



MIAMI BEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jorge M. Gonzalez, City Manager
VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: April 22, 2009
AUDIT: State Beachfront Management Agreement (#3595) Financial Review (IA09-01a)
PERIOD: October 1, 2007 through September 30, 2008

This audit report is being submitted in compliance with the annual audit reporting requirement of subparagraph (2) of the original State Beachfront Management Agreement No. 750-0006 dated February 3, 1982. This management agreement was subsequently reassigned No. 3595 by the State Department of Natural Resources. Furthermore, amendment number 1 was signed on August 9, 2007 extending the original terms for an additional twenty-five years until February 7, 2032.

INTRODUCTION

State Beachfront Management Agreement No. 3595 requires that the City of Miami Beach remit to the Florida Department of Environmental Protection 25% ("sand tax") of any and all monies the City collects from private concerns for the use of State beachfront property. There are three categories of beachfront property users:

- Operators of beachfront concessions seaward of Lummus Park, Ocean Terrace, North Shore Open Space Park and Pier Park (Boucher Brothers and Penrod Brothers,) who pay for use of the beachfront as per their respective contractual agreements.
- Miami Beach hoteliers and condominium associations, which pay beach upland fees to the City on an annual basis, at the same time that they pay their Occupational License fees.
- Members of the public who run organized, usually one time only, events on the beach, such as weddings, volleyball tournaments and corporate affairs. These are called Special Events, and payments are remitted to Tourism and Cultural Development.

The following table lists the audited amount of sand tax due and paid to the State by the three categories of users during the audit period:

Category	Total Revenues Collected	25% Sand Tax Due	Amount Remitted	Difference
Beachfront Concessions	\$782,384	\$195,596	\$192,008	\$3,588
Hoteliers and Condo Associations	\$156,073	\$39,018	\$52,762	(\$13,744)
Special Events	\$154,965	\$38,741	\$38,741	\$0
Total	\$1,093,422	\$273,355	\$283,511	(\$10,155)

OVERALL OPINION

Based upon our examination of City records, it has been determined that during the audit period of October 1, 2007 through September 30, 2008, the City received a total of \$1,093,422 in revenues

Internal Audit Report
State Beachfront Management Agreement Financial Review (#3595)
April 22, 2009

subject to the State Beachfront Management Agreement. This figure represents an increase of \$266,898 or 32.29% over the fiscal year 2006/07's total of \$826,524. Subsequent testing showed that the City remitted \$283,511 which was \$10,155 more than the actual amount due of \$273,355 (\$1,093,422 x 25%). See the attached supporting schedule for revenue details by concessionaire during the audit period.

PURPOSE

The purpose of this audit is to determine whether the City complied with State Beachfront Management Agreement No. 3595 by accurately calculating, timely remitting and properly recording sand tax monies to the Florida Department of Environmental Protection equal to 25% of any and all revenues collected from private concerns for the use of State beachfront property.

FINDING AND RECOMMENDATION

Finding: *State's 25% portion of sand tax not paid correctly*

Internal Audit's testing found a variety of calculation errors causing both sand tax underpayments and overpayments to the State of Florida. The net result is a \$10,155 overpayment as shown in the attached schedule.

Recommendation(s):

The Finance Department has been notified and will deduct this amount in the City's next sand tax payment. During the course of the audit, the Finance Department corrected procedures on handling and reconciling payments and retrained existing personnel.

JJS:MC:mc

audit performed by Mark Coolidge

F:\obpi\AUD\INTERNAL AUDIT FILES\DOC08-09\REPORTS - DRAFT\BEACH 08 STATE RPT.doc

Internal Audit Report
State Beachfront Management Agreement Financial Review (#3595)
April 22, 2009

