

# City of Miami

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February 14, 2014

Honorable Members of the City Commission  
City of Miami  
3500 Pan American Drive  
Coconut Grove, FL 33133-5504

Re: Audit of Public Facilities Ticket Surcharge Program for Sightseeing Boat Operators  
Audit #14-009

## **Executive Summary**

Pursuant to Section 48 of the City of Miami's (City) Charter and the Office of the Independent Auditor General's Fiscal Year 2013/2014 Audit Plan, we have completed an audit of the City's Ticket Surcharge Program for the months of April and May 2013. The audit was performed in order to determine whether sightseeing boat operators based at Bayside Marketplace were in compliance with Chapter 35/Article I/Section 53-1 of the City Code, which went into effect on April 1, 2013, and to ensure that proper controls and procedures were in place to report and remit ticket surcharge fees to the City.

Based on the results of our audit, we have concluded that overall, ticket surcharge fees, which totaled \$73,969 for all sightseeing boat operators during the two month period, were properly remitted to the City. However, we discovered that operators could enhance their procedures to ensure more effective ticket recording and surcharge collections.

These and other findings are included on pages three through six of the report.

We wish to express our appreciation for the cooperation and courtesies extended to us by the staff of Sightseeing Tours Management, Miami Aqua Tours and Thriller Miami as well as the City of Miami's Public Facilities Department while conducting the audit.

Sincerely,

A handwritten signature in cursive script that reads "Theodore P. Guba".

Theodore P. Guba, CPA, CIA, CFE  
Independent Auditor General  
Office of the Independent Auditor General

C: The Honorable Mayor Tomas Regalado  
Johnny Martinez, City Manager  
Victoria Mendez, City Attorney  
Todd Hannon, City Clerk  
Alice Bravo, Assistant City Manager/Chief of Infrastructure  
Luis Cabrera, Assistant City Manager/Chief of Operations  
Daniel J. Alfonso, Assistant City Manager/Chief Financial Officer  
Jose M. Fernandez, Director, Finance Department  
Henry Torre, Director, Public Facilities Department  
Stephen H. Bogner, Marinas Manager, Public Facilities Department  
Daniel Muelhaupt, Assistant Marinas Manager, Public Facilities Department  
Mike Simpson, Sightseeing Tours Management  
Charles Keith, Thriller Miami  
Felipe Caro, Miami Aqua Tours  
Members of the Audit Advisory Committee  
Audit Documentation File

Audit conducted by: Scarlette Barrios, Staff Auditor  
Lewis Blake, CPA, Audit Manager

Audit reviewed by: Robyn Sachs, CPA, CIA, CISA, CFE, CISSP, Senior Information  
Systems Auditor

**AUDIT OF THE PUBLIC FACILITIES TICKET SURCHARGE PROGRAM  
FOR SIGHTSEEING BOAT OPERATORS**

**APRIL 1, 2013 THROUGH MAY 31, 2013**

**Audit No. 14-009**

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## **SCOPE, OBJECTIVES, AND METHODOLOGY**

This audit was performed pursuant to the authority set forth in Section 48 of the City's Charter entitled, "*Office of Independent Auditor General*" (OIAG) and was conducted in accordance with the OIAG's Fiscal Year 2013/2014 Audit Plan. The audit focused primarily on whether sightseeing boat operators complied with Chapter 35/Article I/Section 53-1 of the City Code, entitled "Ticket Surcharge On Paid Admission to Events".

The audit covered the period April 1, 2013 through May 31, 2013, and was conducted to determine whether all applicable ticket surcharge fees were properly controlled, reconciled, and remitted to the City from three of the four tour boat operators (Thriller Miami, Aqua Tours and Sightseeing Tours Management). The other operator, Fiesta Cruises, was omitted from testing since the surcharge fees were minimal.

We conducted the audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence in order to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit methodology included the following:

- Interviews and inquiries of appropriate personnel
- Observations of current practices and processing techniques
- Reviews of the City Code
- Calculation and verification of gross receipts and related fees
- Tests of applicable transactions and records
- Other audit procedures as deemed necessary

## **BACKGROUND**

On March 14, 2013, the City Commission enacted Ordinance No. 13367 which amended Chapter 53, Article I of the City Code, and granted the City authority to impose and collect a ticket surcharge on admissions to sightseeing boat tours based at City-owned marinas. The surcharge is in addition to the actual ticket price, and is exclusive of applicable taxes or service charges. Section 53-1 (c) of the City Code requires that tour operators be responsible for the collection of the ticket surcharge. As such, on a monthly basis, operators must submit an Excel spreadsheet [in a format that was created by the City's Public Facilities Department (PFD)] that details the number of paid admission tickets sold and the appropriate ticket surcharge. For promotional purposes, operators are allowed to utilize a maximum of 1% of the number all tickets sold per month as Complimentary Tickets.

