



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: March 31, 2008
AUDIT: State Beachfront Management Agreement (#3595) Financial Review
PERIOD: October 1, 2006 through September 30, 2007

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 | \$600,443 | \$150,111 | \$150,111 | \$0 |
| Hoteliers and Condo Associations | \$134,656 | \$33,664 | \$33,124 | \$540 |
| Special Events | \$91,425 | \$22,856 | \$22,856 | \$0 |
| Total | \$826,524 | \$206,631 | \$206,091 | \$540 |

OVERALL OPINION

Based upon our examination of City records, it has been determined that during the audit period of October 1, 2006 through September 30, 2007, the City received a total of \$826,524.12 in revenues

Internal Audit Report
State Beachfront Management Agreement Financial Review (#3595)
March 31, 2008

subject to the State Beachfront Management Agreement. This figure represents an increase of \$61,075.10 or 7.98% over the fiscal year 2005/06's total of \$765,449.02. Subsequent testing showed that the City only remitted \$206,091.45 which was \$539.59 less than the actual amount due of \$206,631.03 ($\$826,524.12 \times 25\%$). 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 \$539.59 underpayment as shown in the attached schedule.

Recommendation(s):

The Finance Department has been notified and will include this amount in the City's next sand tax payment.

JJS:MC:mc

audit performed by Mark Coolidge

F:\obpi\AUD\DOC07-08\REPORTS - FINAL\BEACH 07 STATE RPT.doc

Internal Audit Report
 State Beachfront Management Agreement Financial Review (#3595)
 March 31, 2008

SCHEDULE OF FEES COLLECTED
 BEACHFRONT MANAGEMENT AGREEMENT
 FISCAL YEAR 06/07

| | | | | <u>REMITTED</u> | <u>OWED</u> | |
|-----------------------|------------------------------------|---------------------|----------------------|-----------------|-----------------|------------|
| <u>CONCESSIONAIRE</u> | <u>TOTAL FEES *</u> | <u>75% OF TOTAL</u> | <u>25% DUE STATE</u> | <u>TO STATE</u> | <u>TO STATE</u> | |
| 1 | 1500 Ocean Drive Associates | \$1,792.00 | \$1,344.00 | \$448.00 | \$362.63 | \$85.37 |
| 2 | 2201 Collins Avenue, LLC | 5,664.00 | 4,248.00 | 1,416.00 | 1,416.00 | 0.00 |
| 3 | Alexander Hotel | 3,680.00 | 2,760.00 | 920.00 | 920.00 | 0.00 |
| 4 | Arden Savoy | 1,200.00 | 900.00 | 300.00 | 300.00 | 0.00 |
| 5 | Art Center South Florida | 6,308.40 | 4,731.30 | 1,577.10 | 1,577.10 | 0.00 |
| 6 | Avista Studios | 5,887.84 | 4,415.88 | 1,471.96 | 1,471.96 | 0.00 |
| 7 | Best Western Atlantic Beach | 3,264.00 | 2,448.00 | 816.00 | 816.00 | 0.00 |
| 8 | Beta Epsilon/Cadillac LLC | 4,208.00 | 3,156.00 | 1,052.00 | 0.00 | 1,052.00 |
| 9 | BGW Design Limited | 3,785.04 | 2,838.78 | 946.26 | 946.26 | 0.00 |
| 10 | Blue and Green Diamond | 0.00 | 0.00 | 0.00 | 158.50 | (158.50) |
| 11 | Boucher Brothers | 583,457.40 | 437,593.05 | 145,864.35 | 146,498.35 | (634.00) |
| 12 | Continuum on So. Beach | 5,024.00 | 3,768.00 | 1,256.00 | 1,256.00 | 0.00 |
| 13 | Crystal Beach Development | 1,344.00 | 1,008.00 | 336.00 | 0.00 | 336.00 |
| 14 | CSC Traymore | 1,376.00 | 1,032.00 | 344.00 | 344.00 | 0.00 |
| 15 | Days Inn Art Deco | 2,336.00 | 1,752.00 | 584.00 | 584.00 | 0.00 |
| 16 | Days Inn Oceanside | 2,128.00 | 1,596.00 | 532.00 | 532.00 | 0.00 |
| 17 | Deco Productions | 1,373.84 | 1,030.38 | 343.46 | 343.46 | 0.00 |
| 18 | Decoplage Condo Assn. | 10,000.00 | 7,500.00 | 2,500.00 | 2,500.00 | 0.00 |
| 19 | Delano Hotel | 3,328.00 | 2,496.00 | 832.00 | 832.00 | 0.00 |
| 20 | Doubletree Surfcomber Hotel | 1,760.00 | 1,320.00 | 440.00 | 440.00 | 0.00 |
| 21 | East End Volleyball | 446.52 | 334.89 | 111.63 | 111.63 | 0.00 |
| 22 | Eden Roc Hotel | 5,600.00 | 4,200.00 | 1,400.00 | 1,400.00 | 0.00 |
| 23 | Exclusive Marketing Inc. | 3,709.08 | 2,781.81 | 927.27 | 927.27 | 0.00 |
| 24 | Fontainebleau Hotel | 10,000.00 | 7,500.00 | 2,500.00 | 2,500.00 | 0.00 |
| 25 | Four Points/Sheraton | 3,456.00 | 2,592.00 | 864.00 | 864.00 | 0.00 |
| 26 | Frere Independent | 747.68 | 560.76 | 186.92 | 186.92 | 0.00 |
| 27 | Hello Florida Inc. | 2,989.72 | 2,242.29 | 747.43 | 747.43 | 0.00 |
| 28 | Holiday Inn Miami Beach | 3,968.00 | 2,976.00 | 992.00 | 992.00 | 0.00 |
| 29 | Hospitality by Brenda Gordon, Inc. | 175.24 | 131.43 | 43.81 | 43.81 | 0.00 |
| 30 | Il Villaggio Condo Assn. | 2,032.00 | 1,524.00 | 508.00 | 430.12 | 77.88 |
| 31 | Innovative Events | 560.76 | 420.57 | 140.19 | 990.69 | (850.50) |
| 32 | Katrina's/The Bath Club | 3,200.00 | 2,400.00 | 800.00 | 800.00 | 0.00 |
| 33 | Lead Dog Marketing Group | 140.60 | 105.45 | 35.15 | 35.15 | 0.00 |
| 34 | Marseille Hotel | 1,808.00 | 1,356.00 | 452.00 | 452.00 | 0.00 |
| 35 | Miami Beach Marriott | 3,776.00 | 2,832.00 | 944.00 | 944.00 | 0.00 |
| 36 | On Board Entertainment | 8,859.80 | 6,644.85 | 2,214.95 | 2,214.95 | 0.00 |
| 37 | Palms South Beach | 3,936.00 | 2,952.00 | 984.00 | 984.00 | 0.00 |
| 38 | Penrod Brothers | 58,999.40 | 44,249.55 | 14,749.85 | 14,749.85 | 0.00 |
| 39 | Polo Line LLC | 4,759.04 | 3,569.28 | 1,189.76 | 1,189.76 | 0.00 |
| 40 | Quality Inn | 3,600.00 | 2,700.00 | 900.00 | 900.00 | 0.00 |
| 41 | Regency Party Rentals | 1,404.68 | 1,053.51 | 351.17 | 351.17 | 0.00 |
| 42 | Riande Continental Hotel | 4,016.00 | 3,012.00 | 1,004.00 | 1,143.75 | (139.75) |
| 43 | Richmond Hotel | 1,712.00 | 1,284.00 | 428.00 | (1,154.13) | 1,582.13 |
| 44 | Riutel Florida | 4,544.00 | 3,408.00 | 1,136.00 | 2,645.75 | (1,509.75) |
| 45 | Ritz Carlton | 6,016.00 | 4,512.00 | 1,504.00 | 1,504.00 | 0.00 |

