good and services, especially with e-commerce, it is not always conducive to presenting a tax exemption certification. It is also important to note that most Electronic points-of-sale have no provisions for providing tax exemption information and eliminating Florida sales tax payment.
4	Finance Department	NO SUPPORTING DOCUMENTATION, AS REQUIRED BY THE PROCEDURES MANUAL, WAS FOUND IN THE MUNIS SYSTEM RELATED TO TWO SAMPLED TRANSACTIONS, TOTALING \$8,317.23.	As part of the review/approval process, designated City employees should verify that sufficient supporting documentation is attached to the P-Card Statement, which may include a completed "Missing Receipt Documentation Form." If not provided, the transaction should not be approved and should be returned to the card holder for corrective action. Repeated noncompliant cardholders should be required to attend additional refresher trainings, and P-cards may be revoked if the behavior is not altered. The City may consider reimbursement in cases involving unsupported expenditures. Furthermore, the Finance Department should record all non-compliant P-Card behavior to provide an audit trail in support of any disciplinary actions taken.	11	Partially Implemented	Certain transactions noted in this finding, were sufficiently described and were for a legitimate purpose at the time of purchase and approval. To clarify for cardholders and approvers what is considered "sufficient, adequate, and relevant" supporting documentation, the Finance Department has prepared a checklist for supporting documentation and added (Exhibit D) to the updated Purchasing Card Procedures (Section 4A and 5A). Sufficient, adequate, and relevant supporting documentation are the responsibility of the cardholder and approver. The Finance Department will emphasize this item in both the Purchasing Card Procedures and to cardholders and approvers during training and other communications.
5	Finance Department	P-CARD EXPENDITURES, TOTALING \$236,643.91, WERE PAID BY THE CITY DESPITE BEING SPECIFICALLY DISALLOWED IN SECTION 1.16.1 OF THE PROCEDURES MANUAL.	P-Card purchases should comply with the approved related Citywide Procedures and/or Procedures Manual. Alternatively, the City Administration may consider revising either of these documents to include a provision allowing the stated terms to be overridden by documented approval of the City Manager prior to the purchase. Predetermined Department or Division P-Card approvers and designees should closely review all transactions to determine whether they are related to City business and serve a direct, official, and lawful purpose for reasonable and necessary expenses of conducting City business. If the required criteria are not satisfied, the cardholder and the P-Card Administrator should be immediately notified. In addition, the City Administration should determine whether a cardholder should be subject to cancellation of his/her P-Card and/or other disciplinary action, pursuant to Citywide Procedures and/or Procedures Manual.	12	Partially Implemented	The Finance Department is in the process of revising the Purchasing Card Procedure guidelines including instructions on Procedures, Guidelines along with Exhibits outlining updates to the permitted utilization of the City's Purchasing Card. In addition, there are provisions allowing the cardholder to document and request approval from the City Manager prior to the purchase. The Purchasing Card Procedures guidelines are administered by City Administration and are applicable to all those under the authority of the City Manager and the City Manager's administrative team.
6	Finance Department	THE PROCEDURES MANUAL CONTAINS VAGUE, INCOMPLETE, AND UNDEFINED GENERAL TERMS, WHICH MAY CAUSE CONFUSION REGARDING THE VALIDITY OF SOME P-CARD TRANSACTIONS.	The pertinent Citywide Procedures, as well as the Procedures Manual, should be revised to define terms, reduce ambiguities, address the usage of P-Cards to donate monies to other organizations or charities, buy event tickets, and the amount of allowable tips or gratuities. Also, the Human Resources Department should update its SOP concerning timely notification of the Finance Department of the termination of any employee so that P-Cards can be promptly deactivated.	18	Partially Implemented	The Finance Department is in the process of revising the Purchasing Card Procedures guidelines. There will be instructions on Procedures, Guidelines including Exhibits. All the underlying factors for the findings herein will be addressed in the revised document. The Finance Department Accounts Payable Team was added to the Access Termination email distribution list to inform Finance of the need to remove inactive p-card holders on a timely basis.
