

City of Miami

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INDEPENDENT AUDITOR GENERAL



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July 24, 2018

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

Re: Review of the Miami Sports and Exhibition Authority (MSEA)
Report No. 18-07

Executive Summary

We have completed a review of the revenues, expenditures, and operations at the Miami Sports and Exhibition Authority (MSEA). The review was performed as a result of a request from the City Manager to review MSEA, including any payments that have been made to the Executive Director, and the protocols in place to ensure that payments are legal, accurate, and appropriate.

Our review included reviewing the City's and MSEA's relevant policies, and contractual agreements among the City, MSEA, and MSEA's subtenants; examining sources of MSEA's funding in relation to its establishment under Florida Statutes; reviewing MSEA's expenditures, including to its grant recipients and employee, primarily from September 1, 2014 through December 31, 2017. We also obtained and reviewed personnel records and performed other procedures as necessary.

Based on our review, we noted the following:

- The appointment of MSEA's Executive Director was not approved by the City Commission as required by the City Code of Ordinances.
- The MSEA Executive Director did not meet the minimum educational requirements established for the position.
- The MSEA Executive Director is paid salaries and benefits from two separate budgetable entities, the Office of the City Manager and MSEA.
- MSEA did not furnish required monthly reports to the Mayor, City Commission and MSEA Board.
- MSEA lacked written policies and procedures regarding financial and operational controls.
- MSEA did not establish written policies and procedures governing grant expenditures and related budgets.

- MSEA no longer receives convention development taxes, and a joint participation agreement that served as the basis of an Interlocal agreement between the City, the Florida Department of Transportation and MSEA expired.

We also found that approved budgets totaling \$170 million for 14 authorities, agencies, and trusts were not included in the City's adopted budget book.

Details of our findings and recommendations are included on pages three through 16 of the report. We appreciate the cooperation extended to us by all personnel contacted during the review.

Sincerely,



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

C: The Honorable Mayor Francis Suarez
Emilio T. Gonzalez, City Manager
Victoria Mendez, City Attorney
Todd Hannon, City Clerk
Joe Napoli, Deputy City Manager
John A. Greco, Deputy City Attorney
Barnaby Min, Deputy City Attorney
George Wysong, Assistant City Attorney, Supervisor
Sandra Bridgeman, Assistant City Manager/Chief Financial Officer
Nzeribe Ihekweba, Assistant City Manager/Chief of Operations
Fernando Casamayor, Assistant City Manager
Erica Paschal, Director, Finance Department
Angela Roberts, Director, Human Resources Department
Christopher Rose, Director, Office of Management and Budget
Daniel Rotenberg, Director, Department of Real Estate and Asset Management
Aldo Bustamante, Assistant Director, Department of Real Estate and Asset Management
MSEA Board of Directors
Members of the Audit Advisory Committee
Audit Documentation File

Review conducted by: Robyn Sachs, CPA, CIA, CISA, CISSP, MBA
Information Systems Audit Administrator

Deming Zhang, CPA, Senior Staff Auditor

**REVIEW OF THE MIAMI SPORTS AND EXHIBITION AUTHORITY
(MSEA)**

Report No. 18-07

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SCOPE, OBJECTIVES, AND METHODOLOGY

This review was performed as a result of a request from the City Manager to review MSEA, including any payments that have been made to the Executive Director, and the protocols in place to ensure that payments are legal, accurate, and appropriate.

Our review procedures included reviewing the City's and MSEA's relevant policies, and contractual agreements among the City, MSEA, and MSEA's subtenants; examining sources of MSEA's funding in relation to its establishment under Florida Statutes; reviewing MSEA's expenditures, including to its grant recipients and employee. The review primarily covered the period from September 1, 2014 through December 31, 2017.

The review methodology also included the following:

- Reviewing the State of Florida Statutes under which MSEA was established and the City Ordinances under which it operates.
- Reviewing personnel records in the City's Department of Human Resources.
- Reviewing MSEA's certified audit reports and financial statements.
- Interviews and inquiries of appropriate personnel outside of the MSEA.
- Other review procedures as deemed necessary.

BACKGROUND

On February 27, 2018, the City Manager requested that the Office of Independent Auditor General (OIAG) review the Miami Sports and Exhibition Authority (MSEA) and any payments that have been made by MSEA to its Executive Director. The City Manager stated that the Executive Director was receiving payments from MSEA in addition to her salary from the City and that he was unaware of any agreements authorizing dual payments to the Executive Director for her position at MSEA. The City Manager asked the OIAG to determine whether MSEA has sufficient protocols in place to ensure that payments are legal, accurate, and appropriate. On March 8, 2018, the City Commission discussed and approved the City Manager's request for the review during a regular Commission meeting.

MSEA was established as an independent and autonomous agency and instrumentality of the City pursuant to Ordinance No. 9662, adopted on July 28, 1983, in connection with former Florida Statute Section 212.057 (1983), now repealed and superseded by Florida Statute Section 212.0305 – Convention Development Taxes (CDT). The City Code of Ordinances Chapter 2 – Administration, Article XI – Boards, Committees, Commissions, Division 6 – Sports and Exhibition Authority states that MSEA shall promote sports, conventions and exhibitions to the greatest extent feasible, strive to generate and further community support to achieve this purpose, and shall endeavor to attract professional sports franchises to utilize facilities in the city.

