

City of Miami

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INDEPENDENT AUDITOR GENERAL



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September 27, 2019

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

Re: Audit of Bayfront Park Management Trust
Report No. 19-14

Executive Summary

We have completed an audit of Bayfront Park Management Trust (Trust) primarily for the period October 1, 2016 through June 30, 2018. The audit was requested by a resolution of the Miami City Commission that was adopted on June 14, 2018.

The audit was performed in order to provide the City Commission and management unbiased, timely, and relevant information for use in promoting accountability, stewardship, and improving the Trust's operations. Total revenue reported for the 21-month audit period was \$13.4 million with annual revenues of \$7.8 million for fiscal year 2017.

As a result of our audit, we noted the following:

- 1) Ticket surcharge City Code should be reevaluated to include bus and other tours, and all events that occur within the City; Potential Recurring Annual Revenue Impact: Bus Tours – More Than \$1 million; Events – More Than \$250,000.
- 2) Renegotiate concession fees with Big Bus to achieve market rates.
- 3) Establish formal policies and procedures to ensure proper administration and billings of special events.
- 4) Improve procedures to monitor and increase dockage revenue.
- 5) Improve internal controls over the bank reconciliation process and handling of outstanding checks.
- 6) Segregate duties for cash handling at parking facilities.

These and other findings are included on pages three through 12 of the report.

We wish to express our appreciation for the cooperation and courtesies extended to us by the Bayfront Park Management Trust and staff while conducting the audit.

Sincerely,



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

Cc: The Honorable Mayor Francis Suarez
Emilio T. Gonzalez, City Manager
Victoria Mendez, City Attorney
Todd Hannon, City Clerk
Joseph Napoli, Deputy City Manager
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Erica Paschal, Director of Finance, Finance Department
Christopher Rose, Director, Office of Management and Budget
Jose Solano, Executive Director of Bayfront Management Trust
Bayfront Park Management Trust Board of Trustees
Members of the Audit Advisory Committee
Audit Documentation File

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Audit reviewed by: Mala Khilnani, CPA, CISA, Assistant to the Auditor General

**AUDIT OF BAYFRONT PARK MANAGEMENT TRUST
OCTOBER 1, 2016 THROUGH JUNE 30, 2018
Audit No. 19-14**

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SCOPE, OBJECTIVES, AND METHODOLOGY

In accordance with the provisions of Section 48 of the City of Miami's Charter, and at request of the City Commission, the Office of Independent Auditor General (OIAG) conducted an audit of the operations of Bayfront Park Management Trust (Trust), in order to provide the City Commission and management unbiased, timely, and relevant information for use in promoting accountability, stewardship, and improving the Trust's operations. The audit primarily covered the period of October 1, 2016 through June 30, 2018 and selected transactions prior and subsequent to this period.

The scope and objectives of the audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identifying weaknesses in those controls.
- Determine whether management had taken corrective actions for an audit finding and recommendation included in Audit Report No. 14-019 in regard to including a Right to Audit Clause in Use Agreements.
- Ensure management is maximizing revenue potential.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence 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.
- Reviews of written policies and procedures in order to gain an understanding of the internal controls.
- Observations of current practices and processing techniques.
- Tests of applicable transactions and records.
- Other audit procedures as deemed necessary.

BACKGROUND

Bayfront Park Management Trust (Trust) is a discrete component unit of the City of Miami responsible for managing and operating Bayfront and Maurice A. Ferré (Ferré) parks. Each fiscal year, the Trust prepares and submits an annual budget to the City Commission for approval. The governing body of the Trust consists of nine members appointed by the City Commission for terms of one to three years.

Bayfront Park is a 32-acre park located immediately adjacent to the Central Business District. Since 1925, it has been a gathering place for Miami's residents and visitors. Ferré Park, located north of American Airlines Arena, is a 21-acre waterfront site, adjacent to the cruise ship turning basin in Biscayne Bay. Ferré Park re-opened to the public on June 14, 2014. With the reopening of Ferré Park, there are now 53 acres of public waterfront parkland under the Trust's management.

