

Report No. 2025-004  
July 2024

**STATE OF FLORIDA AUDITOR GENERAL**

Operational Audit

## **CITY OF NORTH MIAMI BEACH**

Purchasing Cards, Gift Cards, and  
Selected Administrative Activities



Sherrill F. Norman, CPA  
Auditor General

## **City Commissioners, Mayor, and City Manager**

During the period August 2023 through November 2023, Jay Chernoff served as the City of North Miami Beach's Interim Mayor,<sup>a</sup> Mario Diaz served as City Manager, and the following individuals served as City Commissioners:

	<u>Group No.</u>
Daniela Jean	3
Fortuna Smukler	4
McKenzie Fleurimond	5
Phyllis Smith	6
Michael Joseph, Esq.	7

<sup>a</sup> Mayor Anthony F. DeFillipo II was suspended from public office on June 5, 2023, and Jay Chernoff served as Interim Mayor from that date until December 11, 2023. Evan S. Piper was elected in a special mayoral election on December 5, 2023, and was sworn in on December 12, 2023.

The team leader was Walt Cunningham, CPA, and the audit was supervised by Gina Bailey, CPA.

Please address inquiries regarding this report to Derek H. Noonan, Audit Manager, by e-mail at [dereknnoonan@aud.state.fl.us](mailto:dereknnoonan@aud.state.fl.us) or by telephone at (850) 412-2895.

This report and other reports prepared by the Auditor General are available at:

[FLAuditor.gov](http://FLAuditor.gov)

Printed copies of our reports may be requested by contacting us at:

**State of Florida Auditor General**

**Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722**

# CITY OF NORTH MIAMI BEACH

## Purchasing Cards, Gift Cards, and Selected Administrative Activities

### **SUMMARY**

---

This operational audit of the City of North Miami Beach (City) focused on selected City processes and administrative activities. Our operational audit disclosed the following:

**Finding 1:** The City did not take appropriate actions to address purchasing card (P-card) findings and recommendations reported in the *Investigative Report on Former Administration Expenditure of Taxpayers Funds* and, contrary to City policies and procedures, did not attempt to recover from cardholders amounts improperly charged or consistently take disciplinary actions against the applicable current and former City employees.

**Finding 2:** The City did not always maintain documentation evidencing that cardholders signed cardholder agreements to evidence receipt of City P-cards and agreement with the City P-card usage policies.

**Finding 3:** The City did not have policies and procedures for the obtaining, distributing, and accounting for gift cards, which may have contributed to missing and stolen gift cards.

**Finding 4:** The City had not established anti-fraud policies and procedures for the mitigation, detection, and reporting of suspected or known fraud.

**Finding 5:** The City did not always maintain written minutes of City Commission meetings in accordance with the State law.

### **BACKGROUND**

---

In 1931, the City of North Miami Beach (City) was incorporated as a municipality. The City is located between Fort Lauderdale and Miami, comprises 5.75 square miles of land, and had an estimated population of 43,100 residents as of April 1, 2023.<sup>1</sup> The City is governed by the City Commission composed of six elected Commissioners and an elected Mayor and operates under a Commission-Manager form of government. The City Commission is responsible for enacting ordinances, resolutions, and policies governing the City, as well as appointing the City Manager, City Attorney, and City Clerk. The City Manager is the Chief Administrative Officer and, as such, is responsible for the enforcement of laws and ordinances; appointing and supervising the department directors of the City; submitting the proposed annual budget; advising the Commission as to the financial condition of the City; and overseeing the day-to-day operations of the City.

The City provides a full range of municipal services for its citizens, including public safety; water, sewer, and stormwater utilities; public works; parks and recreation facilities; public library services; code

---

<sup>1</sup> *Florida Estimates of Population 2023*, Bureau of Economic and Business Research College of Liberal Arts and Sciences University of Florida.

compliance; planning and zoning; economic development; sanitation services; and general and administrative services.

## ***FINDINGS AND RECOMMENDATIONS***

---

### **INVESTIGATIVE REPORT ON FORMER ADMINISTRATION EXPENDITURE OF TAXPAYERS FUNDS**

City policies<sup>2</sup> provide for purchasing cards (P-cards) to provide the most efficient and effective method of payments for small dollar purchases, eliminating or reducing the need for purchase orders and facilitating the quick payment of vendors. On April 24, 2023, in response to various allegations, including P-card and grocery store gift card giveaway abuse and improper use of taxpayer funds under the prior administration, the City Commission entered into an agreement with an attorney to investigate alleged misspending and misuse of taxpayer funds by the City Manager's Office, City Attorney's Office, and other City personnel during the period April 2020 through April 2023. The City paid the attorney \$21,900 to conduct the investigation, and the attorney submitted the *Investigative Report on Former Administration Expenditure of Taxpayers Funds* (Investigative Report) to the City Commission, City Manager, and the Interim City Attorney on July 18, 2023. The Investigative Report disclosed questionable use of P-cards and purchased grocery store gift cards.