7	Finance Department	EXPENDITURES TOTALING \$23,581.99, ALTHOUGH NOT EXPRESSLY PROHIBITED IN THE P-CARD PROCEDURES MANUAL, APPEAR QUESTIONABLE DUE TO THE NATURE OF THE TRANSACTIONS.	Cardholders, reviewers, approvers, or their designees should scrutinize all transactions to validate whether they are eligible and serve a direct, official, and lawful purpose as the reasonable and necessary expenses of conducting business. If any transaction is related to a non-eligible expenditure, the P-Card reviewer or approver should follow the established guidelines for timely notification of all relevant parties of the identified deficiency. Once the deficiency is verified, the available disciplinary actions in the Citywide Procedures as well as the Procedures Manual may be utilized.	19	Partially Implemented	The items in this finding are not expressly prohibited, however, sufficient, adequate, and relevant supporting documentation would avoid the questionable nature of the item and allow for transparency. As noted in the response to finding No. 4, the Finance Department will provide a checklist of what is deemed sufficient, including pre-approval from the City Manager where applicable. (Section 4A, 5A) The Finance Department will emphasize this item in both updated Purchasing Card Procedures and to cardholders and approvers during training and other communications.
8	Finance Department	39 P-CARD PURCHASES, TOTALING \$12,387.24, WERE MADE FROM DISAPPROVED MERCHANT CATEGORY CODES THAT WERE NOT BLOCKED IN THE CITY BANKING SYSTEM.	The Finance Department should request the City contracted bank to decline or block all P-Card purchases of businesses containing disapproved MCCs listed in Section 1.3 of the Procedures Manual. As a compensating internal control, P-Card reviewers and approvers should validate that all purchases submitted for reimbursement comply with all requirements, including those in Section 1.3 of the Procedures Manual.	20	Fully Implemented	Similar to the City's previous financial institution, the JP Morgan Chase Purchasing Card program has implemented MCC blocks resulting in declines of purchases with the restricted MCC codes noted in this finding. Exceptions were and are made for the MCC codes outlined in the procedures guidelines for specific cards due to the nature of the cardholder's business.

Audit # OIG No. 23-22

Audit Name The Ballet Valet Parking Company, LTD. Parking and Lease Agreements Oversight Audit

Audit Period August 1, 2018 - July 31, 2023

Report Date November 20, 2023

Implementation Status: Not Implemented, Partially Implemented, Fully Implemented or No Longer Applicable

Audit Finding #	Responsible Party (Auditees)	Audit Finding	Recommendation (s)	Report Page #	Implementation Status per Auditee	Auditee Comments
1	Asset Management Division	RE-CALCULATION OF THE MONTHLY RENTAL PAYMENTS REQUIRED UNDER THE LEASE AGREEMENT DETERMINED THAT BALLETT VALET OVERPAID THE CITY BY A TOTAL OF \$21,924.75, CONSISTING OF \$20,581.13 IN BASE RENT AND \$1,343.62 IN FLORIDA SALES TAX.	The Asset Management Division should recalculate and credit Ballet Valet for the \$20,581.13 overpaid plus Florida Sales Tax. In addition, a journal entry should be created to reduce the City Sales Tax liability general ledger account due to the identified \$1,343.62 overpayment.	4	Fully Implemented	This finding was reviewed, corrected and paid back to Ballet Valet on September 21, 2023.
2	Parking Department	RE-CALCULATION OF THE MONTHLY FEE PAYMENTS TO BE PAID TO THE CITY UNDER THE PARKING AGREEMENT RESULTED IN A NET UNDERPAYMENT OF \$17,349.38, EXCLUDING FLORIDA SALES TAX.	The Parking Department should validate the figures using the methodology approved by the OIG and CAO. Once finished, Ballet Valet should be invoiced accordingly. In addition, the Parking Department should ensure that all future monthly rentals are billed in accordance with the Agreement terms.	7	Fully Implemented	The OIG finding was reviewed and validated. The Parking Department invoiced Ballet Valet for the underpayment of \$17,349.38 on November 7, 2023 Invoice No. 46571 (Attachment A), and payment was received on November 29, 2023. In response to this OIG audit follow-up, the Parking Department met with the Finance Department to review the monthly billings from August 1, 2023 to date. A discrepancy was identified resulting in a net underbilling of \$8,430.48 for the period from August 1, 2023 to August 1, 2024, and \$189.42 for the first two months of the period from August 1, 2024 to August 1, 2025. The Parking Department invoiced Ballet Valet for the total underbilling amount of \$8,619.90. Invoice No. 52298 (Attachment B) dated September 11, 2024, attached, includes a detailed breakdown of the costs. Payment was received on October 2, 2024. Going forward, the Parking Department will invoice Ballet Valet at the current monthly rate of \$114.58 per access card and adjust the monthly access card rate for the period from August 1, 2025 to August 1, 2026 per the agreement.
