



MIAMIBEACH

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: January 12, 2009
AUDIT: Miami Beach Chamber of Commerce Audit
PERIOD: October 1, 2006 through April 30, 2008

INTRODUCTION

The Miami Beach Chamber of Commerce or MBCC was originally formed in 1921 to promote the City. Over the last eighty-seven years, this non-profit 501c(6) organization has helped its members contribute to the well-being of Miami Beach's residential and business community. Its mission has been to provide community leadership to achieve economic growth in business and industry, improve the quality of community life, reach consensus on major issues, represent the interest and advancement of its members and promote responsible principles in the conduct of business and government.

MBCC is governed by an active and diverse thirty-five member Board of Governors with Wendy E. Kallergis currently serving as its President and Chief Executive Officer. The Board of Governors meet once a month to discuss such items as financial data, upcoming events, goals and objectives, etc.

Corporate offices are located at 1920 Meridian Avenue on the third floor of the Miami Beach Chamber Building unveiled in 2002. They also operate a Visitors Center on the first floor that patrons visit for information, maps, directions and expertise to enhance their stay on Miami Beach.

The City through the ratification of Resolution No. 99-23418 agreed to contribute up to seven \$30,000 yearly installments toward the Visitors Center's construction. The first installment was paid in the 2002/03 fiscal year and the last will be made this fiscal year 2008/09. Other grant monies received by the MBCC to help fund Visitor Center operations include \$40,000 from the City, \$40,000 from the Greater Miami Visitor and Convention Bureau, \$30,000 from the Miami Beach Visitor and Convention Authority and \$20,000 from the Miami-Dade County Tourism Development Council.

OVERALL OPINION

The Miami Beach Chamber of Commerce (MBCC) stages a number of community projects to benefit its members and the Miami Beach community which includes helping manage and fund the Visitors Center. City disbursed grant funds for its construction were properly deposited into MBCC's Colonial Bank operating account during the audit period. Similarly, reviewed expenditures for such approved items as payroll, postage, advertising, etc. were sufficiently documented and timely paid. However, the following minor items were noted during testing and are in need of improvement:

- Grant monies in the amount of \$40,000 per year to fund the operations of the Visitor Center were not requested by the agency for the fiscal years 2006/07 and 2007/08 during the respective fiscal years.

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- The supporting documentation for expenditures paid with City provided grant funds could be better centralized and organized as to expedite independent verification and reconciliation.
- The City does not presently require non-profit organizations receiving citywide funds to sign grant agreements to specify how the monies are to be spent, what records should be submitted, etc.

PURPOSE

To determine whether the grantee's revenues and expenses related to the City and other grants were properly accounted for, documented and reported.

SCOPE

1. Confirm that grant revenues received were deposited intact in the organization's operating account.
2. Confirm that grant monies were properly spent for qualified expenditures in satisfaction of the terms listed in the signed grant agreements.
3. Confirm that annual certified financial statements were prepared and that the amounts reported therein agree with any amounts previously provided.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding: *Grant monies not requested by agency*
The City's adopted budget book for 2006/07 and 2007/08 fiscal years shows the appropriation of \$30,000 annually to help the Miami Beach Chamber of Commerce (MBCC) recover the cost of the Visitors Center's construction in accordance with Resolution No. 99-23418. These monies were timely remitted and correctly deposited into MBCC's Colonial Bank operating account.

Similarly, the City approved \$40,000 annually to fund the Visitors Center operations during the same period. However, MBCC did not remit any invoices during these fiscal years; therefore no payment was made by the City for either the 2006/07 or 2007/08 fiscal years. Subsequent to our audit the MBCC invoiced the City on October 27, 2008 for these two fiscal years.

Financials reports consisting of a separate schedule of revenues and costs associated with the operations of the Visitor Center were provided by the Chamber during the audit. Actual loss for 2006/07 fiscal year was \$(11,501) and projected (at 3/31/08) for 2007/08 fiscal year was \$(21,424). These figures do not include any overhead allocation from the Chamber.

Recommendation(s):

The City should define the awarding of grant monies process through the Citywide Cost Centers to help ensure that all organizations authorized to receive monies are properly notified and advised that funds will expire if not invoiced prior to the end of the Fiscal Year.

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Management Response:

The City's Office of Budget and Performance Improvement will develop a simple agreement to formalize the grant process for non-profit agencies receiving funds through the citywide accounts beginning in the 2009/10 fiscal year. Included in this process will be the determination of how and when the payment is to be made, what reports are to be required and which City department will be responsible for monitoring the grant.

2. Finding: Accounting Records Maintenance

The Miami Beach Chamber of Commerce (MBCC) deposits all the grant funds received into their operating checking account with Colonial Bank. All reviewed expenditures were for such approved operating expenses as salaries, courier service, telephone, postage, printing, etc. and were timely paid. Similarly, all the non-profit organization's fiscal year invoices were intermixed in an accordion file sorted alphabetically by vendor. Although acceptable practices, it places more importance on MBCC's need to distinguish between the supporting documentation for each organizations' grant expenditures if requested.

Recommendation(s):

All expenditures paid with City disbursed grant funds supporting documentation should be stored together by fiscal year to facilitate review.

Management Response:

MBCC will implement procedures for complying with the recommendations. An additional copy of supporting documentation for expenditures paid with city grant funds will be kept by fiscal year.

3. Finding: Absence of a Grant Agreement

The City provides grant monies to MBCC annually but does not require a signed agreement detailing how the funds are to be spent, what reports are to be filed, is an audit or review required and by when, etc. Therefore, the City has little voice once the funds are disbursed other than to withhold future contributions and is unsure if the monies were spent properly. Other organizations like Miami-Dade County and the Miami Beach Visitor and Convention Authority require that the non-profit organizations sign a grant agreement before issuing any grant monies.

Recommendation(s):

The City should research the possibility of securing a signed grant agreement detailing the desired terms prior to disbursing the designated monies.

Management Response:

The City's Office of Budget and Performance Improvement will develop a simple agreement to formalize the grant process for non-profit agencies receiving funds through the citywide accounts beginning in the 2009/10 fiscal year.

EXIT CONFERENCE

The draft audit report was sent electronically to Miami Beach Chamber of Commerce for review and to solicit management responses. The Chamber's responses were received on 1/6/09 and are included in this report.

JS:MC:mc

(Audit performed by Mark Coolidge, Senior Auditor)

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cc: Wendy E. Kallergis, President and CEO, Miami Beach Chamber of Commerce
Patricia Walker, Chief Financial Officer
Jose Cruz, Budget Officer