According to the Investigative Report, an analysis of 10,138 P-card transactions totaling almost \$2 million identified certain P-card expenditures, amounting to approximately \$1.4 million, that "violate the P-card policy, common sense, and applicable, local, county, and State Statutes, that were well known to govern these transactions."<sup>3</sup> The Investigative Report identified, for example:

- Online retailer purchases totaling \$296,211.
- Retail store purchases totaling \$185,684.
- Charitable contributions totaling \$86,520.
- Food purchases totaling \$70,907.
- Unclassified purchases that appeared personal in nature totaling \$68,600.
- A \$500 bicycle purchase.
- Child support and alimony fees totaling \$339.

According to the Investigative Report, interviews with City staff disclosed that these P-card expenditures occurred because the former administration:

- Established a culture of bullying and intimidation that discouraged the reporting of improper use of City funds.
- Directed finance and procurement personnel to follow directions with no questions asked.
- Replaced or circumvented the authority of career finance and procurement professionals with lesser qualified personnel.
- Continually refused to follow or waived normal procurement rules.

---

<sup>2</sup> *The City of North Miami Beach Personnel Policies and Procedures, August 2019. Procurement Card Policy.*

<sup>3</sup> The Report specifically cites Sections 812.014 and 838.022, Florida Statutes.

- Systematically ignored complaints from City personnel regarding “mis expenditure of taxpayer funds.”
- Assigned P-card charges to the incorrect cost center.
- Exceeded the City policy threshold of \$1,000 per transaction.
- Failed to conduct ongoing reviews of P-card charges.
- Used P-cards for items that should have been paid via purchase order or other means.

In addition, the Investigative Report noted that, pursuant to City Commission authorization,<sup>4</sup> the former City Manager was granted authority to purchase 1,000 grocery store gift cards valued at \$100 each (\$100,000 total) “to be issued to residents of North Miami Beach, who have experienced financial hardship and food insecurity as a result of the Covid-19 pandemic.” The Investigative Report indicated that only 785 of the 1,000 gift cards had been accounted for, it was suspected that the rest were “given out without any accountability,” and “to date, two arrests have taken place.”

### **Finding 1: City Actions to Address P-Card Misuse**

As the Investigative Report noted significant improper use of taxpayer funds during the period April 2020 through April 2023, it is incumbent upon the City, as steward of public funds, to adequately follow-up on the Report conclusions and recommendations. The Investigative Report recommended that the City:

- Refer the Report to the appropriate parties including the “State Attorney’s Office, Ethics Commission, Miami-Dade County Inspector General, and the Florida [Chief] Inspector General.”
- Revoke all active P-cards and issue new P-cards for travel purposes.
- Establish a whistleblower hotline and encourage personnel to report any violations.

Our discussions with City personnel and examination of City records, disclosed that the City had taken some actions to address the Investigative Report findings. Specifically, the City:

- Contracted with a third-party company to further analyze P-card transactions.
- Fired the former City Manager in March 2023.<sup>5</sup>
- Provided the Report to the Miami-Dade County Commission on Ethics and Public Trust and the State Attorney’s Office.<sup>6</sup>

Although the City did not revoke all P-cards and issue new P-cards to only be used for travel, the City did reduce the number of P-cards from 117 to 71, a reduction of 39 percent. Specifically, the City revoked P-cards assigned to City Commissioners, non-essential field personnel,<sup>7</sup> and departments.<sup>8</sup> The City did not revoke the remaining P-cards because City personnel believed that the P-cards were essential to manage daily operations.

<sup>4</sup> City of North Miami Beach Resolution No. 2021-40, April 20, 2021.

<sup>5</sup> The City Manager was terminated without cause in March 2023. Subsequently, the City Commission passed a second motion in April 2023 to terminate the City Manager with cause so that the City Manager was ineligible for contracted severance pay.

<sup>6</sup> The attorney provided the Investigative Report to Miami-Dade County Inspector General and the Florida Chief Inspector General.

<sup>7</sup> Non-essential field personnel refers to City personnel who perform their job duties throughout the City and are not routinely required to purchase goods and services outside the City’s normal purchasing processes. These personnel include Mail Clerks, Distribution Manager, Office Managers, Special Events Specialist, and a Pool Manager.

<sup>8</sup> Formerly, “administrative cards” were assigned to City departments rather than to individuals.