As of June 30, 2018, the Trust employed 20 employees consisting of six administrative, three special event, nine maintenance, and two electrician employees. The Executive Director resigned in March of 2017 and the Finance Director resigned in June 2018. The Interim Executive Director managed the daily operations of the Trust and the duties of the Finance Director was divided between the Interim Executive Director and the Bookkeeper. The Interim Executive Director resigned as of March 22, 2019 and an Executive Director was appointed on March 26, 2019. The Finance Director position currently remains vacant.

The Trust receives revenues from three main sources: special events, amphitheater revenue and long-term use agreements, totaling \$7.8 million during the 2017 fiscal year. During the same year, the Trust incurred operating expenses totaling \$7.3 million from three categories including administrative, special events, and maintenance.

Additionally, revenue is earned from two dock areas; one at Ferré Park and another at Bayfront Park. The dockage area at Ferré Park consists of 10 slips totaling 1,750 linear feet. However, during the audit period, 1,000 feet of the Florida East Coast (FEC) slip was not utilized due to its configuration and only 750 linear feet remained usable. The Bayfront Park dockage areas consists of 3 slips totaling 370 linear feet. Both docks are not full-service marinas since only water and garbage services are offered. For vessels that are regularly docked, the Trust directly manages fees and collections. For transient vessels, the Trust charges the agent (dockmaster) prevailing rates and the agent charges transient vessels a rate based on their pricing. The agent manages all services related to their reservations.

The Trust also receives revenue from parking facilities at Ferré Park and Bayfront Park which total 84 parking spaces. The two parking facilities are operated by a contracted security company, which collects and submits cash payments for customers to the Trust daily.

AUDIT FINDINGS AND RECOMMENDATIONS

Based on the results of our audit, we have several recommendations to enhance revenue and to improve internal controls in the handling of and accounting for cash. Our audit procedures also provided that management has taken corrective action to include a Right to Audit Clause in Use Agreement for events as recommended in Audit Report No. 14-019.

Accordingly, we have noted the following:

- 1) Ticket surcharge City Code should be reevaluated to include bus and other tours, and all events that occur within the City; Potential Recurring Annual Revenue Impact: Bus Tours – More Than \$1 Million; Events – More Than \$250,000.
- 2) Renegotiate concession fees with Big Bus to achieve market rates.
- 3) Establish formal policies and procedures to ensure proper administration and billings of special events.
- 4) Improve procedures to monitor and increase dockage revenue.
- 5) Improve internal controls over the bank reconciliation process and handling of outstanding checks.
- 6) Segregate duties for cash handling at parking facilities.

Details of our findings and recommendations follow:

FINDING 1: TICKET SURCHARGE CITY CODE SHOULD BE REEVALUATED TO INCLUDE BUS AND OTHER TOURS, AND ALL EVENTS THAT OCCUR WITHIN THE CITY; POTENTIAL RECURRING ANNUAL REVENUE IMPACT: BUS TOURS – MORE THAN \$1 MILLION; EVENTS – MORE THAN \$250,000

Section 53-1 of the City Code states:

“A ticket surcharge shall be imposed against all paid admissions to city-owned facilities, including, without limitation, the Marine Stadium, the Coconut Grove Expo Center, the Miami Convention Center, and the Bayfront Park Amphitheater, and on tour boats operating at Miamarina at Bayside....Unless specifically exempted below, and for the purposes of this section, "events" shall include activities, programs, concerts, festivals, parties, meetings and other gatherings for whatever social, entertainment, cultural, sport or other purpose and for which attendees are expected to pay or make a donation in order to attend...”

“Notwithstanding contractual agreements to the contrary, the rate of the ticket surcharge shall be dependent upon the price of admission charged to attendees of a given event, as established by the sponsor or promoter of said event, as follows:”

Price of Admission (or suggested donation)	Ticket Surcharge
\$1.00—14.99	0.75
15.00—29.99	1.00
30.00—99.99	2.00
100.00—249.99	3.00
250.00—999.99	5.00

A) *Impose Ticket Surcharge for Bus Tours to Increase Revenue by More Than \$1 million*

Similar to boat tours for which surcharges are applicable, and imposed primarily on tourists, bus tours are currently not subject to ticket surcharges. The City Code does not provide for a ticket surcharge on bus tours, which have significant operations within the City, and where tickets are sold at City parks and leased facilities. The purpose of bus tours is the same as boat tours; accordingly, we believe that a ticket surcharge should be considered on bus tour tickets sold.