3	Parking Department	THE PARKING DEPARTMENT DID NOT COLLECT AND REMIT FLORIDA SALES TAX DUE TO THE STATE FOR THE USE OF LICENSED PARKING RENTAL FEES, RESULTING IN AN UNDERBILLING OF \$12,879.72.	The Parking Department should review the OIG's calculations, and if agreed, invoice Ballet Valet for the \$12,879.72 (\$1,419.25 + \$11,460.47) due in Florida Sales Tax. Once the City receives payment, it should be promptly remitted to the State. In addition, the Parking Department should, at least annually, obtain documentation indicating the number of parking spaces sub-leased/rented, any used by Ballet Valet/Goldman Properties, and any used to provide free parking. It is important to note that if any are used to provide free parking, the entire consideration paid becomes taxable pursuant to Rule 12A-1.073 (3). Applicable Florida Sales Tax should be assessed on the corresponding license rental fee for those spaces not sub-leased/rented and used by Ballet Valet or any authorized parties. Furthermore, the Parking Department should retain copies of all Resale Certificate forms to document exempted license rental fees in the event of a Florida Sales Tax audit.	10	Fully Implemented	The OIG finding was reviewed and validated. Ballet Valet was invoiced for a total of \$12,879.72 on November 7, 2023. The Parking Department issued invoice No. 46564 (Attachment C). Payment was received on November 29, 2023; and, per the attached email, the Finance Department remitted the amount to the State (Attachment D). Pursuant to the OIG's recommendation, the Parking Department will obtain documentation from Ballet Valet beginning October 1, 2024 (Attachment E), and annually thereafter, detailing the number of parking spaces sub-leased or rented by Ballet Valet, used by Ballet Valet or any authorized parties, as well as any spaces used to provide free parking.

Implementation Status: Not Implemented, Partially Implemented, Fully Implemented or No Longer Applicable

Audit Finding #	Responsible Party (Auditees)	Audit Finding	Recommendation (s)	Report Page #	Implementation Status per Auditee	Auditee Comments
1	Facilities and Fleet Management Department	THE CITY WAS UNDERPAID \$9,922.96 IN BASE RENT, INCLUDING \$488.20 IN FLORIDA SALES TAX, DUE TO INCORRECT CALCULATIONS INVOLVING THE CUMULATIVE CPI ADJUSTMENTS PURSUANT TO SECTION 3 OF THE GROUND LEASE AGREEMENT.	Asset Management Division staff should perform its own calculations and determine whether it agrees with the OIG Auditor's calculations of \$9,922.96 in base rent due to the City for the audit period. Once completed, it should invoice the Tenant accordingly. As the base rent, including Florida Sales tax, is based on the prior years' calculations, the monthly charges invoiced for future lease years starting with January 1, 2023, through December 31, 2023, should be reviewed and adjusted, as needed.	5	11/30/2023 FULLY IMPLEMENTED	The Asset Management Division acknowledged the miscalculation from 2013, recalculated and properly adjusted the historical billings from 2013 through 2022.