Currently, all CDT funding received by the City is used to pay off bonds that were issued to construct the Miami Marlins Ballpark. MSEA receives its funding from two tenants of City-owned properties on Watson Island. Its fiscal year 2018 budget designated the approximately \$150,000 per year it collects from these tenants as grants that it may provide to recipients. MSEA's budgeted administrative expenditures were \$89,000, \$88,935, \$107,808 and \$112,450 for fiscal years 2015 through 2018, respectively.

The current MSEA Executive Director started her career with the City in December 2009 as a Special Aide in the Office of the Mayor. Afterwards, she worked as an Administrative Aide II in the City's Building Department and then as an Administrative Assistant in the International & Intergovernmental Affairs Office. She was appointed by the MSEA Board of Directors as Interim Director on December 4, 2014 and as Executive Director on July 21, 2015 and serves as MSEA's only employee.

FINDINGS AND RECOMMENDATIONS

CONCLUSION:

Based on our review, we noted the following:

- The appointment of MSEA's Executive Director was not approved by the City Commission as required by the City Code of Ordinances.
- The MSEA Executive Director did not meet the minimum educational requirements established for the position.
- The MSEA Executive Director is paid salaries and benefits from two separate budgetable entities, the Office of the City Manager and MSEA.
- MSEA did not furnish required monthly reports to the Mayor, City Commission and MSEA Board.
- MSEA lacked written policies and procedures regarding financial and operational controls.
- MSEA did not establish written policies and procedures governing grant expenditures and related budgets.
- MSEA no longer receives convention development taxes, and a joint participation agreement that served as the basis of an Interlocal agreement between the City, the FDOT and MSEA expired.

We also found that approved budgets totaling \$170 million for 14 authorities, agencies, and trusts were not included in the City's adopted budget book.

Details of these results are described below and through page 16.

FINDING 1: THE APPOINTMENT OF MSEA'S EXECUTIVE DIRECTOR WAS NOT APPROVED BY THE CITY COMMISSION AS REQUIRED BY THE CITY CODE OF ORDINANCES

Section 2-1015 of the City Code of Ordinances (City Code) states:

"There shall be a director who shall be appointed by the members of the authority subject to approval by four-fifths vote of the city commission. Upon the effective date of the incumbent director's resignation and thereafter, the members of the authority shall, within 90 days of such vacancy, appoint a new director of the authority. Such appointment and the terms and conditions of the new director's employment shall be subject to approval by a four-fifths vote by the city commission."

During our fieldwork, we requested a legal opinion from the Office of the City Attorney (OCA) concerning whether the above-referenced section of the City Code applied to the appointment of the MSEA Interim Director and Executive Director. The OCA opined that the section of the City Code was applicable, and copies of the legal opinion were furnished to the City Mayor and City Manager.

On December 4, 2014, while working as an Administrative Assistant for the International & Intergovernmental Affairs Office, she was appointed by the Board of Directors of MSEA as the Interim Director. During the July 21, 2015 meeting, the MSEA board appointed her as Executive

Director. However, there is no evidence that she was subsequently approved by four-fifths (4/5ths) vote of the City Commission for either appointment. A four-fifths (4/5ths) vote of the City Commission has been a requirement since February 15, 1990.

As a result of the lack of formal approval of her appointment as MSEA Executive Director by a 4/5ths vote of the City Commission, she may not have the authority to serve as MSEA Executive Director.

RECOMMENDATION 1: OFFICE OF THE CITY MANAGER

We recommend that the Office of the City Manager request that the MSEA Board of Directors reselect its Executive Director. Then, the Office of the City Manager should place an item on the City Commission's agenda so that they may vote on the Board's appointment in accordance with the ordinances governing MSEA.

- **Management Response:** The Office of the City Manager will recommend that the MSEA Board of Directors reselect its Executive Director. The Office of the City Manager will then place an item on the City Commission's agenda for their approval of the Board's appointment.
- **Implementation Date:** September 1, 2018.

FINDING 2: THE MSEA EXECUTIVE DIRECTOR DID NOT MEET THE MINIMUM EDUCATIONAL REQUIREMENTS ESTABLISHED FOR THE POSITION

The City has established the position of "Executive Director, MSEA: Executive Unclassified" in the Office of the City Manager. As of June 2018, the job description states that the minimum educational requirements for this executive position are a "Bachelor's degree and extensive (8-12 years) experience in the field" or "an equivalent combination of education and experience beyond a Bachelor's degree."

The Executive Director was appointed on July 21, 2015. However, an application for employment was not prepared and submitted for this position until January 3, 2017, on which she listed an Associate of Arts degree from Miami-Dade College as her only college degree. An Associate of Arts degree requires only two years of college, whereas a Bachelor's degree requires four years of college. The City's Human Resources Department confirmed that she did not meet the minimum educational requirements for the position.