Our research indicates that other cities impose ticket surcharges on tours and cruises. For example, Atlantic City imposes a nine percent (9%) surcharge on the ticket price for sightseeing tours. The City of Boston has a “surcharge of five percent of the purchase price imposed on the price of any ticket purchased for any water-based sightseeing, tourist venue or entertainment cruise or tour and for any land-based sightseeing, tourist venue or trolley tour, originating or located in the commonwealth and conducted partly or entirely within the city of Boston”.

In order to quantify the economic impact that a bus tour ticket surcharge would have to the City, we reviewed Big Bus tour operations, which is the largest bus tour operator in the City, and uses Bayfront Park as a central location. Their tours have three routes, one primarily within the City and two other routes which partially operate within the City. The bus routes are guided tours and have nine (9) stops within the City where passengers can depart or board the bus. Currently, the standard bus tour price ranges from \$39 to \$49 per day.

Although requested, Big Bus would not provide the amount of tickets sold for their Miami operations. However, in 2013 (six years ago) the Miami Herald reported that they had approximately 1,500 passengers daily during their peak season. Based on 1,500 passengers daily during peak season in 2013 and adjusting downward for seasonal fluctuations using actual ticket sales at Bayfront Park as a benchmark, we estimate that more than 520,000 tickets are sold annually. By applying a \$2 ticket surcharge to each ticket sold would generate additional annual revenue in excess of \$1 million.

Since Big Bus would not provide ticket sales data, the current amount of their ticket sales is unknown. However, we estimate that the bus tours may have passenger growth rates similar to those of cruise ship passengers. At Bayfront Park, we have observed that buses appear to be significantly occupied when cruise ships are docked. Trucks are used to transfer and hold cruise passenger’s luggage while tours are occurring, and four major cruise lines sell bus tours. For the period of 2013 to 2018 the Port of Miami had a 46% growth in cruise ship passengers (2013 – 4,112,125 passengers to 2018 – 6,013,746 passengers). Applying this growth rate to tour bus passengers, would imply over 750,000 yearly passengers that may generate significant annual ticket surcharge revenue in excess of \$1.5 million.

In addition to Big Bus, there are multiple tour operators throughout the City that operate routes primarily or partially within the City for which a ticket surcharge could be applicable. Ticket prices for these tours range from \$10 to \$650 which would equate to a \$1 to \$5 ticket surcharge.

RECOMMENDATION 1.1: BAYFRONT PARK MANAGEMENT TRUST

To increase recurring annual revenue by more than \$1 million, we recommend that Trust Management, with the assistance of the City Manager’s Office, and the City Attorney’s Office, explore the possibility of drafting/proposing an Ordinance to update Section 53 of the City Code: “Ticket surcharge on paid admission to events” to include bus tours and any other sightseeing tours or tourist venues that are conducted partly or entirely within the City. Updating the City’s

ticket surcharge code would generate additional revenue that could be used to fund capital improvement projects.

- **Auditee Response:** To implement this recommendation, the ticket surcharge code would need to be revised and approved by the City Commission. The BPMT Chairman intends to address this recommendation with a revision to the ticket surcharge code and by submitting the revision to the City Commission for approval.
- **Implementation Date:** February 2020.

B) Impose Ticket Surcharge for All Events to Increase Annual Revenue by More Than \$250,000

During the audit period (October 1, 2016 through June 30, 2018), of 96 events held at Bayfront/ Ferré Park, ticket surcharges totaling \$631,135 were not collected for 33 events. The 33 events consisted of walks, marathons, art exhibits, and fitness classes, sponsored by both for-profit and non-profit organizations. Each of the 33 events required either a ticket, registration fee, or other consideration such as a minimum donation or a fundraising requirement which ranged from \$10 to \$335 dollars with applicable surcharges ranging from \$0.75 to \$5.00 per ticket.

The Trust's prior management did not apply the ticket surcharge in accordance with the City Code. Prior management believed that since the walk or marathon occurred on public roads the ticket surcharge was not applicable. However, these events extend to city-owned facilities by way of rentals which are used prior, during, and following each walk or marathon for event administration, food and beverage sales, merchandise sales, presentations, and various social activities. The walks or runs which occur on public roads are only a portion of the event, since the event as a whole includes activities which occur at city-owned facilities.