SCHEDULE OF FEES COLLECTED
BEACHFRONT MANAGEMENT AGREEMENT
FISCAL YEAR 07/08

	<u>CONCESSIONAIRE</u>	<u>TOTAL FEES</u> *	<u>75% OF</u> <u>TOTAL</u>	<u>25% DUE</u> <u>STATE</u>	<u>REMITTED</u> <u>TO STATE</u>	<u>OWED</u> <u>TO STATE</u>
1	2201 Collins Avenue, LLC	6,018.00	4,513.50	1,504.50	1,962.25	(457.75)
2	3B Productions	3,746.48	2,809.86	936.62	936.62	0.00
3	AB Green Lido Operator, Inc.	303.72	227.79	75.93	75.93	0.00
4	AB Green Raleigh Operator, Inc.	303.72	227.79	75.93	75.93	0.00
5	Arlen Beach Condominium	4,403.00	3,302.25	1,100.75	1,417.75	(317.00)
6	Basketball Properties Ltd.	35,149.52	26,362.14	8,787.38	8,787.38	0.00
7	Beach Hotel Associates LLC	4,387.36	3,290.52	1,096.84	1,096.84	0.00
8	Beach Tennis USA	6,448.56	4,836.42	1,612.14	1,612.14	0.00
9	Beta Epsilon/Cadillac LLC	4,471.00	3,353.25	1,117.75	1,276.25	(158.50)
10	BGW Design Limited Inc.	13,483.20	10,112.40	3,370.80	3,370.80	0.00
11	Boucher Brothers	642,267.08	481,700.31	160,566.77	160,566.77	0.00
12	Continuum on So. Beach	5,338.00	4,003.50	1,334.50	1,477.25	(142.75)
13	Creative Web Studio	2,287.84	1,715.88	571.96	571.96	0.00
14	Crown	2,958.00	2,218.50	739.50	1,056.50	(317.00)
15	Crystal Beach Development	2,856.00	2,142.00	714.00	872.50	(158.50)
16	Days Inn Art Deco	2,482.00	1,861.50	620.50	930.25	(309.75)
17	Days Inn Oceanside	2,261.00	1,695.75	565.25	892.50	(327.25)
18	Decoplage Condo Assn.	10,000.00	7,500.00	2,500.00	2,817.00	(317.00)
19	Delano Hotel	3,536.00	2,652.00	884.00	1,190.50	(306.50)
20	Doubletree Surfcomber Hotel	1,870.00	1,402.50	467.50	779.00	(311.50)
21	East Atlantic Gardens Condominium	212.50	159.38	53.13	132.36	(79.24)
22	Eden Roc Hotel	5,950.00	4,462.50	1,487.50	1,767.50	(280.00)
23	Espanola Way Association	772.44	579.33	193.11	193.11	0.00
24	Euro RSG 4D Impact	134.56	100.92	33.64	33.64	0.00
25	Exclusive Marketing Inc.	8,394.92	6,296.19	2,098.73	2,098.73	0.00
26	Experience Florida Inc.	7,196.24	5,397.18	1,799.06	1,799.06	0.00
27	Fontainebleau Hotel	10,000.00	7,500.00	2,500.00	2,975.50	(475.50)
28	Fontainebleau Hotel	10,000.00	7,500.00	2,500.00	2,975.50	(475.50)
29	Four Points/Sheraton	3,672.00	2,754.00	918.00	1,304.25	(386.25)
30	Hello Florida Inc.	1,168.20	876.15	292.05	292.05	0.00
31	Holiday Inn Miami Beach	4,216.00	3,162.00	1,054.00	1,191.75	(137.75)
32	Il Paniagua, Inc.	303.72	227.79	75.93	75.93	0.00
33	Il Villaggio Condo Assn. (Special Events)	1,348.12	1,011.09	337.03	337.03	0.00
34	Katrina's/The Bath Club	3,400.00	2,550.00	850.00	1,167.00	(317.00)
35	King Richard Condominium	884.00	663.00	221.00	538.00	(317.00)
36	Koncept Events LLC	2,990.64	2,242.98	747.66	747.66	0.00
37	Latam Acquisition LLC	5,504.68	4,128.51	1,376.17	1,376.17	0.00
38	Leisure Time Tours	807.48	605.61	201.87	201.87	0.00
39	Loews	0.00	0.00	0.00	1,514.00	(1,514.00)
40	Logistics Management Group	2,513.08	1,884.81	628.27	628.27	0.00
41	Marriott Fairfield Inn	3,468.00	2,601.00	867.00	1,015.25	(148.25)

