

CITY OF NORTH MIAMI BEACH

Purchasing Cards, Gift Cards, and
Selected Administrative Activities

Prior Audit Follow-Up



Sherrill F. Norman, CPA
Auditor General

City Commissioners, Mayor, and City Manager

During the period April 2025 through September 2025, Michael Joseph served as the Mayor of the City of North Miami Beach, Mario Diaz served as the City Manager until May 20, 2025, and Andrew Plotkin was the Interim City Manager as of May 21, 2025. The following individuals served as City Commissioners:

	<u>Group No.</u>
Jay Chernoff, Vice Mayor May 1, 2025, to August 31, 2025	2
Daniela Jean, Vice Mayor from September 1, 2025	3
Fortuna Smukler	4
McKenzie Fleurimond	5
Phylis Smith	6
Lynn Su, Vice Mayor to April 30, 2025	7

The Auditor General conducts audit of government 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.

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 or by telephone at (850) 412-2895.

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CITY OF NORTH MIAMI BEACH

PRIOR AUDIT FOLLOW-UP

SUMMARY

In our operational audit report No. 2025-004 of the City of North Miami Beach (City), we noted 5 findings related to purchasing cards, gift cards, and selected administrative activities. This operational audit focused on the progress that the City had made in addressing the findings and recommendations in report No. 2025-004.

Our audit disclosed that the City had:

- Corrected 3 findings (Findings 1, 4 and 5)
- Partially corrected 2 findings (Findings 2 and 3)

BACKGROUND

The City of North Miami Beach (City) was incorporated as a municipality in 1931. The City is located between Fort Lauderdale and Miami and comprises 5.75 square miles of land.

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 compliance; planning and zoning; economic development; sanitation services; and general and administrative services. As of 2025, the City had an estimated population of 44,365.¹

FINDINGS AND RECOMMENDATIONS

Finding 1: City Actions to Address P-Card Misuse

Previously Reported

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*

¹ *Florida Population Estimates for Counties and Municipalities, April 2025*, Florida Office of Economic and Demographic Research.

Taxpayers Funds (Investigative Report)² 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.

We recommended that the City:

- 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.

Result of Follow-Up Procedures

The City corrected this finding. The City adopted a policy³ in July 2024 for the reporting of fraudulent activity, including the establishment of a whistleblower hotline.

In December 2023 the City contracted with a vendor to provide purchasing card monitoring services. The vendor and City personnel conducted a detailed review of the City's P-card transactions for approximately 65 cardholders for the period April 2020 through April 2023, the period included in the Investigative Report. City personnel and the vendor examined 12,900 transactions totaling \$2.6 million and identified 2,113 transactions totaling \$299,082 for further investigation for potential misuse. Further investigation identified 18 transactions, totaling \$1,195, that did not include adequate documentation supporting the charge, and 1 transaction for \$18 was deemed personal in nature.

City personnel provided the report to the City Commission on March 11, 2025. Subsequently, in March 2025, the City Attorney verbally opined that the amounts were too small to justify the legal costs associated with collection efforts. City personnel also indicated that, because the cardholders who incurred the questioned charges were no longer employed by the City, the City could not withhold impermissible charge amounts from their paychecks.

Finding 2: P-Card Policies and Procedures

Previously Reported

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.

We recommended that the City 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.

² 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 Investigative Report disclosed questionable use of P-cards and purchased grocery store gift cards.

³ *City of North Miami Beach Policy Number HR-2024-03-26 Procedure for Reporting Fraudulent Activity.*

Result of Follow-Up Procedures

The City partially corrected this finding. During our audit period, April 2025 through September 2025, the City had 33 active P-cards assigned to City personnel and departments. To determine whether City personnel complied with City policies and procedures, we requested signed *Purchasing Card Agreement Card Holder Forms* (Forms) and signed bank letters for all 33 cardholders to evidence that the cardholders physically received the card and agreed to abide by the City's *Procurement Card Policy and Procedures* updated in July 2024.

City personnel provided the 33 Forms; however, 6 of the Form signatures were dated subsequent to our request. According to City personnel, 2 of the Forms were not signed when the P-cards were initially assigned because the P-cards were replacements for lost P-cards. Notwithstanding, City policy⁴ requires new agreements to be signed for replacement P-cards. Further, the City was unable to provide a signed bank letter for 11 of the 33 P-cards. In response to our inquiries, due to significant management and City Council turnover at the time of the card issuances, the bank letters were either not signed or were signed and then misplaced.

Notwithstanding these responses, signed Forms and bank letters document that the cardholder has received the card and 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.

Recommendation: We continue to recommend that the City ensure that, upon receipt of a P-card, employees sign the Form and the bank letter, and the City retain the documents in accordance with its policies and procedures.

Finding 3: Gift Card Policies and Procedures

Previously Reported

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.

We recommended that the City 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.

⁴The City of North Miami Beach Procurement Card Policy and Procedures, July 2024.