We also verified with Human Resources that a Qualification Procedure Form, which is required to be completed by Human Resources to ensure an applicant is qualified for a position, was not completed. In the absence of a Bachelor's degree or a completed Qualification Procedure Form, we asked Human Resources if a waiver of the minimum educational requirements had been completed. However, no such waiver was submitted or approved. Finally, the Personnel Action Form for the Executive Director position was approved by personnel in the Office of the City Manager on May 30, 2017, with an effective date retroactive to the date of her appointment on July 21, 2015.

RECOMMENDATION 2: OFFICE OF THE CITY MANAGER

We recommend that the Office of the City Manager in concert with Human Resources take appropriate action to comply with City policies and procedures in regard to the educational requirements of the MSEA Executive Director position.

- **Management Response:** On March 14, 2018, the City Manager approved the directive that the Department of Human Resources amend the equivalence clause for all City job descriptions. The amended clause now has a combination of education and experience beginning at the level of a high school diploma (or its equivalent). This clause allows the candidates to qualify for position by substituting higher education for experience or substituting more experience for less education.
- **Implementation Date:** Already in progress.

FINDING 3: THE MSEA EXECUTIVE DIRECTOR IS PAID SALARIES AND BENEFITS FROM TWO SEPARATE BUDGETABLE ENTITIES, THE OFFICE OF THE CITY MANAGER AND MSEA

As noted earlier, the current Executive Director was appointed as Interim Director during December 2014. During the July 21, 2015 meeting of the MSEA Board of Directors, the former Chairman made a motion to appoint the Interim Director as MSEA's Executive Director. After the motion was passed by the MSEA Board, the Chairman stated that the "Executive Director was in both budgets the City and MSEA, this will need to be fixed at midyear." Additionally, accounting best practices require that salaries and other costs be allocated to the department or cost center where services are performed.

SALARIES

Although the Executive Director received her regular salary through City payroll, she did not receive any extra salary compensation from MSEA from December 2014 through September 30, 2015 (it should be noted that she was paid a cell phone allowance from both budgets during this period). Starting in fiscal year 2016 and through 2018, the Executive Director was paid salaries and benefits by both the Office of City Manager and MSEA. However, the 2016 through 2018 annual budgets for MSEA presented to the City Commission for approval only showed the salary that was payable by MSEA; and the same budgets for the Office of the City Manager submitted for approval disclosed only the salary payable by the Manager's Office. Neither budget disclosed the total salary she received from both entities.

Further, we noted that on September 9, 2014, a First Budget Hearing Changes Memo in the fiscal year 2014-15 Proposed Budget was approved. It stated that MSEA was to reimburse the City for 50% of the cost of the MSEA Executive Director's salary and 100% of the cost salary of an Administrative Assistant I working for MSEA. The Changes Memo stated that reimbursements due from MSEA for these two positions, both in the Office of the City Manager, totaled \$170,800 (\$69,600 for one-half the Executive Director's salary and \$101,200 for all of the Administrative Assistant I's salary). The final adopted budget for the Office of the City Manager was amended and reflected the \$170,800 salary reimbursement due from MSEA. However, the City never pursued collection of reimbursements and there was no mention or any change to this reimbursement arrangement in the subsequent adopted budget books.

MSEA utilized an outside payroll company to process salary payments to the Executive Director directly through MSEA’s operating bank account. Unlike the City payroll, there were no procedures in place for the outside payroll company to process the bi-weekly payroll. The outside payroll company issued payments as directed by the Executive Director which agreed with the budgeted salaries approved by the City Commission (see Table 1 below). As a benchmark, the City’s Administrative Policy Manual (APM) 5-78 “Pay Policy” requires the certification of Personnel and Pay Action Forms prior to issuance of any salary payment; however, the Executive Director and Human Resources were unable to produce a supporting job offer letter, employment contract/agreement or Personnel Action Form that addressed the extra salary and subsequent raises paid out of MSEA funds. However, she stated that the former City Manager and former MSEA Chairman informed her that her salary would be paid both from the City and MSEA. We attempted to confirm this statement by contacting the former City Manager via email, but no response was provided. However, we obtained the audio recorded minutes for the July 21, 2015 and August 2, 2016 MSEA board of director meetings and found that the \$14,000 salary payable by MSEA to the Director was discussed and approved during the July 2015 meeting. During the other meeting, the fiscal year 2016-17 budget was approved without any discussion of the increase in the Executive Director’s salary from \$14,000 to \$50,000. Our discussion with a MSEA board member indicated that he was aware of her City salary in addition to her approved salary in the MSEA budgets.

The table below shows the budgeted salaries for the Executive Director from the City and MSEA, which have been paid per the budget, from fiscal 2015 through 2018.