According to City personnel, as of April 2024, although the City had not established a whistleblower hotline, the City had engaged a consultant in September 2023 to review the City's processes. City personnel indicated that, once the consultant provides the finalized report, necessary updates to modernize the City's standard operating procedures would be implemented. Such actions would establish anti-fraud policies (as further discussed in Finding 4), including a whistleblower hotline.

Our audit procedures also found that the City did not follow City policies<sup>9</sup> and procedures regarding inappropriate P-card usage. City policies stipulate that if a department head determines that the purchase was not necessary or for official use, the cardholder must provide either a credit voucher proving the item(s) were returned for credit or a personal check for the full amount of the purchase. All the checks must be sent to the Finance Department with an explanation and account number. In addition, the City's *Certification and Receipt Form*, which is required to be signed by a cardholder upon taking possession of a P-card, contains the following assertion: "I also understand that failure to use my Purchasing Card in accordance with all rules and regulations may require relinquishing the Card, reimbursement to the City, deduction from my salary, wages or leave accrual balances and/or disciplinary action up to and including termination of employment. I further understand that the City has zero tolerance for any purchases of a personal nature."

As of April 2024, the City had not tried to recover any money from cardholders for unallowable P-card charges cited in the Investigative Report and had not, of record, documented the City's rationale for not seeking recovery for such charges. In response to our March 2024 inquiries as to why the City did not seek reimbursement from former and current employees, City personnel indicated that the findings of the Investigative Report were Citywide and the individuals referenced (directly and indirectly) had either resigned, were terminated by the City, or were accused of stealing grocery store gift cards (as further discussed in Finding 3). In addition, City personnel noted that, as the Investigative Report's findings were classified by merchant category code (MCC) and not individual transactions, it was not possible to identify the individuals associated with questioned expenditures. However, insofar as the City has the same documentation available as the attorney who authored the Investigative Report, it is not apparent why City personnel could not have prepared a schedule of questioned transactions by cardholder.

Using City records, we matched City employees with specific unallowable P-card expenditures identified in the Investigative Report. Table 1 identifies the 10 largest unallowable P-card expenditures with a brief description of the item purchased and the total unallowed for the applicable employee.

---

<sup>9</sup> *The City of North Miami Beach Personnel Policies and Procedures, August 2019. Procurement Card Policy.*

**Table 1**  
**Top 10 Largest Unallowed P-Card Expenditures**  
**Identified in the Investigative Report**

Employee	Description of Largest Unallowed Purchase	Largest Unallowed Expenditure	Total Unallowed Charges by Employee
1	Registration for Corporate Marathon	\$ 2,300	\$ 108,518
2	Bikes for City Event	2,146	93,885
3	Refrigerator for City	1,750	84,937
4	Parking Blocks	1,000	82,100
5	Food for City Personnel	2,860	73,550
6	Emergency Hotline Service	4,120	66,784
7	Computer tablets	1,260	61,863
8	Training for City Personnel	2,598	53,067
9	Catering for City Event	989	52,802
10	Apparel for City Event	999	52,502
<b>Totals</b>		<b><u>\$20,022</u></b>	<b><u>\$730,008</u></b>

Source: City Records.

In response to our further inquiries, City personnel indicated that the City departments reviewed the data in July 2023 and determined that the charges identified in the Investigative Report were not necessarily unallowable. However, as of April 2024, City personnel did not provide documentation evidencing such review and supporting such determinations. Consequently, absent a thorough and documented review of questionable P-card expenditures included in the Investigative Report, City records do not evidence City efforts to identify unallowable P-card expenditures. Further, City records did not demonstrate efforts to seek reimbursement from currently and formerly employed cardholders in accordance with City policies and procedures, or document why reimbursement was not sought.

As of April 2024, the City had not, of record, taken any disciplinary action against any cardholders identified as making unallowable P-card expenditures in the Investigative Report or, alternately, documented in City records reasons for not taking disciplinary actions. During the period April 2023 through September 2023 (the months immediately preceding and subsequent to the July 2023 Investigative Report release), nine City senior staff separated from City employment. Specifically, the:

- Chief Procurement Officer involuntarily terminated on April 4, 2023.
- Director of Community Development resigned effective April 5, 2023.
- Senior Manager for Utility Billings involuntarily terminated on April 6, 2023.
- Two Assistant City Managers resigned effective April 6, 2023, and May 23, 2023, respectively.
- Chief of Staff resigned effective May 5, 2023.
- Human Resources Director involuntarily terminated on May 24, 2023.
- Police Captain retired effective August 10, 2023.
- Deputy Chief of Police retired effective September 30, 2023.