Pursuant to the Addendum to the Mooring and Dockage License Agreement and the City Code, sightseeing boat operators are required to assess and collect the following ticket surcharge fees, based on the amount of the ticket price:

<b>Ticket Price</b>	<b>Ticket Surcharge (Per ticket sold)</b>
\$1.00 to \$14.99	\$0.75
\$15.00 to \$29.99	\$1.00
\$30.00 and up	\$2.00

The collection of ticket surcharge fees for the sightseeing boat operators began on April 1, 2013. The PFD created a full time Assistant Marinas Manager position to monitor the reporting and collection of ticket surcharge revenue. The City collected a total of \$73,969 in ticket surcharge fees for the months of April and May 2013 from all four sightseeing boat operators.

## **AUDIT FINDINGS AND RECOMMENDATIONS**

### **CONCLUSION:**

Based on the results of our audit, we have concluded that overall, ticket surcharge fees were properly computed and remitted to the City by the three main sightseeing boat operators. However, the internal control policies and procedures could be enhanced to ensure more effective ticket recording and surcharge collections.

Details of our findings and recommendations follow:

### **FINDING 1: IMPROVE CONTROLS AND PROCEDURES OVER TICKET SURCHARGE FEES**

For each of the sightseeing boat operators, we tested the control and reconciliation procedures over the ticket surcharge fees to ensure monies were properly assessed, collected, and remitted to the City. It should be noted that only a few tickets were sold at a ticket price of \$30 or more. Therefore, the total collected ticket surcharge fees of \$2.00/ticket were minimal; most of the monies collected were for the \$0.75/ticket and \$1.00/ticket surcharge fee. Since the ticket surcharge program started on April 1, 2013, we tested three days during April and May 2013, respectively, for each operator and noted the following:

- Aqua Tours:** Total ticket surcharge fees remitted to the City were \$4,614 and \$6,766 during April and May 2013, respectively. For the dates tested below, there were differences between the number of passengers recorded according to sales documentation (1,286) and passengers reported to the City (1,262) for the calculation of the ticket surcharge fee. These differences ranged from overpaying for 25 passengers to underpaying for 40 passengers, resulting in a net underpayment totaling \$21.75 for the six days tested.

Date Tested	Ticket Surcharge	Passengers Recorded Per Sales Documentation	Passengers Reported to the City	Net Difference	Ticket Surcharge Underpaid (Overpaid) to the City
4/18/2013	\$1.00	121	119	2	\$2.00
4/27/2013	\$0.75	183	191	-8	(\$6.00)
4/27/2013	\$1.00	173	170	3	\$3.00
5/18/2013	\$0.75	214	239	-25	(\$18.75)
5/18/2013	\$1.00	168	158	10	\$10.00
5/25/2013	\$0.75	214	174	40	\$30.00
5/27/2013	\$0.75	213	211	2	\$1.50
	Totals	<b>1,286</b>	<b>1,262</b>	<b>24</b>	<b>\$21.75</b>

Overall, Aqua Tours' control procedures to remit and record the appropriate ticket surcharge fees could be improved. Five of the six days tested during April and May 2013 had discrepancies. The passenger miscounts are a result of manually logging sales generated by employees stationed at Aqua Tours' kiosks. The sales are then later manually entered in the point of sale system (POS) located at their docking area, rather than processed directly through the POS at the time the ticket sales are made.

- **Sightseeing Tours Management:** Total ticket surcharge fees remitted were \$29,684 and \$22,176 during April 2013 and May 2013, respectively. For the six days tested, we noted the following differences (during one day) resulting in a net overpayment of \$135.50:

Date Tested	Ticket Surcharge	Passengers Recorded Per Sales Documentation	Passengers Reported to the City	Net Difference	Ticket Surcharge Underpaid (Overpaid) to the City
4/7/2013	\$0.75	495	125	370	\$277.50
4/7/2013	\$1.00	814	1,227	-413	(\$413.00)
	Totals	<b>1,309</b>	<b>1,352</b>	<b>-43</b>	<b>(\$135.50)</b>

Overall, we determined that ticket surcharge fees were properly paid to the City in accordance with the ticket surcharge ordinance. During field work, Sightseeing Tours' accounting system was being customized and refined to accommodate the reporting of the ticket surcharge, which caused the passenger count differences. Since then, however, we noted that Sightseeing Tours Management has applied effective procedures for recording the appropriate ticket surcharge fees due to the City.

