

City of Miami

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January 31, 2020

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

Re: Closeout Review of the Miami Sports and Exhibition Authority
Report No. 20-05

Executive Summary

We have completed a review of the revenues, expenditures and process to transfer assets, liabilities and responsibilities from the Miami Sports and Exhibition Authority (MSEA) to the City. This review was performed as a result of a directive detailed in Ordinance No. 13801 "Abolish – Miami Sports and Exhibition Authority".

Our review included reviewing selected financial transactions; performing bank reconciliations; examining relevant sections of the City's Code of Ordinances; and verifying the process to transfer MSEA's assets, liabilities, and lease management duties to the City, primarily from January 1, 2018 through November 30, 2019. We also followed up on the current status of recommendations made in our prior review of MSEA and performed other procedures as necessary.

Based on our review, we have concluded that all cash, assets and liabilities were accounted for; that MSEA's lease management duties were transferred to the City; MSEA's leases and subleases were in the process of being transferred to the City; that the City's Code of Ordinances was updated to reflect MSEA's abolishment; and that a special revenue account was established.

However, we noted the following exceptions:

- MSEA's bank accounts were not closed and funds totaling (\$807,982) were not transferred to the City in a timely manner.
- The City has not fully implemented four recommendations made in our prior review of MSEA.

Details of our findings and recommendations are included on pages three through seven of the report. We appreciate the cooperation extended to us by all personnel 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
Joe Napoli, Deputy City Manager
Victoria Mendez, City Attorney
Todd Hannon, City Clerk
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
Fernando Casamayor, Assistant City Manager/Chief of Operations
Nzeribe Ihekweba, Assistant City Manager/Chief of Infrastructure
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
Members of the Audit Advisory Committee
Audit Documentation File

Review conducted by: Deming Zhang, CPA, Senior Staff Auditor

Review reviewed by: Robyn Sachs, CPA, CISA, MBA
Information Systems Audit Administrator

**CLOSEOUT REVIEW OF THE
MIAMI SPORTS AND EXHIBITION AUTHORITY
REPORT No. 20-05**

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SCOPE, OBJECTIVES, AND METHODOLOGY

Ordinance No. 13801 “Abolish – Miami Sports and Exhibition Authority” contained a directive that our Office perform an audit of MSEA. Accordingly, we reviewed the process to closeout the operations of MSEA and our objectives were to:

- Determine that all cash was accounted for and that all payments made by MSEA were appropriate, allowable and authorized.
- Verify that MSEA’s assets, liabilities, lease agreements and lease management duties, were transferred to the City in a timely manner.
- Ascertain the existence of any prepaid assets.
- Confirm that a special revenue account was established.
- Ensure that the City Code of Ordinances was updated to reflect MSEA’s abolishment.
- Determine the current status of recommendations made in our prior review of MSEA.

Our review primarily covered the period January 1, 2018 through November 30, 2019 and our methodology included:

- Reviewing MSEA’s bank statements, check registers, financial statements and certified annual audit reports.
- Reconciling MSEA’s cash balances in the audited financial statements and bank statements.
- Verifying whether all disbursements made from MSEA’s bank accounts were appropriate, allowable and authorized.
- Determining if references to MSEA were removed from the City’s Code of Ordinances.
- Examining the City’s chart of accounts to ensure a special revenue fund was established.
- Analyzing the City’s annual budget books, budget templates, and budget website.
- Verifying if MSEA’s leases were in the process of being transferred to the City.
- Reviewing written policies and procedures.
- Interviewing and inquiring of appropriate personnel.
- Other procedures as deemed necessary.

BACKGROUND

The Miami Sports and Exhibition Authority (MSEA) was established as an independent and autonomous agency and instrumentality of the City via Ordinance No. 9662, adopted by the City of Miami (City) on July 28, 1983, pursuant to Florida Statute 212.0305. MSEA's original intended purpose was to receive the City's share of convention development taxes (CDT) from Miami-Dade County (County) and utilize the funds to promote sports, conventions and exhibitions; attract professional sports franchises to utilize facilities in the City; and, generate community support to achieve these purposes.

In 1997, MSEA and the City entered into an Interlocal Agreement (amended and revised in 2013) through which MSEA served as landlord for three tenants on City-owned waterfront properties on Watson Island: Miami Children's Museum, Chalks Airline, Inc., and Linden Airport Services Corporation. Rental payments from these tenants totaled approximately \$150,000 for the fiscal year ended September 2018 and provided the funding for MSEA's operations.

Additionally, MSEA has not receive any CDT funds since 2009, when the City and County entered into an Interlocal Agreement directing all City CDT funds towards repayment of Miami Marlins Ballpark debts, through June 30, 2039.

In March 8, 2018, the City Commission approved a request from the City administration for our Office to conduct an audit of MSEA. On July 24, 2018, we issued Report No. 18-07, *Review of the Miami Sports and Exhibition Authority*, which included seven findings and related recommendations. The report is available on our website at www.miamigov.com/internalaudits.

On September 25, 2018, MSEA's board of directors unanimously voted to abolish MSEA. The City administration determined that MSEA was no longer necessary and that its current functions could be carried out more efficiently and effectively by any of several City departments. The City Commission concluded that it was in the City's best interest to abolish MSEA and adopted Ordinance No. 13801 "Abolish – Miami Sports and Exhibition Authority" on October 25, 2018.