However, our examination of City records and discussions with City personnel did not disclose that these employment separations were related to unallowable P-card expenditures. Failure to take corrective

actions as recommended in the Investigative Report and to ensure City P-card policies and procedures are followed could lead to reoccurrences of questionable and inappropriate P-card usage.

**Recommendation: The City should:**

- **Continue efforts to establish a whistleblower hotline.**
- **Review the questionable charges identified in the Investigative Report and, in accordance with City policies, seek reimbursement from current and former City employees for P-card charges made contrary to law and City policies and procedures.**
- **Follow City procedures and take disciplinary actions against those cardholders who made improper P-card charges or document of record why disciplinary action was unnecessary.**

**Finding 2: P-Card Policies and Procedures**

City policies<sup>10</sup> and procedures require a cardholder to personally take receipt of the P-card and sign a *Certification and Receipt Form*. Further, at the time the P-card is received, the cardholder must sign a form affirming receipt of the City's *Procurement Card Policy*.<sup>11</sup>

During our audit period, August 2023 through November 2023, the City had 39 active P-cards assigned to City personnel and departments. To determine whether City personnel complied with City policies and procedures, we requested signed *Certification and Receipt Forms* and signed *Procurement Card Policy* forms for 20 of the 39 P-cards. City personnel did not provide cardholder-signed *Certification and Receipt Forms* for 5 of the 20 P-cards. In addition, City personnel did not provide cardholder-signed *Procurement Card Policy* forms for 4 P-cards. In response to our inquiries, City personnel indicated that the lack of signed forms was inadvertent and, we noted that, as of January 2024, City procedures did not specifically require that the signed forms be retained.

Cardholder-signed *Certification and Receipt Forms* and *Procurement Card Policy* forms document that the cardholder is aware of appropriate P-card use and the penalties for misuse, thereby decreasing the risk that cardholders will use P-cards for unallowable purchases. In February 2024, the City updated its procedures to require the signed forms be retained.

**Recommendation: The City should ensure that, upon receipt of a P-card, employees sign both a *Certification and Receipt Form* and a *Procurement Card Policy* form, and the City retain both forms in accordance with its policies and procedures.**

**Finding 3: Gift Card Policies and Procedures**

Authority for City officials to expend moneys is set forth in various provisions of general and special law and in ordinances enacted by the City Commission. To qualify as authorized expenditures, expenditures of public funds must be shown to be authorized by applicable law or ordinance; reasonable in the circumstances and necessary to the accomplishment of authorized purposes of the governmental entity; and in pursuit of a public, rather than a private, purpose. Additionally, the Florida Attorney General has opined on numerous occasions<sup>12</sup> that documentation of an expenditure in sufficient detail to establish the

<sup>10</sup> *The City of North Miami Beach Personnel Policies and Procedures*, August 2019, *Procurement Card Policy*.

<sup>11</sup> *The City of North Miami Beach Personnel Policies and Procedures*, August 2019, *Procurement Card Policy*.

<sup>12</sup> For example, Attorney General Opinions 79-14 and 94-89.



authorized public purpose served, and how that particular expenditure serves to further the identified public purpose, should be present when the voucher is presented for payment of funds. Unless such documentation is present, the request for payment should be denied.

Our examination of City records disclosed that the City did not have any significant gift card activity during our audit period of August 2023 through November 2023; however, the City purchased large numbers of gift cards twice during the period April 2021 through November 2022. The first large purchase of gift cards occurred in April 2021 when the City Commission approved<sup>13</sup> the distribution of 1,000 grocery store gift cards valued at \$100 each for a total of \$100,000 to City residents experiencing financial difficulties due to the COVID-19 pandemic and authorized the City Manager or designee authorized to develop a process to request proof of City residency prior to the distribution of the gift cards. The Investigative Report indicated that only 785 of the 1,000 gift cards had been accounted for, it was suspected that the rest were “given out without accountability.”

Our review of City records disclosed that the City actually obtained 1,042 gift cards for \$100,000 because the grocery store provided 42 additional gift cards at no cost. In a memorandum dated July 15, 2021, the former City Manager asserted to the City Commission that 967 gift cards had been distributed to citizens of North Miami Beach in June and July 2021, and the Finance Department had retained 75 undistributed gift cards. However, according to City personnel and our review of City records, which indicated the name, telephone number, address, and whether the citizen was affected by the COVID-19 pandemic, City personnel had only distributed 793 gift cards. Also, in response to our inquiries, City Finance Department personnel indicated that they had not received the 75 gift cards. Consequently, a total of 249 gift cards were unaccounted for (missing). Table 2 shows the number of gift cards obtained in April 2021, the number documented as distributed, and the number and value of missing gift cards.