Table 1. MSEA Executive Director Budgeted and Paid Salaries					
Salary Source	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Total
MSEA	\$0	\$14,000	\$50,000	\$50,000	\$114,000
City of Miami *	\$61,440	\$62,976	\$62,976	\$62,976	\$250,368
Total Salaries	\$61,440	\$76,976	\$112,976	\$112,976	\$364,368

**The approved annual salary range is \$60,386 - \$113,867.*

BENEFITS

According to the City’s APM 3-01 “Cellular Telephone and Automobile Allowances,” (established on November 1, 2001 and subsequently updated) an “other executive” City employee may be paid no more than: \$300 per month or \$3,600 yearly for an automobile allowance, and \$100 per month or \$1,200 yearly for a cell phone allowance. Although she was paid in accordance with the policy for her cell phone allowance paid by the City, she was paid in excess of policy limits for additional cell phone and automobile allowance payments through MSEA. As the following schedule indicates (Table 2), when aggregating the amounts, she was paid in excess of the City’s cell phone and automobile maximum allowances by a total of \$4,290, \$5,200 and \$5,400 for 2015, 2016 and 2017, respectively. For the same period, she was paid a yearly amount of \$5,000 through MSEA (\$4,167 for fiscal year 2015) for Health and Life Insurance, which was in addition to her Health and Life Insurance coverage paid through the City, having a yearly value of approximately \$23,000.

In fiscal year 2018, the car and cell phone allowances were combined into a single line item in the MSEA budget called “Fringe Benefits (car, tablet, cell phone)” in the yearly amount of \$9,500.

We reviewed MSEA and City statements of earnings and cancelled checks and verified that the Executive Director received monthly payments in accordance with the budget. As a result, during fiscal year 2018 she was allocated \$5,900 in excess of the maximum payments allowed by the cell phone and automobile allowance policy. She was also allocated \$5,000 through MSEA for additional insurance as noted above.

Table 2. Payments to MSEA Executive Director for Automobile, Cell Phone, and Insurance					
	Fiscal Year 2015 *	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018 (budgeted)	Total
MSEA Automobile	\$4,500	\$5,400	\$5,400	\$9,500	
MSEA Cell Phone	\$2,833	\$3,400	\$3,600		
City Cell Phone	\$957	\$1,200	\$1,200		
Total Auto and Cell Phone	<u>\$8,290</u>	<u>\$10,000</u>	<u>\$10,200</u>	<u>\$10,700</u>	<u>\$39,190</u>
Allowable Auto Per APM	(\$3,000)	(\$3,600)	(\$3,600)	(\$3,600)	(\$13,800)
Allowable Cell Phone Per APM	(\$1,000)	(\$1,200)	(\$1,200)	(\$1,200)	(\$4,600)
Auto & Cell Allowance In Excess of City Policy	<u>\$4,290</u>	<u>\$5,200</u>	<u>\$5,400</u>	<u>\$5,900</u>	<u>\$20,790</u>
MSEA Payments for Insurance in Excess of City Coverage	\$4,167	\$5,000	\$5,000	\$5,000	\$19,167
Total Excess:	<u>\$8,457</u>	<u>\$10,200</u>	<u>\$10,400</u>	<u>\$10,900</u>	<u>\$39,957</u>

**Prorated from December 2014 start date*

It should be noted our review of meeting minutes indicated that the City's Budget Director did not address the dual funding of salary and benefits during his discussions of MSEA's 2016-2018 budgets with the City Commission. The Human Resources Department informed us that pursuant to APM 1-90 "Outside Employment Request", as a result of receiving salary and fringe benefit payments from MSEA, the MSEA Executive Director, as a City employee, was required to complete and submit to the Office of the City Manager and Human Resources Department for approval, the Outside Employment Request form and Miami-Dade County Outside Employment Statement and Statement of Financial Interests. Review of her personnel file and confirmation from the Human Resources Department indicated that these required forms were not submitted. Also, the City did not formalize the arrangement with MSEA via a written agreement between the two entities.

It should be noted that the City's APMs cited in this finding do not govern MSEA's operations; they are used as benchmarks since MSEA does not have policies and procedures, and elements of the dual compensation and benefits paid to the Director were not disclosed and discussed prior to MSEA Board approval.

RECOMMENDATION 3.1: OFFICE OF THE CITY MANAGER

We recommend that prior salaries and benefits paid to the Executive Director be reviewed for appropriateness in light of the issues outlined in the findings. Should adjustments be made, the fiscal year 2018 budgets should be amended, to reflect any material changes.

We further recommend that the Office of the City Manager establish and implement a formal, written policy and procedure to address compensation arrangements, required applications/disclosures, and the status of City positions for those City employees who are “loaned out” to instrumentalities of the City, such as MSEA. The procedure should address how to memorialize the arrangement by executing either a Memorandum of Understanding or Interlocal Agreement between the City and the outside entity.

- **Management Response:** The Office of the City Manager agrees that MSEA will pay salary and benefits to the MSEA Executive Director. The Office of the City Manager further agrees to review the prior salaries and benefits paid to the Executive Director.
- **Implementation Date:** August 15, 2018.
- **Management Response:** The Office of the City Manager will establish and implement a formal, written policy and procedure to address compensation arrangements, required applications/disclosures, and the status of City positions for those City employees who are “loaned out” to instrumentalities of the City addressing how to memorialize the arrangement by executing either a Memorandum of Understanding or Interlocal Agreement between the City and the outside entity.
- **Implementation Date:** November 1, 2018.