We inquired with the Office of the City Attorney (OCA) if a ticket surcharge per section 53-1 of the City code, is applicable to walks, marathons, and fundraising events for which attendees are expected to pay a registration fee or make a donation, and the event occurs partially at city-owned facilities. The OCA provided that,

"The fact that the City Code defines specific exemptions which do not include walks, marathons, and fundraising events indicates such events would not be exempt from the ticket surcharges. Moreover, the City Code states, "unless specifically exempted," and for the purposes of this Section of the City Code, "'Events' shall include activities, programs, concerts, festivals parties, meetings, and other gatherings for whatever social, entertainment, cultural, sport or other purposes for which attendees are expected to pay or make a donation in order to attend." The City Code, however, does not distinguish between for-profit and non-profit events. Nor does it distinguish between whether rates would be different for a particular type of event outside of a contractual agreement. Therefore, based on the plain language of the City Code, all walks, marathons, or fundraising events where attendees are expected to pay or make a donation and where City-facilities are used, are subject to ticket surcharges as prescribed in Section 53-1 of the City Code, unless a contractual agreement is made to the contrary."

Based on our review of recurring events held at Bayfront/ Ferré Park, we estimate that the Trust can increase annual revenue by more than \$250,000 if ticket surcharges are applied in accordance with the requirements of City Code 53-1 for events.

RECOMMENDATION 1.2: BAYFRONT PARK MANAGEMENT TRUST

To increase annual revenue by more than \$250,000, we recommend that the Trust establish policies and procedures, in accordance with City Code 53-1, to include a ticket surcharge for all events, which require a ticket, registration fee, donation, or fundraising requirement.

- **Auditee Response:** The auditors inquired and received an opinion from an Assistant City Attorney regarding the ticket surcharge code for walks, runs, marathons, etc. At this time, the City Attorney's Office is reviewing the finding with the intention of drafting new ticket surcharge language, which will be reviewed by the City Manager for further action.
- **Implementation Date:** October 2019.

FINDING 2: RENEGOTIATE CONCESSION FEES WITH BIG BUS TO ACHIEVE MARKET RATES

Big Bus Tour Company entered into a 5-year concession license agreement with The Trust in June 2012 to sell and provide bus tours from the park property. In January 2014, the contract was amended (Amendment 1) to include revised fees and the use of the north dock for boat tours provided by Island Queen. Big Bus paid the concession fees and Island Queen used the dock based on an arrangement between Big Bus and Island Queen.

In January 2017, the concession license agreement was amended (Amendment 2) to elect the 5-year renewal option through January 2022, and included the following provisions:

- Concession Fee: \$78,335 annually (\$6,528 monthly).
- Dock Fee: \$47,271 annually (\$3,939 monthly).
- Ticket Surcharge: as stated in 53-1(b) of the City Code and paid to the Trust.
- Revenue Share: 5% revenue share of all other gross revenues earned by the Concessionaire from its operations at Bayfront Park including, without limitation, food, beverages, memorabilia, souvenirs, merchandise, water taxi ticket revenues, bus ticket revenues originating in Bayfront Park, and Island Queen Boat Ticket Revenues.

We found that Big Bus also has a contract with the Miami Parking Authority (MPA), and noted that the bus tour concession fees negotiated with Big Bus are significantly less when compared to the fees earned by Miami Parking Authority (MPA), despite providing more ticket sale locations and parking for their bus tour operations. Currently, MPA receives \$13,000 per month with no revenue share for 2 kiosks located in MPA parking lots (across the street from Bayfront park), while the Trust receives approximately \$10,340 (Bus Concession Fee of \$6,528 plus average revenue share of \$3,871) for 4 kiosks, 2 additional sales locations, 3 bus parking spaces and 4 car parking spaces. In addition, we have noted that Big Bus is currently occupying up to 6 bus parking spaces at a time at BPMT.

We also compared the Big Bus annual dock fee of \$47,271 for 150 linear feet to the City's transient dockage rate and to other commercial vessels operated from Bayfront Park. Currently, the daily per foot linear rate paid by Big Bus is \$0.86 (Per Foot Rate = [annual fee ÷ 365 days] ÷ 150 feet). Using the City daily dockage rate of \$5 per linear foot, the potential gross income (PGI) is \$273,750 (PGI = linear feet x daily rate x 365 days). Providing for a 15% vacancy allowance, the effective slip income (ESI) is \$232,687 (ESI=PGI x .85 of potential revenue). We noted that based on the available linear feet of the dock, other commercial vessels pay the equivalent of \$88,992

to \$180,000 on a yearly basis for the same amount of linear feet. (other commercial vessels daily rates are \$1.63 and \$3.29 per linear foot.)