**Table 2**  
**April 2021 Gift Card Purchases,**  
**Distributions, and Missing Gift Cards**

Gift Cards	Number of Gift Cards	Dollar Value of Gift Cards
Purchased	1,042	\$104,200
Distributed in June 2021	793	79,300
Missing	249 <sup>a</sup>	24,900

<sup>a</sup> Includes 174 gift cards with no documented recipient and 75 gift cards never given to the Finance Department.

Source: City of North Miami Beach records.

The second large purchase of gift cards occurred in August 2022 when the City Commission approved<sup>14</sup> the distribution of 1,500 grocery store gift cards valued at \$150 each and totaling of \$225,000, to City residents experiencing financial difficulties due to the COVID-19 pandemic. Due to the number of gift cards purchased, the gift card vendor provided at no additional charge to the City an additional 62 gift cards valued at \$150 each and 1 gift card valued at \$75. Consequently, the City obtained a total of 1,563

<sup>13</sup> Resolution No. R2021-40, City of North Miami Beach.

<sup>14</sup> Resolution No. R2022-118, City of North Miami Beach.

grocery store gift cards valued at \$234,375 available for distribution to eligible individuals. According to City personnel, the gift cards were distributed in October and November 2022.

Our review of City records in April 2024 disclosed that, due to apparent technical difficulties, the accuracy of the October and November 2022 gift card distribution data had been compromised. Although City personnel attempted to reconcile the gift card data, as of April 2024, City personnel could not determine whether 1,441 gift cards valued at \$216,150 were distributed (Scenario 1) or 1,480 gift cards valued at \$222,000 were distributed (Scenario 2). According to City records, after the distributions occurred, the City retained 66 undistributed gift cards, valued at \$9,900. In addition, in May 2023, two City employees were arrested<sup>15</sup> for stealing 10 gift cards and the City terminated their employment.

For the gift cards purchase in August 2022, Table 3 shows, for Scenario 1 and Scenario 2, the number and value of gift cards obtained, distributed, and missing after accounting for 10 stolen gift cards.

**Table 3  
August 2022 Gift Card Purchases, Distributions, and Missing Gift Cards**

Gift Cards	Scenario 1		Scenario 2	
	Number of Gift Cards	Dollar Value	Number of Gift Cards	Dollar Value
Available for Distribution	1,563	\$234,375	1,563	\$234,375
Distributed in October and November 2022	1,441	216,150	1,480	222,000
After Distributions	122	18,225	83	12,375
Stolen	10	1,500	10	1,500
Available for Distribution After Accounting for 10 Stolen Cards	112	16,725	73	10,875
In City Custody	66	9,900	66	9,900
<b>Total Missing</b>	<b><u>46</u></b>	<b><u>\$ 6,825</u></b>	<b><u>7</u></b>	<b><u>\$ 975</u></b>

Source: City records.

In response to our inquiries, City personnel indicated that they provided the City Police Department with the information needed to investigate the missing gift cards disclosed in Tables 2 and 3. As noted above, two arrests were made related to 10 gift cards, although the charges were subsequently dropped. Notwithstanding the Police investigation, due to the significant discrepancies in the amount of gift cards purchased and distributed, a thorough investigation of all missing gift cards by City personnel could determine whether the missing gift cards were lost or stolen and identify needed improvements in gift card accountability.

Our examination of City records and discussions with City personnel disclosed that, although the City created an online form to record the contact information of future gift card recipients, as of April 2024, the City had not established written policies and procedures for obtaining, distributing, and accounting for gift cards. Effective policies and procedures for obtaining, distributing, and accounting for gift cards would establish clear guidance and direction for gift cards to be distributed to the public and should require, for example:

<sup>15</sup> The State Attorney's Office subsequently dropped all charges.

- City Commission approval for each gift card distribution and documentation of the public purpose served by the gift card distribution.
- Separate accounting for expenditures for each distribution of gift cards.
- Eligibility criteria be clearly established consistent with City Commission intent and applied during the distribution of gift cards.
- Documentation evidencing that gift cards were only distributed to eligible individuals.
- A method for tracking gift cards obtained and distributed.
- Appropriate and secure storage of any undistributed gift cards.
- Periodic reconciliations of distributed and any undistributed gift cards remaining and a thorough investigation of any gift cards identified as missing. As appropriate, missing or suspected stolen gift cards should be referred to law enforcement.

Such policies and procedures may have enabled the City to prevent or timely detect the stolen and missing gift cards discussed above.

Absent the establishment of effective, written policies and procedures for obtaining, distributing, and accounting for gift cards, the City lacks appropriate accountability over gift cards obtained for distribution to the public and there is an increased risk of missing or stolen gift cards.