RECOMMENDATION 3.2: OFFICE OF MANAGEMENT AND BUDGET

We recommend that the Office of Management and Budget request instrumentalities of the City (i.e., authorities, trusts, panels, etc.) to disclose the full salary and benefits for all employees that are funded by multiple budgeted entities prior to submitting their budget to the City Commission for approval. Also, any salary adjustments for Directors of instrumentalities of the City in excess of the across the board salary increases granted to general employees should be disclosed in the budget documents to allow for discussion and approval by appropriate board members.

We further recommend that any significant changes to budget line items, such as a subsequent change affecting the \$170,800 budgeted in the fiscal year 2014-15 Adopted Budget Book for the salary reimbursement to the City Manager’s Office from MSEA, be disclosed in the relevant fiscal year’s adopted budget book or in a Budget Changes Memo.

- **Management Response:** The Office of Management and Budget agrees that all budgets submitted to the City Commission for approval should disclose the full salary and benefits of all employees that are funded by multiple entities and will pursue this with all employees of all agencies and instrumentalities of the City of Miami.

The Office of Management and Budget will continue to disclose, to the extent possible, any significant changes to budget line items (such as the subsequent change affecting the

\$170,800 budgeted in the fiscal year 2014-15 Adopted Budget Book for the salary reimbursement to the City Manager's Office from MSEA).

- **Implementation Date:** Already in progress.

FINDING 4: MSEA DID NOT FURNISH REQUIRED MONTHLY REPORTS TO THE MAYOR, CITY COMMISSION AND MSEA BOARD

Section 2-1015(b) of the City Code states, "The [MSEA Executive] director shall...furnish the authority, the Mayor, and the City Commission a monthly report with respect to the operation, maintenance and financial condition of the authority."

We requested copies of the above-referenced monthly reports from the Executive Director, MSEA's external Bookkeeper, and MSEA's external Certified Public Accountant, whom the Executive Director stated may have prepared and provided the required reports. However, none of those contacted could confirm that the reports were prepared or provided to the Mayor, City Commission, and MSEA Board of Directors as required by the City Code. We also interviewed two MSEA board of director members and both confirmed that the monthly reports were not provided.

As a result of not complying with requirements established by City ordinances to prepare and furnish reports with respect to the operations, maintenance and financial condition of MSEA, City officials may lack information needed for decision-making, resulting in reduced ability of MSEA to serve its citizens and carry out its mission.

RECOMMENDATION 4: OFFICE OF THE CITY MANAGER

We recommend that the monthly reports with respect to the operations, maintenance and financial condition of the authority be prepared and distributed to the MSEA Board, the Mayor and City Commission. Also, a review the monthly reports should be included as an agenda item for each MSEA Board meeting.

- **Management Response:** As noted in the recommendation, pursuant to Section 2-1015(b) of the City Code, the "[MSEA Executive] director" is responsible for furnishing the authority, Mayor, and City Commission with a monthly report that details "the operation, maintenance and financial condition of the authority." We will work with the MSEA Executive Director and Board of Directors to ensure monthly reports are generated.
- **Implementation Date:** Immediately.

FINDING 5: MSEA LACKED WRITTEN POLICIES AND PROCEDURES REGARDING FINANCIAL AND OPERATIONAL CONTROLS

Section 2-1013(d)(2) of the City Code states, "the members of the authority shall make and adopt bylaws and rules and regulations for the authority's governance [and for the operation, governance,] and maintenance of its facilities." MSEA's bylaws state that the Executive Director's duties shall be to supervise the Authority's day-to-day affairs and activities as the Chief Executive Officer of the Authority; have general supervision over and be responsible for the operation and

maintenance of all Authority properties, activities, and facilities; and establish, amend and enforce operating and personnel policies. Lastly, the MSEA Executive Director's job description states that the Executive Director "develops procedures and implements policies; develops the budget and manages cost controls."

We requested copies of the policies and procedures required to be established by the City Code, MSEA's bylaws and the MSEA Executive Director's job description and were informed by the Executive Director that no such written policies and procedures existed. In the absence of required written policies and procedures documents, we reviewed the individual expenditures of MSEA to determine if they were well-controlled, and, at minimum, met the requirements of the City's policies on local expenses including APM 1-77 "Travel on City Business." We found that MSEA ordered lunches and refreshments from a local restaurant "Au Bon Pain." The total expenditures paid to this restaurant for fiscal years 2016 and 2017 were \$3,640 (10 instances) and \$2,039 (5 instances), respectively. MSEA did not document the business purpose and the participants or group for each instance as required by APM 1-77. Since MSEA had one employee, the Executive Director initiated all of these transactions. In this case, she ordered, received, and paid for all goods and services. However, a MSEA Board member (who confirmed that the restaurant expenditures were for business purposes) and the Executive Director both signed all checks issued to pay for expenditures.