Additionally, during the audit period the Trust has not received any ticket surcharges or revenue share from the dockage concession. We inquired with Big Bus and Island Queen which stated that in January 2016 they moved the boat tour operations to Bayside and the Bayfront dock is no longer used, although they currently pay for the space. They further stated that Island Queen submits the boat tour ticket surcharge to the City for boat tour packages sold by Big Bus.

RECOMMENDATION 2: BAYFRONT PARK MANAGEMENT TRUST

We recommend that BPMT renegotiate bus concession fees with Big Bus to market rates taking into account the full amenities offered (bus parking spaces, car parking spaces, ticket sales locations).

We also recommend that dockage concession fees with Big Bus be renegotiated to market rate or alternative uses of the dockage area be considered.

Finally, the Trust should establish procedures to monitor the usage of the dock area in order to ensure that all revenue share or ticket surcharges are paid to the Trust.

- **Auditee Response:** BPMT is in the process of renegotiating the Big Bus contract and dockage concession fees to receive a market rate value. We will monitor the usage of the dock area.
- **Implementation Date:** Upon finalization of contract.

FINDING 3: ESTABLISH FORMAL POLICIES AND PROCEDURES TO ENSURE PROPER ADMINISTRATION AND BILLINGS OF SPECIAL EVENTS

Administration of Special Events

The Trust organizes special events in the park. In 2017, 81% of operating revenue (\$6,309,416) and 61% of operating expenses (\$4,434,791) were related to special events. Since events are a significant revenue source of the Trust, consistent and enforceable policies and procedures should be established to ensure that the Trust is able to recover all costs associated with the park use by event promoters.

For each special event, the Trust provides the event promoter with a Promoter Information Kit (Kit). The Kit includes a Special Event Application (Application), an Estimated Expense Schedule (Fee Schedule), an example of a standard Use Agreement, and other information. The Application and Use Agreement are used to establish guidelines and conditions for use of the park by the promoters. The Fee Schedule requires a \$6,500 non-refundable deposit to reserve a date, a damage deposit ranging from \$1,000 - \$10,000, and other support service fees that include estimated expenses that are due seven days prior to the use period (starts with the date they set-up prior to the event). Additionally, the Fee Schedule provides daily park rental fees of \$5,000 for the Tina Hills Pavilion, \$75,000 for the center of Bayfront Park, and \$75,000 for Ferré Park, which are charged for each day the park is in use for the event. Use Agreements are required to be signed by the Promoter, Executive Director, City Attorney, and City Risk Manager.

Our examination of nine special events that took place during the audit period for compliance with the above requirements disclosed the following:

Type of Exception	Frequency
Non-Refundable deposit of \$6,500 not collected	6 of 9
Insufficient Damage Deposit	7 of 9
Final Estimated Expenses paid 5 to 27 days after use period	8 of 9
Use Agreement not fully executed and signed prior to use period	5 of 9

Also, we noted that the stated daily park rental fees were not charged in accordance with the Fee Schedules. For example, Ultra Festival used 33 total days to hold the event including time to set up the event and restore the park to its original condition after the event. According to the fee schedule a park rental fee of \$2,475,000 was required (33 days @ \$75,000) as compared with the actual park rental fee of \$130,583.

The Interim Executive Director stated that the \$6,500 non-refundable deposit is not collected for recurring events and the daily park rental fee is a negotiable rate based the market. As a result, the Trust has not established consistent policies and procedures that provide guidance for rental of the Park’s grounds. While the Application and the Agreement provide provisions and conditions for use of the park, the Trust does not adhere to the agreed upon requirements, including rental fee pricing, due dates, and other required conditions.

The absence of consistent policies and procedures and effective controls over special events and the use of Trust facilities increases the risk that facility users may not be treated equitably in accordance with the intentions of the Board of Trustees.