2	Facilities and Fleet Management Department	FLORIDA SALES TAX ON COMMERCIAL RENT WAS NOT CORRECTLY APPLIED TO THE PERCENTAGE RENT PAYMENTS RECEIVED RESULTING IN A \$45,692.14 UNDERBILLING INCLUDING \$2,048.42 DUE TO THE STATE.	The Asset Management Division should examine the OIG's calculations and determine whether they agree with them. Once completed, it should promptly invoice the Tenant accordingly. The difference between the Florida Sales tax paid and the corresponding tax due should be included in the City's next payment to the State of Florida Department of Revenue. Furthermore, Asset Management Division staff should review its general ledger account distributions related to the percentage rent payments outside the designated audit period, and promptly make any needed corrections.	7	12/1/2023 FULLY IMPLEMENTED	The Asset Management Division collaborated with the Finance Department to include the difference for Sales Tax in the amount of \$2,048.42 to the State of Florida Department of Revenue. The Asset Management Division identified and had corrected this issue with the 2022 percentage rent payment.
3	Facilities and Fleet Management Department	PERCENTAGE RENT PAYMENTS WERE REMITTED TO THE CITY AFTER THE DUE DATES SPECIFIED IN THE GROUND LEASE AGREEMENT, BUT LATE FEES WERE NOT ACCURATELY CHARGED, RESULTING IN \$2,729.19 DUE, WHICH INCLUDES \$642.89 IN FLORIDA SALES TAX.	The Asset Management Division should ensure that future percentage rent payments are remitted timely pursuant to the Ground Lease Agreement. If not, the specified late charges should be promptly and accurately billed. The Asset Management Division should review the OIG calculations, and if it agrees, credit the current Tenant in the amount of \$1,413.83 (\$7,651.19 billed - \$5,856.68 due - \$380.68 Florida Sales tax due) related to its 2021 calendar year payment and remit \$380.68 to the State related to the percentage rent late fee collected during the audit period. In addition, the Asset Management Division should invoice the former tenant, 16 th Street Partners, LLC, for the identified late charges plus Florida Sales tax of \$2,345.25 for 2018 and \$1,797.76 for 2019.	10	12/2/2023 FULLY IMPLEMENTED	The current Asset Management Division staff had no history of the previous management company (LNR) to confirm if those late fees were waived by the City. Since LNR is no longer managing this property, the Asset Management Division did not agree with back billing these late fees. On August 25, 2022, the Asset Management Division billed and collected the late fee for the 2021 period where the Tenant was 175 days late in the amount of \$7,651.19. However, in reviewing the late fee charged, it was not calculated correctly. The Asset Management Division reviewed the OIG's calculation, and after consulting with the City Attorney's Office as well as the Finance Department, it was determined the OIG based the prime interest rate calculation solely on the rate in effect on the first day the payment was late. However, in accordance to section 4.1 "Late Charges", "...the late payment shall bear interest from the date due until the date paid at a rate (the "Late Charge Rate") equal to the lesser of (a) Four Percent (4%) per annum in excess of the prime rate in effect from time to time..." Since the prime rate changed four (4) times over the 175 days the Tenant was late, the amount due by Tenant would be \$6,629.88 plus sales tax of \$430.94, for a total of \$7,060.82.
4	Facilities and Fleet Management Department	THE TENANT DID NOT SUBMIT ALL THE REQUIRED REPORTS FOR THE PERCENTAGE RENT PAYMENTS BY THE DESIGNATED DUE DATES SPECIFIED IN THE GROUND LEASE AGREEMENT.	The Tenant should timely submit all required reports to the City Asset Management Division pursuant to the Ground Lease Agreement. All reports should be time/date stamped upon receipt by the City to document whether the Tenant complies with established due dates. If not timely received, the Asset Management Division should document the deficiency, follow up with the Tenant, and implement any enforcement actions available in the Ground Lease Agreement, where applicable.	13	11/30/2023 FULLY IMPLEMENTED	The Asset Management Division did not believe the reports mentioned above were delivered late to the City. The current Asset Management team has been maintaining time/date stamps on received documents, despite it not being a lease requirement. The team follows up with tenants for their deliverables and implements the appropriate enforcement per the lease.