In addition, we recommended that the City Commission 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.

Result of Follow-Up Procedures

The City partially corrected this finding. In July 2024, the City adopted procedures for authorizing, obtaining, and disbursing gift cards⁵ that adequately addressed most of our recommendations. Although the procedures included requirements for the separate accounting of expenditures for each gift card, eligibility criteria, a method for tracking gift cards, and a requirement to refer missing or stolen cards to law enforcement, the procedures did not require the City Commission to approve⁶ gift card purchases or document the public purpose served when approving gift card purchases. However, during our audit period, the City did not obtain nor distribute any gift cards.

Regarding the 249 missing gift cards amounting to \$24,900 purchased in April 2021 and the 112 or 73 gift cards amounting to \$16,725 or \$10,875⁷ purchased in August 2022 discussed in our report No. 2025-004, our examination of City records and discussions with City personnel disclosed that the City Commission had not taken any action of record as of December 2025. However, the Police Department investigated the missing gift cards and, after the investigation, the supermarket that issued the gift cards refunded \$18,624 to the City in January 2024 for gift cards unused as of November 2023, including the 66 undistributed gift cards in City custody at that time.

Although we requested the police report, City personnel failed to provide it and explained that the Police Department employees who conducted the investigation were no longer employed by the City. City personnel indicated they were also unable to identify the specific gift cards refunded by the supermarket and could not explain why the \$18,624 refunded was less than the calculated \$31,725⁸ or \$25,875⁹ value of outstanding gift cards discussed in our report No. 2025-004. The absence of detailed documentation of investigation results limits the City's ability to demonstrate that all gift card discrepancies were properly addressed and resolved.

Absent a policy that requires documentation of City Commission approval of the public purpose for purchasing gift cards, there is increased risk that gift cards could be obtained and distributed without a valid public purpose.

Recommendation: The City should enhance its recently established policies and procedures to require City Commission approval for all gift card purchases and documentation of the public purpose served. In addition, the City should establish a policy requiring that records fully documenting the results of all investigations be retained.

⁵ *City of North Miami Beach Procedure for Disbursement of Funds, Gift Cards, & Goods.*

⁶ The policy states that "approval may extend to the City Commission" but does not require City Commission approval.

⁷ As discussed in our report No. 2025-004, City records had conflicting information regarding the number of gift cards distributed and missing. Based on the original purchase of 1,563 gift cards valued at \$234,375 and subsequent distributions, the City should have retained either 112 gift cards totaling \$16,725 (Scenario 1) or 73 gift cards totaling \$10,875 (Scenario 2) after accounting for 10 stolen cards. In both scenarios, 66 gift cards valued at \$9,900 were confirmed as undistributed and in City custody as of July 2024.

⁸ The \$31,725 represents 249 missing gift cards purchased for \$24,900 in April 2021 and 46 missing gift cards purchased for \$6,825 in August 2022 (Scenario 1).

⁹ The \$25,875 represents 249 missing gift cards purchased for \$24,900 in April 2021 and 7 missing gift cards purchased for \$975 in August 2022 (Scenario 2).

Finding 4: Anti-Fraud Policy

Previously Reported

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

We recommended that the City 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.

Result of Follow-Up Procedures

The City corrected this finding. In July 2024, the City adopted anti-fraud policies and procedures¹⁰ that adequately addressed our recommendations.

Finding 5: City Commission Meeting Minutes

Previously Reported

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

We recommended that the City ensure that written minutes are recorded for all City Commission meetings, including workshops and conferences, and be timely approved and posted to the City Web site.

Result of Follow-Up Procedures

The City corrected this finding. Our examination of the City's Web site in November 2025 disclosed that the City maintained written minutes of all 19 City commission meetings held during the period April 2025 through September 2025.

Our examination of such City Commission meeting minutes disclosed that the minutes of the 19 meetings were generally approved at the next meeting.

OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to Section 11.45(3)(a), Florida Statutes, we conducted an operational audit of the City of North Miami Beach (City) and issued our report No. 2025-004 in July 2024. Pursuant to Section 11.45(2)(j), Florida Statutes, the objective of this audit was to perform, no later than 18 months after the release of

¹⁰ *City of North Miami Beach Policy Number HR-2024-03-26, Procedure for Reporting Fraudulent Activity.*

that report, appropriate follow-up procedures to determine the City's progress in addressing the findings and recommendations contained within report No. 2025-004.

We conducted this follow-up audit from October 2025 through January 2026 in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the follow-up 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 audit was designed to identify, for those programs, activities, or functions included within the scope of the follow-up audit, weaknesses in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The overall objective 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 follow-up 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; 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 the period April 2025 through September 2025, and selected City actions taken prior and subsequent thereto. Our audit included the examination of pertinent City records and transactions, inquiry of City personnel, observation of procedures in practice, and additional follow-up procedures as appropriate. Unless otherwise indicated in this report, records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning the relevant population value or size and quantifications relative to the items selected for examination.