**Recommendation: The City should establish policies and procedures with clear guidance and direction for obtaining, distributing, and accounting for gift cards. At a minimum, such policies and procedures should require:**

- **City Commission approval for all gift card purchases and documentation of the public purpose served.**
- **Separate accounting for expenditures related to each distribution of gift cards.**
- **Specific eligibility criteria related to the public purpose served and documentation that gift cards were distributed in accordance with that criteria and City Commission intent.**
- **A method for tracking gift cards obtained and distributed, the secure storage of undistributed gift cards, and periodic reconciliations of distributed and any undistributed gift cards.**
- **As appropriate, missing or stolen cards be referred to law enforcement.**

**In addition, the City Commission should decide how the 66 undistributed gift cards remaining in City custody should be used, and City personnel should thoroughly investigate what happened to the gift cards identified as missing.**

#### **Finding 4: Anti-Fraud Policy**

Effective policies and procedures for communicating, investigating, and reporting known or suspected fraud are essential to aid in the mitigation, detection, and prevention of fraud. Such policies and procedures instruct employees about actions that constitute fraud and serve to establish the responsibilities for investigating potential incidents of fraud and taking appropriate action, reporting evidence of such investigations and actions to the appropriate authorities, and protecting the reputation of persons suspected but determined to be not guilty of fraud.

Our examination of City records and discussions with City personnel disclosed that, as of April 2024, the City had not established anti-fraud policies and procedures, nor did it employ an anonymous whistleblower hotline to report fraud, contrary to Investigative Report recommendation. In response to our inquiries, City personnel indicated that as of April 2024, the City was in the process of developing policies to provide processes and opportunities to report fraud.

A comprehensive anti-fraud policy established by the City Commission and properly implemented by City personnel would provide all City employees with adequate training on how to recognize potential acts of fraud, as well as a well-defined method for employees and others (e.g., members of the public) to report such acts. Absent such a policy, City management and those charged with governance have limited assurance that instances of fraud will be detected and reported. In addition, the lack of procedures assigning responsibility for investigating acts of fraud, as well as for the conduct of the investigation, increases the risk that fraud allegations will not be properly investigated.

**Recommendation: The City should establish anti-fraud policies and procedures for communicating, investigating, and reporting known or suspected fraud that:**

- **Provide examples of actions constituting fraud.**
- **Require individuals to communicate and report known or suspected fraud.**
- **Provide for anonymous reporting of known or suspected fraud (e.g., a whistleblower hotline).**
- **Require officials to keep accurate records of reported or suspected fraud.**
- **Assign responsibility for investigating potential incidents of fraud and for taking appropriate action.**

#### **Finding 5: City Commission Meeting Minutes**

Pursuant to State law,<sup>16</sup> minutes of City Commission meetings must be promptly recorded and open to public inspection. The City Charter<sup>17</sup> provides that written minutes from all City Commission meetings be available for inspection no later than 30 days after the conclusion of the meeting. The City Charter<sup>18</sup> also provides that the City Clerk is responsible for preparing City Commission meeting minutes. In practice, the City Commission approves the minutes at a subsequent Commission meeting before the City Clerk makes the minutes available for public inspection.

The City maintains City Commission meeting minutes on the City Web site, which facilitates public access to information about official City Commission actions. During the 44-month period April 2020 through November 2023, the City Commission held 122 meetings (49 regular Commission meetings, 30 workshops for budgets and other City business, 21 Commission conferences providing recognition to various organizations and individuals on behalf of the Commission, 21 special meetings for various City business, and 1 swearing-in ceremony for newly elected City officials). Our examination of documentation related to City Commission meetings during this period disclosed that, contrary to State law, as of May 2024 the City had not transcribed minutes for:

<sup>16</sup> Section 286.011(1) and (2), Florida Statutes (Sunshine Law).

<sup>17</sup> Citizen's Bill of Rights (A)(4), City of North Miami Beach Charter.

<sup>18</sup> Section 3.2.1, City of North Miami Beach Charter.

- The 21 Commission conferences.
- 13 workshops not related to budgets.
- 9 of the 17 workshops related to budgets.
- The swearing-in ceremony.

In response to our inquiries, City personnel indicated that all City Commission meetings, including those that did not have written minutes available, were recorded and that the video recordings were available for public review on the City's Web site. In addition, the City's procedure was to only transcribe written minutes for the meetings, during which action items (votes by the Commission) occurred. Notwithstanding this response, the Florida Attorney General's publication *Government-in-the-Sunshine Manual 2023 Edition* refers to two Attorney General Opinions<sup>19</sup> that allow meetings and workshops to be tape recorded, but also require written minutes to be prepared and promptly recorded. Effective March 2024, the City Clerk updated the City's procedures to require that written minutes be recorded for all City Commission meetings.