Further, we found that MSEA has separately incurred expenses for off-site records storage services which were already procured by the City. MSEA paid Iron Mountain \$3,839 and \$4,108 in fiscal years 2016 and 2017, respectively, and allocated \$4,700 in its fiscal year 2018 budget for Iron Mountain "warehouse storage." However, the City has a contract with GRM Information Management for off-site records storage and related services, from July 1, 2014 through June 2019. Because the Executive Director is a City employee in the Office of the City Manager, MSEA should not pay separately for these services already procured by the City. During July 2017, the Executive Director, sought to remove MSEA's records from Iron Mountain and place them in the City's office space. However, the cost provided by Iron Mountain to move the records (\$2,220) was considered prohibitive and not budgeted by MSEA. Consequently, the records have not been moved.

RECOMMENDATION 5.1: OFFICE OF THE CITY MANAGER

The Office of the City Manager should work with the responsible parties to establish and implement the policies and procedures required by MSEA's by-laws and the MSEA Executive Director's job description.

- **Management Response:** The Office of the City Manager will work with the responsible parties to ensure that those parties establish and implement the policies and procedures required by MSEA's by-laws and the MSEA Executive Director's job description. As explained by the City Attorney's Office, the City Manager does not have the authority to direct the Executive Director to take any action in her or his capacity as Executive Director. Even though, under the current arrangement, she is a City Employee in the City Manager's Office, the Manager may only direct her as a City employee, but not as the Executive Director of MSEA. As also explained by the City Attorney's Office, only the MSEA Board has that authority.
- **Implementation Date:** Immediately.

RECOMMENDATION 5.2: OFFICE OF THE CITY MANAGER

Any meeting related expense should include documentation indicating the business purpose and group or participants to ensure their propriety. Consideration should be given to process all expenditures through the City's accounts payable section of the Finance Department to ensure that they subject to the review and approval processes in place. Finally, MSEA should discontinue the use of Iron Mountain and use GRM for off-site records services.

- **Management Response:** The Office of the City Manager agrees that any meeting-related expense should include documentation indicating the business purpose and participants to ensure their propriety. The Office of the City Manager will recommend to the MSEA Board of Directors and Executive Director that they comply with the rules and procedures of the City Procurement Code.
- **Implementation Date:** Already occurring.

FINDING 6: MSEA DID NOT ESTABLISH WRITTEN POLICIES AND PROCEDURES GOVERNING GRANT EXPENDITURES AND RELATED BUDGETS

Written policies and procedures that govern the administration and oversight of MSEA's grants awards should have been developed. These documents should describe the following, at minimum:

- How MSEA evaluates and selects grant recipients, such as qualification standards, application requirements, identification of conflicts of interest, and compliance with all applicable laws and rules governing grants.
- MSEA's process for ensuring that grant recipients used the cash awards to further MSEA's stated missions. Grants should be awarded on a reimbursement basis to ensure that the grantee has performed actions necessary to receive the grant funds.

MSEA did not budget the dollar amount of grants it intended to disburse to qualified recipients each year, even though its sources of funding (rents from subtenants and reserves) for the grants it disburses were known, measureable, and available.

A review of MSEA's financial statements for fiscal years 2014 through 2017 indicated that it disbursed grants of \$20,000, \$95,000, \$87,500, and \$57,500, respectively. However, the notes to the financial statements disclosed that "grants to third parties are not budgeted." Also, we found that none of the grants awarded were supported by an application to qualify recipients and funds were disbursed by MSEA upfront rather than on a reimbursement basis. However, we confirmed that the grants were approved by the MSEA Board.

The table below shows the relationship between the grants MSEA awarded to the amounts it budgeted for operating and capital expenditures.

Table 3. Budgeted Expenditures vs. Grants Awarded					
	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Total
Budgeted Operating & Capital Expenditures	\$66,000	\$89,000	\$88,935	\$107,808	\$351,743
Grants Awarded	\$20,000	\$95,000	\$87,500	\$57,500	\$260,000
% of Grants Awarded to Budgeted Expenditures	30%	106%	98%	53%	74%
Number of Grants	2	8	7	5	22

During a discussion of MSEA's fiscal year 2018 proposed budget at the September 19, 2017 City Commission meeting, the Commission decided that MSEA should budget for its grant expenditures. The dollar amount budgeted for grants was set at the approximate amount of MSEA's annual revenues of \$150,000 from its subleases on Watson Island.

The deficit between revenues and total expenditures (grants plus all others expenditures, including operating and capital costs) would be funded from MSEA's reserves, which were \$414,700 at the start of fiscal year 2018. MSEA's total fiscal year 2018 budget was \$677,150 including expenditures of \$112,450, grants \$150,000 and reserves of \$414,700. We noted that MSEA has experienced fiscal deficits for FY 2014, 2015, 2016, and 2017, respectively, as shown in the table below.

Table 4. Revenue vs. Expenditures and Annual Budget Deficits					
	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Total
Revenue	\$30,200	\$103,064	\$145,485	\$152,854	\$431,603
Expenditures	\$66,837	\$145,365	\$153,371	\$160,314	\$525,887
Surplus (Deficit)	(\$36,637)	(\$42,301)	(\$7,886)	(\$7,460)	(\$94,284)

RECOMMENDATION 6: OFFICE OF THE CITY MANAGER

The Office of the City Manager should work with the responsible parties to establish policies and procedures concerning the qualification for receiving grants on a reimbursement basis, formally establish an amount (i.e., percentage of revenue, flat amount, etc.) of grants that it will pay each year, and include the amount of grants in its annual budget. We also recommend that the MSEA budget be adjusted to ensure that fiscal deficits are eliminated.