Ordinance No. 13801 required that MSEA's assets and liabilities be transferred to the City; that a special revenue account be established; and that our office conduct an audit. Accordingly, we reviewed MSEA's revenues and expenditures, the transfer assets, liabilities and responsibilities to the City and the establishment of a special revenue account. We also determined the current status of recommendations made in our prior review of MSEA (Report No. 18-07).

FINDINGS AND RECOMMENDATIONS

CONCLUSION: Based on our review, we have concluded that all cash, assets and liabilities were accounted for; that MSEA’s lease management duties were transferred to the City; MSEA’s leases and subleases were in the process of being transferred to the City; that the City’s Code of Ordinances was updated to reflect MSEA’s abolishment; and that a special revenue account was established.

However, we noted the following exceptions:

- MSEA’s bank accounts were not closed and funds totaling (\$807,982) were not transferred to the City in a timely manner.
- The City has not fully implemented four recommendations made in our prior review of MSEA.

Details of our findings and recommendations are included on pages three through seven of the report.

FINDING 1: MSEA’S BANK ACCOUNTS WERE NOT CLOSED AND FUNDS TOTALING (\$807,982) WERE NOT TRANSFERRED TO THE CITY IN A TIMELY MANNER

Ordinance No. 13801 “Abolish – Miami Sports and Exhibition Authority”, effective October 25, 2018, required “transferring all assets and liabilities to the City” and “establishing a special revenue account.”

MSEA’s bank accounts were not closed, and funds were not transferred to the City, until 256 days (October 25, 2018 to July 8, 2019 account closure date) after MSEA had been abolished. Cash balances in MSEA’s five (5) bank accounts on the date of closure totaled \$807,982, as shown in Table 1 below:

Table 1. MSEA’s Bank Accounts and Cash Balances on July 8, 2019*	
Bank Account Name	Cash Balance
Nautilus Chalks Airline	\$405,043
Nautilus Chalks Lease Deposit	\$250,000
Operating	\$62,559
General Fund	\$59,916
Public Funds Checking	\$30,464
Total Cash Balance:	\$807,982

*Note: these bank accounts were closed on July 8, 2019 and all cash was withdrawn.

We reconciled the transactions and balances in MSEA’s bank accounts and determined that sixteen (16) checks totaling \$35,844 were written against MSEA’s Operating bank account in September 2018. However, these checks were not presented for payment by the payees by the account closure date of July 8, 2019. There is no evidence that the City voided the checks after

they were outstanding for over six (6) months, as is a best business practice. We determined that the outstanding checks were properly addressed by the City subsequent to account closure.

Through inquiry of City personnel, they stated that the reason for the delay in accounts closure and funds transfer was the inability to gather individuals they believed were required to be present at the bank to close the accounts. They stated that the fact that two signatures were necessary for all disbursements is what caused the delay.

FOLLOW-UP ON PRIOR FINDINGS AND RECOMMENDATIONS

We performed procedures to follow-up on the current status of recommendations made in our prior review Report No. 18-07 *Review of the Miami Sports and Exhibition Authority (MSEA)* (July 24, 2018). The report is available on our website at www.miamigov.com/internalaudits.

Our follow-up procedures consisted of obtaining management's representations of the current status of corrective action; reviewing written policies and procedures; analyzing the City's annual budget books, budget templates, and budget website; and, interviewing and inquiring of appropriate personnel.

We have concluded that the City administration has not fully implemented four recommendations made during the prior MSEA review, as described below and through page seven.

RECOMMENDATION 3.1: OFFICE OF THE CITY MANAGER

We 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 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
- **Current Status:** Policy is in the process of being reviewed/approved, the new targeted implementation date is February 29, 2020.

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.

- **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.
- **Current Status:** Partially Implemented

We verified that the Office of Management and Budget (OMB) updated the budget template used by the City's outside entities starting in fiscal year 2018-19 (FY19). A line was added to disclose if any positions at the outside entity were funded in another budget.

However, 5 of 14 (or, 36%) of the City's outside entities did not use the updated budget template with the new disclosure for their FY19 budgets; and, the new template did not require disclosure of the dollar values of salaries and benefits to be funded in another budget. For example, although MSEA's proposed budget disclosed that positions were funded in other budgets, the dollar value and source of additional funding was not disclosed. (Note: due to MSEA's abolishment, its FY19 budget was not approved.)

OMB personnel stated that they will hold workshops with the City's outside entities and provide assistance to implement the template when needed.

The Office of Management and Budget has no authority over the independent instrumentalities (outside agencies) of the City. The Office of Management and Budget will continue to recommend that all outside agencies use the template. If the outside agencies choose not to use the template, only the City Commission (not the Office of Management, nor any other persons or entities in the City Administration) can force the outside agencies to use the form. No such requirement by the City Commission currently exists.

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 of 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 of 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

- **Current Status:** Implemented

The Office of Management and Budget included web links to the proposed budgets of the City's outside entities on the City's legislative hub on January 3, 2020.

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.
- **Current Status:** Partially Implemented

We verified that the Office of Management and Budget (OMB) conducted instructional workshops with the City's outside agencies and provided budget specialists to assist with accurately and fully completing the Agenda Item Summary Form.

However, the several Agenda Item Summary Forms submitted by the City's outside entities for fiscal years 2019 and 2020 were incomplete.

OMB personnel stated that they will continue to work with the City's outside entities and the City's Agenda Office to ensure that the forms are accurately and fully completed.

As a result of Ordinance No. 13801 abolishing MSEA October 25, 2018, additional recommendations made in the prior report, but not listed above, are no longer applicable.