Internal Audit Report
 State Beachfront Management Agreement Financial Review (#3595)
 April 22, 2009

42	Marseille Hotel	1,921.00	1,440.75	480.25	633.00	(152.75)
43	Miami Beach Marriott	4,012.00	3,009.00	1,003.00	1,308.25	(305.25)
44	Michael Epstein Productions LLC	1,635.52	1,226.64	408.88	408.88	0.00
45	OB-MMG Enterprises, LLC	4,672.88	3,504.66	1,168.22	1,168.22	0.00
46	Palms South Beach	4,182.00	3,136.50	1,045.50	1,508.75	(463.25)
47	Paulette Wolf Events	3,116.80	2,337.60	779.20	779.20	0.00
48	Penrod Brothers (Business Tax)	0.00	0.00	0.00	475.50	(475.50)
49	Penrod Brothers (Beach Concessions)	19,616.72	14,712.54	4,904.18	4,408.01	496.17
50	Penrod Brothers (Special Events)	24,736.00	18,552.00	6,184.00	6,184.00	0.00
51	Polo Life LLC	2,036.92	1,527.69	509.23	509.23	0.00
52	Quality Inn	3,740.00	2,805.00	935.00	1,241.00	(306.00)
53	Riande Continental Hotel	910.00	682.50	227.50	227.50	0.00
54	Ritz Carlton	6,392.00	4,794.00	1,598.00	1,915.00	(317.00)
55	Royal Palm	7,089.00	5,316.75	1,772.25	2,089.25	(317.00)
56	Sagamore Hotel	1,564.00	1,173.00	391.00	703.50	(312.50)
57	Shelborne Beach Resort	4,335.00	3,251.25	1,083.75	1,225.25	(141.50)
58	Shelborne Beach Resort	4,335.00	3,251.25	1,083.75	1,250.00	(166.25)
59	Soiree Miami Inc.	1,125.00	843.75	281.25	281.25	0.00
60	South Seas Hotel	1,989.00	1,491.75	497.25	650.00	(152.75)
61	Spiegel	4,488.32	3,366.24	1,122.08	1,122.08	0.00
62	Sports Endeavors Inc.	6,317.76	4,738.32	1,579.44	1,579.44	0.00
63	Swimwear Association of Florida	9,196.24	6,897.18	2,299.06	2,299.06	0.00
64	The Bentley Beach	1,853.00	1,389.75	463.25	774.75	(311.50)
65	The Michael Alan Group	255.12	191.34	63.78	63.78	0.00
66	The Raleigh Hotel	1,938.00	1,453.50	484.50	795.75	(311.25)
67	The Savoy on South Beach	1,139.00	854.25	284.75	598.50	(313.75)
68	The Setai Resort and Condo (Special Events)	140.20	105.15	35.05	35.05	0.00
69	The Setai Resort and Condo (Upland Fee)	4,539.00	3,404.25	1,134.75	2,890.25	(1,755.50)
70	The Setai Resort and Condo (Upland Fee)	4,539.00	3,404.25	1,134.75	1,543.50	(408.75)
71	The Shore Club Hotel/Philips	5,525.00	4,143.75	1,381.25	1,682.00	(300.75)
72	TOBY's Concession Services (Concession)	120,500.00	90,375.00	30,125.00	25,606.25	4,518.75
73	TOBY's Concession Services (Business Tax)	0.00	0.00	0.00	951.00	(951.00)
74	Westgate Resort	782.00	586.50	195.50	354.00	(158.50)
75	Wyndham Miami Beach Resort	7,293.00	5,469.75	1,823.25	2,118.75	(295.50)
Total		\$1,093,421.54	\$820,066.16	\$273,355.39	\$283,510.70	(\$10,155.32)

*Excludes sales tax