- **Management Response:** The Office of the City Manager will work with the responsible parties to establish policies and procedures concerning the qualification for receiving grants on a reimbursement basis, formally establish an amount (i.e., percentage of revenue, flat amount, etc.) of grants that it will pay each year, and include the amount of grants in its annual budget. We also recommend that the MSEA budget be adjusted to ensure that fiscal deficits are eliminated.

- **Implementation Date:** Immediately.

FINDING 7: MSEA NO LONGER RECEIVES CONVENTION DEVELOPMENT TAXES, AND A JOINT PARTICIPATION AGREEMENT THAT SERVED AS THE BASIS OF AN INTERLOCAL AGREEMENT BETWEEN THE CITY, THE FDOT AND MSEA EXPIRED

In 1983, MSEA was established pursuant Florida Statute (F.S.) 212.057 (since repealed and replaced by F.S. 212.0305) Convention Development Taxes (CDT). Paragraph two of the statute states that “one of the principal purposes of the CDT is to promote tourism and the use of hotel facilities by facilitating the improvement and construction of convention centers.”

Section (4)(b)4.a. of the statute states that “as a condition precedent to receiving [CDT] funding, the governing bodies of such municipalities shall designate or appoint an authority that shall have the sole power to: (l) Approve the concept, location, program, and design of the facilities or improvements to be built in accordance with this paragraph and to administer and disburse such proceeds and any other related source of revenue.” MSEA previously received and disbursed portions of the City’s share of the CDT imposed in the City and collected by Miami-Dade County (County) pursuant to an Interlocal agreement among MSEA, the City and the County.

However, on March 23, 2009, this Interlocal agreement was terminated and replaced with a new Interlocal agreement solely between the City and the County. Under the new agreement, currently in effect, the County agreed to make CDT payments to the City through the year 2038 according to a predetermined schedule for the construction of the Miami Marlins Ballpark project. As indicated in the City’s fiscal year 2016 Comprehensive Annual Financial Report, 100% of the CDT received by the City from the County were allocated to repaying bonds used for the construction of the parking facilities for the Miami Marlins Ballpark.

Since all of the City’s CDT is allocated to the Miami Marlins Ballpark project, MSEA now receives its revenues by subleasing two City-owned waterfront properties on Watson Island – a seaplane facility (Chalks Airline, Inc. – “Chalks”) and a heliport (Linden Airport Services Corporation – “Linden”). Note that under an Interlocal agreement with the City, executed in 2001, MSEA entered into a sublease with the Miami Children’s Museum, also on City-owned waterfront property on Watson Island. However, the museum is not a source of MSEA’s funding as it pays \$2 per year in rent.

In 2013, the City and MSEA entered into another Interlocal agreement (a revision of a 1996 Interlocal agreement) centered on a Joint Participation Agreement (JPA) with the Florida Department of Transportation. Pursuant to this Interlocal agreement, MSEA was to develop an Air Transportation Facility on Watson Island. However, no such facility was constructed and the JPA expired on June 30, 2016. Consequently, MSEA’s external Certified Public Accountant (CPA) noted in the fiscal year 2017 audited financial statements that, “the expired JPA and other lease agreements held among the City of Miami, MSEA, and tenants of Watson Island should be revisited as soon as time permits, to address the operational and/or development rights of each stakeholder.” However, at the conclusion of audit fieldwork, these leases had not been revisited as recommended by the external CPA.

It should be noted that although MSEA was empowered to lease City-owned property independently in accordance with its stated purpose to promote sports, its three subleases (Chalks, Linden and the Children’s Museum) of City-owned waterfront property on Watson Island

were executed prior to the time when MSEA was explicitly subject to Section 29-B of the City Charter “City-owned property sale or lease.” On March 11, 2016, the City passed an ordinance to ensure MSEA was subject to all provisions of the City Charter, including Section 29-B. As a result of this legislation, MSEA shall not sell or lease waterfront property unless there is approval of a majority of the votes cast by the electorate at a referendum, as required by Section 29-B.

RECOMMENDATION 7.1: OFFICE OF THE CITY MANAGER

We recommend that the Office of the City Manager with assistance from the Office of the City Attorney examine MSEA’s charter and evaluate the costs and benefits of MSEA’s continued existence under Florida Statute 212.0305 – Convention Development Taxes since MSEA no longer receives CDT. They should determine whether or not other City entities, with specialized expertise in grant administration and leases, such as the Office of Grants Administration and the Department of Real Estate and Asset Management (DREAM), could more effectively and efficiently absorb MSEA’s current responsibilities of administering several grants and three leased properties that generate approximately \$150,000 in yearly income. Once a determination is made, appropriate action, if any, should be taken.

- **Management Response:** We will take these recommendations under advisement and proceed accordingly.
- **Implementation Date:** Already occurring.