When written meeting minutes are not timely approved and made available for public inspection on the City Web site, public access to and awareness of official City Commission actions may be limited.

**Recommendation: The City should ensure that written minutes are recorded for all City Commission meetings, including workshops and conferences, and are timely approved and posted to the City Web site.**

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

---

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations. Pursuant to Section 11.45(3)(a), Florida Statutes, the Legislative Audit Committee, at its October 16, 2023, meeting, directed us to conduct this operational audit of the City of North Miami Beach (City).

We conducted this operational audit from November 2023 through May 2024 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.

This operational audit of the City of North Miami Beach focused on selected processes and administrative activities. For those areas addressed by this audit, our objectives 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, administrative rules, contracts, grant agreements, and other guidelines.

---

<sup>19</sup> Attorney General Opinions 75-45 and 08-65.

- To 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, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management’s internal controls significant to our audit objectives, instances of noncompliance with applicable governing laws, rules, or contracts and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during August 2023 through November 2023, and selected City actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, personnel, and vendors and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, City policies and procedures, and other guidelines, and interviewed City personnel to obtain an understanding of applicable City processes and administrative activities.
- Examined minutes of City Commission meetings held during our audit period and the minutes of selected meetings held prior and subsequent to the audit period, to determine the propriety and sufficiency of actions taken related to the programs, activities, and functions included in the scope of this audit.

- Obtained the *Investigative Report on Former Administration Expenditure of Taxpayers Funds* (Investigative Report) and evaluated the sufficiency of City corrective actions to address reported findings and recommendations.
- Inquired with City personnel and examined City records to determine whether the City disbursed severance pay to any individuals who separated from City employment as a result of the Investigative Report.
- Evaluated the reasonableness of City procedures for assignment and use of City-issued P-cards, including whether City personnel periodically reviewed and evaluated the reasonableness of cardholder purchasing limits relative to actual P-card use.
- Reviewed a list of 969 purchasing card (P-card) transactions totaling \$179,582, for unexpected vendor names and descriptions, recurring dollar amounts, and expenditures exceeding approved single purchase limits. Selected 30 transactions totaling \$13,412 for examination of the supporting documentation to determine whether such documentation evidenced that the P-card expenditures served a valid public purpose, were appropriately reviewed, and complied with City policies and procedures and good business practices.
- Inquired of City personnel and examined City records to determine whether the City had any lost or stolen P-cards during our audit period and, if so, whether City personnel promptly canceled any lost or stolen P-cards.
- For employees who separated from City employment during our audit period, determined whether any assigned P-cards were promptly canceled.
- Examined City records to determine whether the City had established anti-fraud policies and procedures to provide guidance to employees and establish a mechanism for communicating known or suspected fraud to appropriate individuals.
- Evaluated the adequacy of City policies and procedures related to identifying potential conflicts of interest. For selected City officials and personnel, reviewed statements of financial interests, performed a name search of the Florida Department of State, Division of Corporations, Web site; and compared the statements of financial interests and Division of Corporation search results to City vendor records to identify any potential conflicts of interest.
- Inquired with City personnel and examined City records to determine whether the City had any policies and procedures regarding the purchase and distribution of gift cards.
- Evaluated the sufficiency of City efforts to control and monitor 1,042 gift cards valued at \$104,200 purchased in July 2021 and 1,563 gift cards valued at \$234,375 obtained in October 2022 to ensure that the gift cards were properly accounted for and provided to eligible individuals consistent with City Commission intent.
- Inquired with City personnel and examined City records to determine whether the City purchased or issued any gift cards during our audit period.
- Inquired of City personnel to determine whether the City made any expenditures or entered into any contracts under the authority granted by a state of emergency, declared or renewed on or after July 1, 2021.
- Examined City records, including City Commission meeting minutes, for our audit period and inquired of City personnel to determine whether any construction or electrical projects with estimated or actual costs exceeding the thresholds specified in Section 255.20, Florida Statutes, were performed using City services, employees, and equipment.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.

- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## ***AUTHORITY***

---

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial "S" and "N".

Sherrill F. Norman, CPA  
Auditor General



# MANAGEMENT'S RESPONSE

---



## City of North Miami Beach, Florida

Office of the City Manager

July 23, 2024

Sherrill F. Norman, CPA  
Auditor General  
Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Auditor General Norman,

In accordance with Section 11.45(4)(d), Florida Statutes, and pursuant to your correspondence dated June 24, 2024, enclosed herein is the City of North Miami Beach's formal response to the preliminary and tentative audit findings from your operational audit. We have conducted a thorough review of each finding and have undertaken corrective actions to address the issues identified. Our responses to each finding are delineated below:

### **Finding 1: City Actions to Address P-Card Misuse**

**Review and Investigation:** The City has received and reviewed the P-card transaction reports for the years 2020 to 2023 as of July 12, 2024. Our contracted Purchase Card auditor is analyzing these transactions and will provide a comprehensive report highlighting potential misuse and questionable expenditure. A thorough investigation will be conducted based on these findings.