- **Thriller Miami:** Total ticket surcharge fees remitted were \$4,201 and \$3,059 during April 2013 and May 2013, respectively. For the six days tested, we noted the following differences (for four days) resulting in a net underpayment of \$0.75:

Date Tested	Ticket Surcharge	Passengers Recorded per Sales Documentation	Passengers Reported to the City	Net Difference	Ticket Surcharge Underpaid (Overpaid) to the City
4/7/2013	\$1.00	189	188	1	\$1.00
4/18/2013	\$0.75	9	10	-1	(\$0.75)
4/18/2013	\$1.00	130	133	-3	(\$3.00)
4/27/2013	\$0.75	13	11	2	\$1.50
5/18/2013	\$1.00	200	198	2	\$2.00
	Totals	<b>541</b>	<b>540</b>	<b>1</b>	<b>\$0.75</b>

April 2013 was the first month that the ticket surcharge was in effect and control procedures were being fine-tuned. Since then, however, we noted that Thriller Miami has applied effective procedures for recording the appropriate ticket surcharge fee.

## **RECOMMENDATION 1: PUBLIC FACILITIES DEPARTMENT**

### **Aqua Tours**

To minimize the number of over/underpayments noted for Aqua Tours, we recommend that Public Facilities management ensure that all ticket sales be originated and processed through Aqua Tours' POS system at the docking area, rather than at kiosks.

### **Sightseeing Tours Management and Thriller Miami**

April 2013 was the first month that the ticket surcharge program was in effect and control procedures were being fine tuned. To avoid any over/underpayments for Sightseeing Tours Management and Thriller Miami, we recommend that Public Facilities management ensure that all sales continue to be processed in accordance with procedures established during the month of May.

- **Auditee Response:** Public Facilities management agrees with the findings and recommendations, will meet with Aqua Tours to improve the collection/reporting of the ticket surcharge, and will continue to monitor Sightseeing Tours Management and Thriller Miami as recommended.
- **Implementation Date:** 30 days after meeting with Aqua Tours. Recommendation has been and will continue to be implemented for Sightseeing Tours Management and Thriller Miami.

## **FINDING 2: COMPLIMENTARY AND EXEMPT TICKETS ARE NOT SEPARATED FOR REPORTING PURPOSES BY TOUR BOAT OPERATORS**

As described earlier, sightseeing boat operators must submit an Excel spreadsheet to the City, which was created by the City's Public Facilities Department (PFD), that details the number of paid admission tickets sold and the appropriate ticket surcharge. For promotional purposes, operators are allowed to utilize a maximum of 1% of the number all tickets sold per month as Complimentary Tickets (Comps). The ticket surcharge for Comps issued in excess of the 1% limitation should have a value equal to the average ticket price offered for sale and should be included in the calculation of gross ticket sales in order to determine the ticket surcharge due to

the City. In addition, certain ticket sales are exempt from having to pay the surcharge (e.g. tickets sales for banquets, conferences, consumer shows, conventions, trade shows, etc.).

During our testing we noted that “Column E” in the spreadsheet, which is used to calculate the 1% allowable surcharge exclusion for Comps, currently includes both Comps and exempt tickets. Therefore, Comp sales are indistinguishable from Exempt sales in the calculation of the surcharge due to the City. As a result, the current spreadsheet format for determining whether an Operator owes the City additional surcharge from exceeding the 1% allowable exclusion for Comps, is not accurate since it accounts for Comps and Exempt ticket sales in the same manner (i.e., as being excluded from the ticket surcharge fee). Even though none of the operators’ “Column E” totals exceeded the 1% threshold, it is possible that in the future this may occur which would result in the City being underpaid the amount of surcharge due if all ticket sales in this column were erroneously considered exempt sales.

## **RECOMMENDATION 2: PUBLIC FACILITIES DEPARTMENT**

The monthly Excel spreadsheet developed by the Public Facilities Department should be modified to remove all exempt tickets from “Column E” and account for them separately. Also, operators should provide supplementary schedules/documentation evidencing Comp sales and the associated average ticket price that is to be used in the ticket surcharge calculation for Comp sales in excess of 1%.

- **Auditee Response:** Public Facilities management agrees with the findings.
- **Implementation Date:** March 2014