Internal Audit Report
 State Beachfront Management Agreement Financial Review (#3595)
 March 31, 2008

SCHEDULE OF FEES COLLECTED
 BEACHFRONT MANAGEMENT AGREEMENT
 FISCAL YEAR 06/07

| <u>CONCESSIONAIRE</u> | <u>TOTAL FEES *</u> | <u>75% OF TOTAL</u> | <u>25% DUE STATE</u> | <u>REMITTED TO STATE</u> | <u>OWED TO STATE</u> |
|---------------------------------|---------------------|-------------------------|--------------------------|------------------------------|--------------------------|
| 46 Royal Palm | 0.00 | 0.00 | 0.00 | (917.30) | 917.30 |
| 47 Sagamore Hotel | 1,472.00 | 1,104.00 | 368.00 | 586.58 | (218.58) |
| 48 SC Collins LLC | 4,711.68 | 3,533.76 | 1,177.92 | 1,177.92 | 0.00 |
| 49 Shelborne Beach Resort | 4,080.00 | 3,060.00 | 1,020.00 | 1,020.00 | 0.00 |
| 50 Soiree Miami Inc. | 280.36 | 210.27 | 70.09 | 70.09 | 0.00 |
| 51 South Seas Hotel | 1,872.00 | 1,404.00 | 468.00 | 468.00 | 0.00 |
| 52 TBA Global Events | 3,271.04 | 2,453.28 | 817.76 | 817.76 | 0.00 |
| 53 The Bentley Beach | 1,744.00 | 1,308.00 | 436.00 | 436.00 | 0.00 |
| 54 The National | 2,560.00 | 1,920.00 | 640.00 | 640.00 | 0.00 |
| 55 The Raleigh Hotel | 1,824.00 | 1,368.00 | 456.00 | 456.00 | 0.00 |
| 56 The Setai Resort and Condo | 4,272.00 | 3,204.00 | 1,068.00 | 1,068.00 | 0.00 |
| 57 The Shore Club Hotel/Philips | 5,200.00 | 3,900.00 | 1,300.00 | 1,300.00 | 0.00 |
| 58 Wyndham Miami Beach Resort | 6,864.00 | 5,148.00 | 1,716.00 | 1,716.00 | 0.00 |
| Total | \$826,524.12 | \$619,893.09 | \$206,631.03 | \$206,091.45 | \$539.59 |

*Excludes sales tax