RECOMMENDATION 7.2: OFFICE OF THE CITY MANAGER

As noted by the external CPA, we recommend that the Office of the City Manager work with DREAM and the Office of the City Attorney to address the operational and/or development rights of each stakeholder given the expired JPA and other lease agreements between the City, MSEA and tenants of Watson Island, and take appropriate action.

- **Management Response:** We will take these recommendations under advisement and proceed accordingly.
- **Implementation Date:** Already occurring.

OTHER FINDINGS AND RECOMMENDATIONS

OTHER FINDING 1: APPROVED BUDGETS TOTALING \$170 MILLION FOR 14 AUTHORITIES, AGENCIES AND TRUSTS WERE NOT INCLUDED IN THE CITY’S ADOPTED OPERATIONAL BUDGET BOOK.

During the course of our audit, it came to our attention that although the City Commission reviewed and approved budgets proposed by the various instrumentalities of the City including authorities, agencies, trusts and boards, their adopted budgets were not included in the City’s Adopted Operating Budget Book. The proposed and adopted budgets for these 14 entities are only available to the public in the agenda packet for the City Commission budget hearing during which they were reviewed, discussed, and adopted by the City Commission. The agenda packet is located on the Legislative Hub, while the City’s adopted budget books are located on the Office and Management and Budget (OMB) website. There is no link from the OMB website to the

Legislative Hub or any mention of how or where the public can access the budgets for these entities. The approved budgeted revenues/expenditures for these entities for fiscal year 2017-18 totaled \$170,819,866 as follows:

Table 5. Budgeted Revenues for City Entities, Fiscal Year 2018	
ENTITY	Budgeted Revenues
Omni Community Redevelopment Agency (CRA)	\$53,387,872
Southeast Overtown Park West CRA	\$46,290,074
Off-Street Parking Board/Miami Parking Authority	\$32,001,894
Downtown Development Authority	\$11,940,683
Bayfront Park Management Trust	\$7,357,705
Midtown CRA	\$6,628,404
Coconut Grove Business Improvement District (BID) Board	\$3,453,577
General Employees' and Sanitation Employee' Retirement Trust	\$3,377,792
Fire Fighters' and Police Officer's Retirement Trust	\$2,086,709
Civilian Investigative Panel	\$1,174,000
Virginia Key Beach Park Trust	\$1,066,800
Wynwood BID Board	\$863,206
Miami Sports and Exhibition Authority	\$677,150
Liberty City Trust	\$514,000
TOTAL	\$170,819,866

These organizations have a material impact on the City since some may receive millions of dollars annually in City ad-valorem taxes and capital funding or transfer excess funds to the City. For example, for fiscal year 2017-18, the Midtown CRA budgeted a receivable of \$4,072,446 due from the City in ad-valorem taxes; and the Miami Parking Authority (MPA) budgeted excess funds of \$7,200,000 payable to the City.

Further, we noted that each entity is required to complete an Agenda Item Summary Form (Form) in support of the proposed budget, including line items for the "Total Fiscal Impact", "Budget Impact Analysis" and "Total Budget" for their operations. Although each entity is already assigned a budget analyst from the City's OMB, our review of this form for four organizations (MPA, Midtown CRA, MSEA and the Bayfront Park Management Trust) indicated that the information provided for these line items was inconsistent between entities or left blank. For example, the MPA did not disclose the capital funding received from the City and the Midtown CRA did not disclose that it receives funding from the City ad-valorem taxes on the form.

OTHER RECOMMENDATION 1: OFFICE OF MANAGEMENT AND BUDGET

To improve transparency, we recommend that the Adopted Budget Book and/or Office of Management and Budget website include the adopted budgets for all of the City's authorities, agencies, trusts, districts, boards and panels, including those that are listed in the City's Table Organization, but whose budgets are not included in the Adopted Budget Book.

- **Management Response:** The Office of Management and Budget will include web links to the proposed budgets of the City’s authorities, agencies, trusts, districts, boards and panels, including those that are listed in the City’s Table Organization on the Office of Management and Budget website. The links will be to both the City’s legislative hub, where the budgets are already included, and (to the extent possible) to the outside agencies’ website where the budgets may or may not be included.

These budgets will not be included in the Proposed or Adopted Budget Books.

- **Implementation Date:** September 1, 2018.

OTHER RECOMMENDATION 2: OFFICE OF MANAGEMENT AND BUDGET

We recommend that the Office of Management and Budget (OMB) communicate and provide guidance to the City’s entities on the purpose and proper completion of the Agenda Item Summary Form and the information required for the “Budget Impact Analysis” and “Total Fiscal Impact” disclosures; as well as budget presentation standards. We further recommend that the OMB implement a review and monitoring process to ensure that proposed budgets submitted by the entities to the Commissioners for approval are meaningful, consistent, and transparent.

- **Management Response:** The Office of Management and Budget will continue to communicate and provide guidance to the City’s entities on the purpose and proper completion of the Agenda Item Summary Form and the information required for the “Budget Impact Analysis” and “Total Fiscal Impact” disclosures and on budget presentation standards. The Office of Management and Budget will continue to review and monitor the proposed budgets submitted by the entities to the Commissioners for approval are meaningful, consistent, and transparent.
- **Implementation Date:** Already occurring.