#### **Corrective Measures Implemented:**

- **Policy Revisions:** The Purchase Card Policy has been extensively reviewed and updated to align with ethical standards and current operational needs. Specific enhancements include:
  - Clear guidelines on permissible and impermissible uses of P-cards.
  - Defined approval processes and expenditure limits.
- **Enhanced Oversight:** Monthly audits of P-card transactions have been instituted to monitor spending habits and promptly address any misuse. This process ensures continuous oversight and timely intervention.
- **Training and Awareness:** The City conducts mandatory semi-annual training sessions for all P-card holders to ensure comprehensive understanding and adherence to updated policies. These sessions cover policy changes, ethical standards, and the consequences of misuse.
- **Reimbursement and Accountability:** Following the internal review, the City will pursue reimbursement for unauthorized transactions from current employees. Additionally, the City will undertake coaching sessions to reinforce compliance and will require re-certification of cardholder agreements. For separated employees, the City will evaluate the cost-benefit of recovery efforts and pursue appropriate actions. Management will review proposed actions with the City Attorney's office. Recommendations on actions for separated employees may be presented to the Commission for guidance and direction.



## **City of North Miami Beach, Florida**

---

Office of the City Manager

### **Finding 2: P-Card Policies and Procedures**

#### **Enhancements to Documentation and Compliance:**

- **Certification and Receipt Forms:** Section II of the 'NMB Procurement Card Policy & Procedures' has been revised to mandate that P-cardholders sign a Purchase Card Holder Agreement before receiving their P-cards. This agreement ensures that cardholders fully comprehend their responsibilities and usage policies.
  - The Purchase Card Administrator will also sign as a witness to the cardholder's receipt and acknowledgment of the policy.
- **Electronic Documentation:** All signed documents are electronically stored in the procurement system and copies are sent to the respective department directors. This ensures that records are maintained consistently and are easily accessible for audit purposes.

### **Finding 3: Gift Card Policies and Procedures**

**Development of the Disbursement Policy:** The City has established a 'Disbursement Policy', effective July 22, 2024, designed to regulate the distribution of funds, gift cards, and goods to the community, ensuring transparency and accountability.

#### **Policy Framework:**

- **Controlled Distribution:** The policy outlines the procedures for distributing items, including roles, responsibilities, and approval processes. This includes:
  - Authorization and approval steps involving written requests and City Manager approval.
  - Clear criteria for recipient eligibility and documentation requirements.
- **Tracking and Accountability:** Comprehensive procedures for quality assurance, auditing, reconciliation, and record-keeping will be instituted. The Finance Department is actively involved throughout the disbursement process to ensure proper oversight.
  - Secure storage and handling of disbursement items.
  - Immediate reporting and investigation of any discrepancies or suspected fraud.



## **City of North Miami Beach, Florida**

---

Office of the City Manager

### **Finding 4: Anti-Fraud Policies and Procedures**

**Implementation of Anti-Fraud Measures:** The City has enacted a fraud reporting policy, designed to detect, prevent, and address fraudulent activities.

**Additional Measures:**

- **Whistleblower Hotline:** The City has established a whistleblower hotline accessible via [Fraud Reporting Website](https://www.citynmb.com/1557/Fraud-Reporting) (<https://www.citynmb.com/1557/Fraud-Reporting>). This platform allows for anonymous reporting of suspected fraud.
- **Ongoing Training:** Regular training sessions will be conducted to educate employees on fraud recognition and reporting protocols.

### **Finding 5: City Commission Meeting Minutes**

**Improvements in Meeting Minutes Procedures:**

- **Recording and Posting:** The City Clerk's office now ensures that written minutes are produced for all City Commission meetings, including workshops and conferences, and will be presented for adoption at the next regular commission meeting.
- **Public Access:** All approved minutes are made available for public inspection on the City's website, enhancing transparency and public awareness.

The City of North Miami Beach is committed to upholding the highest standards of governance, accountability, and transparency. We appreciate the Auditor General's recommendations and have taken significant steps to address the audit findings comprehensively. The city will continue to search for further procedure improvements to implement the suggestions provided in the audit. Please note that the new policies referenced above are available upon request. Should you require further information or clarification on any of the points addressed, please do not hesitate to contact my office.

Sincerely,

**Mario Diaz**  
City Manager  
City of North Miami Beach