RECOMMENDATION 3.1: BAYFRONT PARK MANAGEMENT TRUST

The Trust should establish and adhere to written policies and procedures to provide a clear understanding of fees, deposits, due dates, and other conditions for use of the park. More specifically, we recommend that they:

- Revise the Fee Schedule for park rental fees to include realistic and consistent fees or fee ranges.
- Require the collection of the \$6,500 non-refundable deposit.
- Establish damage deposit estimate procedures.
- Collect all estimated fees prior to allowing promoters to use the Trust’s facilities
- Ensure all Special Event Applications and Use Agreements are fully executed and conditions for use of the park are met prior to the use period.

- **Auditee Response:** BPMT plans to address this recommendation as follows:
 - Revise the Fee Schedule, to be dependent upon the size of the event, number of attendees, and estimated park usage.
 - Establish a non-refundable event deposit fee for all events, which will be based on the size of the event, number of attendees, and estimated park usage.
 - Establish a damage deposit policy that will direct the Administrative Director to assess event damage deposits based on the size, prior history, and type of event. The assessment will be documented and added to the event file.
 - BPMT will require payment and the execution of contract prior to all events.

- **Implementation Date:** Immediately.

Billings for Special Events

The User checklist which is used to provide and confirm the promoters understanding of terms and conditions states, "The promoter is responsible for all costs associated with special events and for all costs associated with returning the facility to its original condition." Additionally, the use Agreement provides that, "Except as otherwise specifically stated provided herein, User shall be responsible for all costs involved in the presentation of the event..."

For 20 special events during the audit period, we reviewed 59 expense transactions totaling \$1.4 million. Our audit procedures disclosed six transactions for three events, totaling \$17,437, that were not invoiced to the promoter and not reimbursed to the Trust.

Although the Trust has established internal controls over the accounting process, in these instances they were overridden. For two events or four reimbursable expense transactions totaling \$15,185, the promoter was not invoiced for event staffing (Trust employees) and for rented special equipment. The Interim Executive Director indicated that in the prior years for this event, the staffing and the rented equipment were not invoiced to the promoter and the practice continued.

For another event, the promoter was not invoiced for two reimbursable expense transactions totaling \$2,253 for police services and damage to the landscaping. According to the Interim Executive Director, a corrected report for police services was received subsequent to the final settlement statement and the Trust absorbed the expense instead of seeking reimbursement from the promoter. As for the landscaping expense, he stated that some of the expenses incurred may have been related to park maintenance and not the event. However, the Application and Agreement provides that additional charges may be deducted from the Damage Deposit and it does not limit the amount of time the Trust can seek reimbursement for event related expenses.

RECOMMENDATION 3.2: BAYFRONT PARK MANAGEMENT TRUST

The Trust should ensure that all special event expenses are accurately invoiced and reimbursed to the Trust.

- **Auditee Response:** The promoter is responsible for all event related expenses. BPMT currently separates BPMT employee staffing fees, which are now the responsibility of the promoter. Additionally, event related damages are the responsibility of promoter. BPMT plans to review all event related expenses to ensure promoters are invoiced accordingly.
- **Implementation Date:** Immediately.

FINDING 4: IMPROVE PROCEDURES TO MONITOR AND INCREASE DOCKAGE REVENUE

The Trust was granted the responsibility to manage all aspects of the park facilities including the two revenue generating dock areas at Bayfront Park and Ferré Park. As such, the Trust should maximize dockage revenue to ensure funds are available for maintenance and operational expenses.

During the 21-month (10/01/16 – 06/30/18) audit period, the Trust increased dockage rates from \$2.85 to \$4.00 per linear foot at Ferré Park and Bayfront Front Park and received dockage revenues totaling \$616,124 from 178 transactions consisting of 45 vessels. Our review disclosed

that for one transaction the Trust assessed dockage fees for less footage than the actual size of the vessel, and for 46 transactions dockage rates were assessed less than the effective nightly rate per foot (rate). As a result of not accurately invoicing docked vessels, the Trust experienced a \$5,800 loss of revenue. The Trust has not established written procedures and controls over dockage revenues. Without effective controls errors can occur and increase the risk that revenue may not be accurately assessed and collected.