5	Facilities and Fleet Management Department	PERCENTAGE RENT PAYMENTS COULD NOT BE VERIFIED DUE TO INSUFFICIENT SUPPORTING DOCUMENTATION AS REQUIRED PER THE GROUND LEASE AGREEMENT.	The Tenants should timely submit all required financial statements and back-up documentation to the Asset Management Division under the executed Ground Lease Agreement. In addition, the Asset Management Division should validate the corresponding figures as per the supporting documentation to those reported in the annual percentage rent calculations provided by the Tenant. If the documentation still needs to be received as part of submitting the percentage rent payments, the Asset Management Division should promptly notify the Tenant of the deficiency in writing and implement any disciplinary actions available in the Ground Lease Agreement.	15	11/30/2023 FULLY IMPLEMENTED	These processes and procedures have been in effect since 2022, which is prior to the commencement of this audit. Unfortunately, we cannot comment on anything prior.
6	Facilities and Fleet Management Department Risk Management Division	FINDING: TENANT WAS NOT COMPLIANT WITH ALL INSURANCE REQUIREMENTS PURSUANT TO ARTICLE 7 OF THE GROUND LEASE AGREEMENT FOR MOST OF THE AUDIT PERIOD.	The responsible City staff should revise the Exigis software parameters related to Lincoln Place to mirror the insurance requirements listed in Article 7, Insurance, of the Ground Lease Agreement. Asset Management Division staff should ensure that the Certificate of Insurance is fully compliant with the Ground Lease Agreement and consult with Risk Management Division staff to answer any questions regarding insurance compliance. In addition, the Asset Management Division should periodically review Exigis software to validate that the Tenant complies with the related insurance requirements.	17	11/30/2023 FULLY IMPLEMENTED	The Asset Management Division verifies the received certificates of insurance in accordance with the lease requirements. This recommendation comes up on all audits during the same period. Prior to the first finding of this discrepancy (for the current Asset Staff), the Asset Management staff had no knowledge that Exigis parameters would not necessarily mirror the lease requirements. This has been corrected and continues to be reviewed regularly. Risk Management confirmed that tenant is in compliance with Insurance requirements.

Implementation Status: Not Implemented, Partially Implemented, Fully Implemented or No Longer Applicable

Audit Finding #	Responsible Party (Auditees)	Audit Finding	Recommendation (s)	Report Page #	Implementation Status per Auditee	Auditee Comments
1	Risk Management	MISALIGNMENT BETWEEN EXIGIS SYSTEM PARAMETERS AND INSURANCE REQUIREMENTS IN 20 OF 21 OIG SAMPLED CONTRACTS/AGREEMENTS.	The above deficiencies related to the profile of the 20 sampled Exigis vendors with noncompliant insurance parameters should be revised by City staff to mirror the insurance requirements of the associated contracts/agreements. Given the high percentage of sampled contracts/agreements containing deficiencies (20/21 = 95.24%), the OIG strongly recommends that Risk Management Division staff review all other City contracts/agreements, including those executed prospectively, to determine whether the listed insurance parameters are sufficient. If deficient, the necessary corrections should be promptly made. It is also recommended that the Risk Management Division develop an alternate procedure for any contract/agreement with an insurance requirement not verified by Exigis (e.g., Business Interruption insurance) to determine whether pertinent vendors are compliant through an Umbrella Package or another policy.	4	fully implemented	All departments have been informed to contact Risk Management for insurance requirements. We conduct periodic checks of various vendors and provide feedback to EXIGIS. Please note that customization within EXIGIS is not possible without additional cost and this can cause to variance or exception from time to time.
2	Risk Management	MINIMUM INSURANCE COVERAGE REQUIRED BY RISK MANAGEMENT WAS NOT SATISFIED BY INSURANCE CONTRACTS/AGREEMENTS.	The Risk Management Minimum Insurance Requirements, the insurance provisions in the executed contracts/agreements, and the parameters in the Exigis system should be aligned. Furthermore, the vendor-maintained insurance coverage should, at a minimum, satisfy the stated requirements during the terms of the contracts/agreements. If not, the City's related risk exposure is increased. Risk Management Division staff should be required to approve the form of all future contracts/agreements in the approval queue before their execution to verify the alignment of the stated terms with the required insurance coverage. Also, the City should contact associated vendors to try to amend any existing contracts/agreements containing materially deficient insurance coverage provisions.	9	fully implemented	All departments have been made aware to reach out to Risk Management for insurance requirements prior to entering the evaluation into EXIGIS. Please note that customization within EXIGIS is not possible without additional cost and this can cause to variance or exception from time to time.
