

MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMISSION MEMORANDUM

TO: Honorable Chair and Members of the City Commission

FROM: Alina T. Hudak, City Manager

DATE: September 13, 2013

SUBJECT: Discuss and Take Action on Internal Audit Function

BACKGROUND

This item was referred to the Finance & Economic Resiliency Committee (FERC) at the March 1, 2023, Special Commission Meeting. The purpose of the referral was to explore, whether the function should remain within the purview of the Office of the Inspector General (OIG) or transfer back to the Administration as had previously been, or some variation thereof.

Effective Fiscal Year (FY) 2018, in accordance with Letter to the Commission (LTC) 321-2017, the Office of Internal Audit became a stand-alone department reporting directly to the City Manager. The internal audit function was previously a division of the Office of Budget and Performance Improvement. In November 2018, City voters approved an amendment to the City Charter, creating Article IX and the Office of Inspector General; establishing the functions of the office; providing the Inspector General with the power to subpoena witnesses, administer oaths, and require production of records, to conduct its investigations; and providing that the term, functions, authority, and power be further established by ordinance.

Establishing City of Miami Beach Office of Inspector General

Shall City Charter be amended to create the Office of Inspector General, which shall be independent and empowered to: • investigate, audit, review, and oversee municipal matters including City contracts, programs, projects, and expenditures, in order to identify efficiencies, and detect, investigate, and prevent fraud, waste, mismanagement, misconduct, and abuse of power; and • subpoena witnesses, administer oaths, and require production of records; provided such Office's appointment, term, functions, and powers shall be further established by ordinance?

Additional Information was provided in the Miami Beach Election 2018 Voter's Guide (see Attachment 1), which clarified that the purpose was to to identify efficiencies, and to detect, investigate, and prevent fraud, waste, mismanagement, misconduct, and abuse of power in City government. The budget impact was estimated as \$484,000 for year 1 and \$1,100,000 for year 2. This budget impact was based on five (5) full-time employees, including the Inspector General, an attorney, an investigator, and two (2) clerical employees. From the nature of the specific positions listed, it is reasonable to deduce that the focus of the new office would be investigations.

In anticipation of the November 2018 referendum question, the City's FY 2019 Adopted Operating Budget, approved on September 26, 2018, included five (5) full-time equivalent (FTE) positions for the OIG with a budget of \$484,000. The then Office of Internal Audit, under the oversight of the City Manager, had 10.6 FTE positions with a budget of \$1,613,000, including five (5) auditors for Sanitation and Resort Tax revenue collections.

The implementing Ordinance (Attachment 2: Ordinance 2019-4239) was approved on second reading at the February 13, 2019, City Commission meeting. The Ordinance clarified that the Inspector General shall serve as the City's internal auditor but provided limitations and guidelines on those functions to ensure that the needs of the Commission and the City Manager were met.

The FY 2020 Adopted Operating Budget reflected the merger of the Office of Internal Audit with the OIG with a combined fourteen (14) FTE positions for a budget of \$2,233,000.

The OIG budget for FY 2023 is \$2,411,000 including fourteen (14) FTE positions which include five (5) auditors for Sanitation and Resort Tax revenue collections. The OIG is requesting an enhancement of an additional four (4) staff auditors (tax audit) for an additional budget impact of \$326,000 for FY 2024 and \$409,000 for FY 2025.

On March 1, 2023, the Commission held a Special Commission Meeting to discuss and act, if necessary, regarding the Inspector General and the operations of the OIG. At the meeting, the item was referred to the FERC and City Manager and the Inspector General were directed to separately prepare recommendations regarding the internal audit function.

FERC Recommendation

As the July 28, 2023 FERC meeting, the FERC made the following recommendation which was approved unanimously:

Commissioner Richardson motioned to have this item heard at the September 13, 2023, Commission meeting with a favorable recommendation of finding a balance of functions between the Office of Inspector General (OIG) and the City Manager's office. The Committee recommended the OIG staffing be the Inspector General, 2 Auditors, 2 Investigators, and an Office Manager. The balance of internal audit staffing be transferred to the Administration to perform internal and tax audit functions. The Committee recommends the OIG to concentrate on fraud, waste, and abuse while the City Manager's office focuses on internal and tax audits.

CONCLUSION

Commission to discuss and act on whether the Internal Audit function should remain within the purview of the OIG, transfer back to the Administration as had previously been, or some variation thereof.

Attachments

1. Commission referral R5 R - cover and memorandum
2. Administration - Internal Audit Function - FERC memorandum
 - a. 2018 Miami Beach Voter's Guide
 - b. Ordinance 2019-4239
 - c. The IIA position paper: "The Role of Internal Auditing on ERM"
3. OIG Proposed Reassignment of Internal Audit Function – FERC memorandum