We further evaluated the dockage utilization. We determined the potential yearly gross income (PGI) of each slip by using the average rate of \$3.37 and \$3.28 per linear foot (average rates used due to increases during period) for Ferré Park and Bayfront Park, respectively, multiplied by the total usable linear feet of 750, 250, and 300, for Ferré Park, Bayfront Park – South, and Bayfront Park – North, respectively. (PGI = linear ft. x rate x 365 days). We reduced the potential gross income to account for a 15% vacancy allowance, which provided the Effective Slip Income (ESI). (ESI = PGI x .85). When we compared the actual revenue to the ESI, we noted that the actual revenue earned was 43 to 85 percent less than the ESI, which resulted in a loss of potential income of \$990,192 during the 2016-17 fiscal year and \$690,195 during the 9-month period of October 2017 to June 2018. (See Schedule 1: Page 10)

SCHEDULE 1 – DOCKAGE INCOME
Potential vs. Actual For FYE 2017 and 9 Months Ended June 2018

	2016-17					2017-18				
	Potential Gross Income - 12 months	Effective Slip Income - 12 Months	Actual 2016-17	2016-17 Difference	% Difference	Potential Gross Income - 9 Months	Effective Slip Income - 9 Months	Actual 2017-18 (Partial 9 Mths)	2017-18 Difference	% Difference
Bayfront Park										
South Dock	299,604	254,664	101,520	(153,144)	-60%	224,703	190,998	108,000	(82,998)	-43%
North Dock	368,650	313,353	46,446	(266,906)	-85%	276,488	235,014	40,787	(194,228)	-83%
Ferré Park*	921,625	783,381	213,239	(570,142)	-73%	691,219	587,536	174,566	(412,970)	-70%
	1,589,879	1,351,397	361,205	(990,192)	-73%	1,192,409	1,013,548	323,353	(690,195)	-68%

*Analysis does not include 1,000 usable linear feet (FEC slip) located at Ferré Park

Based on our review, the Trust has not maximized the opportunity to earn revenue from the dockage space. However, the Trust is taking steps to generate revenue in the future. Prior to the completion of our audit the Trust entered into contract with a vessel that will operate as a restaurant at Bayfront Park south dock using 250 feet. The business operations from the restaurant will provide a base annual dockage fee of \$300,000, plus revenue sharing to the Trust. As a result, the income produced from this contract will exceed the 2017 ESI of \$254,664 by \$45,336 or more.

RECOMMENDATION 4: BAYFRONT PARK MANAGEMENT TRUST

We recommend that the Trust establish written procedures over the assessment and monitoring of dockage income, and that the dockage rates be Board approved with established effective and expiration dates. In addition, the Trust should take steps to increase dockage occupancy rates to maximize the dockage operations earning potential. Prior to the issuance of this report, the City increased the nightly dockage rate to \$5 per foot at the City owned marinas. The nightly rate for the Trust managed docks should be increased to better align with the City rates.

- **Auditee Response:** BPMT has adopted the City dockage rate of \$5 per linear foot. Additionally, BPMT plans to establish policies and procedures to ensure accurate assessment and monitoring of dockage revenue.
- **Implementation Date:** Implemented - April 2019.

FINDING 5: IMPROVE INTERNAL CONTROLS OVER BANK RECONCILIATION PROCESS AND HANDLING OF OUTSTANDING CHECKS

Bank reconciliations should be performed monthly on a timely basis to mitigate against fraud, to determine cash balances available for use, and to ensure any discrepancies between bank and accounting records are researched and resolved timely. The reconciliation should be performed by an independent person who does not have bookkeeping responsibilities, check signing responsibilities, or supervisory review of the reconciliation responsibilities. Additionally, when bank reconciliations are performed, outstanding checks of over 90 days should be reviewed to determine if they should be voided, reissued, or sent to the State Department of Financial services as unclaimed funds.

Our tests disclosed that, since the departure of the Finance Director during June 2018, the Interim Executive Director, who is also tasked with signing checks, has performed the bank reconciliations and signed them as the reviewer.

We also identified 19 checks totaling \$4,606 during our audit period that remained outstanding in the bank reconciliations for over 90 days, with a range of 97 days to 604 days prior to being resolved. While the trust has established positive pay with their banking institution and dual signature requirements as compensating controls to mitigate against unauthorized payments, there is an inherent risk that fraud or errors could occur and go unnoticed due to an absence of established internal controls and separation of duties.