3	Risk Management	NO DOCUMENTED METHODOLOGY OR PROCESS HAS BEEN FOLLOWED TO CONFIRM THAT VENDORS MAINTAIN THE REQUIRED INSURANCE COVERAGE THROUGHOUT THE TERM OF THEIR CONTRACTS/AGREEMENTS.	Risk Management Division staff should document a methodology or process to determine whether each approved vendor insurance policy continues to satisfy the designated requirements during the remaining term of the contract/agreement. At a minimum, Risk Management Division staff should periodically examine the vendor's insurance coverage and document the results. Vendors should be promptly notified of any identified deficiencies, and available disciplinary actions should be enforced against repetitive non-compliant vendors or those entities that do not timely correct the identified deficiency.	12	fully implemented	Exigis completes this upon notification from the vendor or the expiration date on the certificate of insurance. A notification email is sent to the vendor 30 days and 14 days prior to expiration requesting an updated certificate of insurance coverage from each vendor.
4	Risk Management	OUTDATED EXIGIS USER LIST WITH UNREVOKED SYSTEM ACCESS FOR 81 TERMINATED EMPLOYEES AS OF NOVEMBER 3, 2022.	The OIG Auditor sent an email to the current City Risk Manager recommending deactivation of all active access related to terminated employees and to determine whether the two unknown users need system access. If not already completed, any active accounts belonging to former employees should be promptly deactivated. • A documented process should be created to determine which employees need access to Exigis and to ensure that the accounts of any individuals separated from employment are timely deactivated. • Risk Management Division staff should also examine, at least annually, the Exigis system User Roles assigned to individuals to determine if any changes are needed based on the current position and job duties.	13	fully implemented	At this time EXIGIS will send a report quarterly for Risk Management to review and reconcile. This will control the number of associate who have access to the database.
5	Risk Management	THE LACK OF A CENTRALIZED LISTING OF ALL CITY AGREEMENTS HINDERS THE DETERMINATION OF THOSE REQUIRING INSURANCE COVERAGE.	The City Manager or her designee should create and adopt a Citywide procedure requiring departments and divisions to provide copies of all contracts/agreements to the Procurement Department, including those that did not go through the established procurement process. Once received, each contract/agreement should be uploaded to the City website to centralize the related information and to facilitate identification.	14	fully implemented	Risk Management monitors monthly all agreements that cannot be entered into EXIGIS for compliance, see the attached spreadsheet used to comply with this finding.
6	Risk Management	UNCERTAINTY EXISTS IN IDENTIFYING CITY STAFF RESPONSIBLE FOR THE EXIGIS RISKWORKS SOFTWARE ADMINISTRATION, INCLUDING OWNERSHIP OF THE DATA.	The City Manager or her designee should implement an oversight process to monitor the data within the Insurance Certificate Tracking System, including determining the corresponding data owner and the duties of each involved department/division, to help establish accountability and prevent the deficiencies noted in this report from reoccurring. Otherwise, all the anticipated benefits of contracting with Exigis may not be realized and the associated City funds may not be well spent.	15	fully implemented	Risk Management team conducts monthly reviews of EXIGIS information to reduce deficiencies and maximize the effectiveness of the vendor.
7	Risk Management	NO EVIDENCE WAS PROVIDED OF A DOCUMENTED STANDARD OPERATING PROCEDURE CONCERNING EVALUATING VENDOR-MAINTAINED INSURANCE COVERAGE, SETTING INSURANCE PARAMETERS, AND FOLLOW-UP OF NON-COMPLIANT RESULTS.	The City Administration or its designee should develop and document an oversight process to better ensure compliance with insurance requirements included in contracts/agreements and to timely follow-up on non-compliant vendors or be subject to potential disciplinary actions.	16	fully implemented	Procurement sends a weekly non-compliance report to every department citywide. Each department is responsible for contacting the vendor and requesting the missing information. Risk Management will conduct periodic training to our business partners.