Our review of the check register and journal entries for the audit period of October 2016 through June 2018, disclosed that there were checks outstanding totaling \$33,261 from the period of October 2005 through June 2006. A journal entry was posted on September 30, 2008 to adjust the cash balance and reclassify the outstanding checks to accounts payable. In March 2014, or 8 years later, (original payment date 2006), the Trust correctly accounted for and issued payments totaling \$30,901, and the remaining balance of \$2,360 was incorrectly reclassified from accounts payable to various other accounts. Although the accounting system ages accounts payable balances, old balances were not researched and resolved.

Our testing disclosed that the Trust has not established written policies and procedure for bank reconciliations and review of the accounts payable aging report. As a result, the Trust employees did not have procedures to determine when the bank reconciliation should be performed or when an outstanding check should be canceled, reissued, or sent to the Department of Financial Services. Additionally, due to the size of the administrative staff when the former Finance Director departed, there was not another trained independent employee that could have assumed the bank reconciliation responsibilities.

RECOMMENDATION 5.1: BAYFRONT PARK MANAGEMENT TRUST

We recommend that the Trust establish written procedures for the bank reconciliation process that address proper internal controls including when the bank reconciliation should be performed, who should perform the bank reconciliation in the absence of a Finance Director, and how outstanding checks should be addressed.

- **Auditee Response:** The BPMT (Trust) Accounting Policy and Procedures guide indicates that the Finance Director performs the bank reconciliations. However, the written procedure does not address proper internal controls including when the bank reconciliation should be performed, who should perform the bank reconciliation in the

absence of a Finance Director, and how outstanding checks should be addressed. The Trust's Accounting Policy and Procedures will be updated accordingly.

Regarding the outstanding check issues which have occurred in the past, I will consult with our external auditors and our outside CPA firm on developing a procedure to correctly record outstanding checks.

- **Implementation Date:** Immediately

RECOMMENDATION 5.2: BAYFRONT PARK MANAGEMENT TRUST

The Trust should establish procedures to review monthly accounts payable aging reports, identify and resolve outstanding payables on a timely basis, and document actions taken to resolve any outstanding payables. Finally, they should research and resolve the \$2,360 misclassification from accounts payable to other accounts.

- **Auditee Response:** BPMT's financial firm will implement new procedures to resolve outstanding payables on a timely basis, review aging reports and resolve any outstanding payables.
- **Implementation Date:** August 2019.

FINDING 6: SEGREGATE DUTIES FOR CASH HANDLING AT PARKING FACILITIES

Best practices provide that cash handling functions (e.g., receipt and deposit) should be separated from record-keeping functions such as recording transactions and reconciling accounts. As stated in the City's Cash Receipts Policy, "Good controls are designed to safeguard assets and insure the accuracy and reliability of accounting data."

During our audit period, the Trust collected \$331,215 from two parking facilities operated by a contracted security company. Our review disclosed that control over all components of the parking operations transaction were assigned to the bookkeeper. Daily, the contracted security company provided the bookkeeper with the prior day parking log, pre-numbered parking ticket stubs, and cash. The bookkeeper reconciled the parking log to the ticket stubs and the cash received; recorded the transaction in the accounting system; and made the bank deposit for the cash collected. Without an independent reconciliation being performed there is a greater risk of error or misstatement in record-keeping.

While the Trust has established written procedures for the parking operations, it has not established an independent review to verify the accuracy of the cash collected and the information entered into the accounting system.

RECOMMENDATION 6: BAYFRONT PARK MANAGEMENT TRUST

We recommend that the Trust enhance written procedures to provide a clear separation of duties between cash handling and recording of income received from the parking operations.

- **Auditee Response:** BPMT has implemented the following parking procedures:
 - The HR Coordinator shall provide the parking attendant with counted tickets daily.
 - Upon receipt of the parking report from attendants, the HR Coordinator will reconcile the cash received to the tickets sold.

- To verify for accuracy, the Executive Director will reconcile the cash received to the tickets sold.
 - The Bookkeeper function will also reconcile the cash received to the tickets sold then input the information into the accounting system.
 - In coordination with the Miami Parking Authority, BPMT has installed a digital pay by phone system at Maurice A. Ferré Park on August 1, 2019.
- **Implementation Date:** Immediately - June 2019.