In conducting our audit, we:

- Reviewed applicable laws, ordinances, City policies and procedures, and other guidelines, and interviewed City personnel to obtain an understanding of the City's processes and requirements and to evaluate whether the City had established effective policies and procedures for selected City functions.
- Examined minutes of City Commission meetings held during the 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.

- Evaluated the sufficiency of City corrective actions to address reported findings and recommendations made in the *Investigative Report on Former Administration Expenditure of Taxpayers Funds* (Investigative Report).
- Examined City records to determine whether the City established a whistleblower hotline to report suspected fraud, waste, and abuse.
- Evaluated City records to determine whether the City maintained the *Purchasing Card Agreement Card Holder Form* and the signed bank letter for the 33 active and assigned purchasing cards for the period April 2025 through September 2025.
- Inquired with City personnel and examined City records to determine whether the City purchased or issued any gift cards during our audit period.
- Examined City records to determine whether the City had adopted policies and procedures to provide guidance for the process of authorizing, obtaining, tracking, and distributing gift cards.
- Examined City records and interviewed City personnel to determine actions taken to address the lost or stolen gift cards amounting to \$24,900 purchased in April 2021 and the 112 or 73 gift cards amounting to \$16,725 or \$10,875 purchased in August 2022.¹¹
- Examined City records to determine whether the City had adopted anti-fraud policies and procedures to provide guidance for communicating known of suspected fraud to appropriate individuals.
- For the period April 2025 through September 2025, examined City records to determine whether City personnel promptly recorded and the City Commission promptly reviewed and approved Commission meeting minutes.
- Examined City records and reviewed City meeting minutes for the period July 2024 through September 2025 to determine whether any construction or electrical projects with estimated or actual expenditures exceeding the thresholds specified in Section 255.20, Florida Statutes, were performed using City services, employees, and equipment.
- Inquired with City personnel to determine whether the City entered into any contracts utilizing the authority granted by a state of emergency declared or renewed on or after July 1, 2021.
- 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**.

¹¹ As discussed in our report No. 2025-004, City records had conflicting information regarding the number of gift cards distributed and missing. Based on the original purchase of 1,563 gift cards valued at \$234,375 and subsequent distributions, the City should have retained either 112 gift cards totaling \$16,725 (Scenario 1) or 73 gift cards totaling \$10,875 (Scenario 2) after accounting for 10 stolen cards. In both scenarios, 66 gift cards valued at \$9,900 were confirmed as undistributed and in City custody as of July 2024.

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 written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



CITY OF NORTH MIAMI BEACH

March 4, 2026

Sherill F. Norman, CPA
Auditor General
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111 West Madison Street
Tallahassee, Florida 32399-1450

RE: City of North Miami Beach - End of Preliminary and Tentative Audit Findings

Pursuant to Operational Audit Report No. 2025-004 of the City of North Miami Beach, which identified five findings related to purchasing cards, gift cards, and selected administrative activities, the City respectfully submits this response to document corrective actions taken and progress achieved. As noted in the follow-up review, the City has fully corrected three findings (Findings 1, 4, and 5) and has partially corrected two findings (Findings 2 and 3), with additional measures underway to ensure full compliance and sustained internal control improvements.

City Concurrence – Findings 1, 4, and 5

The City concurs with the Auditor's determination that the following findings have been corrected:

- **Finding 1 – City Actions to Address P-Card Misuse:**
The City completed a comprehensive review of purchasing card transactions, engaged independent oversight, and implemented strengthened internal controls and monitoring procedures to mitigate risk and prevent future misuse.
- **Finding 4 – Anti-Fraud Policy:**
The City adopted and implemented a formal Anti-Fraud Policy establishing clear reporting procedures, accountability measures, and internal control safeguards.
- **Finding 5 – City Commission Meeting Minutes:**
The identified meeting minutes were adopted, approved, and properly posted in accordance with applicable requirements.

The City considers these findings resolved and will continue to maintain oversight to ensure sustained compliance.

City Acceptance & Resolution – Findings 2 & 3

The City acknowledges the Auditor's determination that Findings 2 and 3 were partially corrected at the time of review. Both prior to and following the February 9, 2026 exit conference, the City completed the remaining corrective actions necessary to ensure full compliance and further strengthen internal controls. The Auditor's recommendations associated with these findings have now been fully implemented.

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

The City updated and redistributed its P-Card Policies & Procedures Manual to all cardholders and conducted mandatory training for department leadership and all staff responsible for P-Card administration. The City has implemented a formal control requiring all new and replacement P-Card recipients to execute both the policy acknowledgment form and the bank-issued letter at the time of card issuance. These documents are now retained in accordance with the City's records retention and internal control procedures. This corrective action ensures documented acknowledgment of responsibilities and strengthens accountability and oversight.

➤ **Finding 3 - Gift Card Policies and Procedures**

The City adopted a formal Gift Card Policy effective July 22, 2024. The policy has been enhanced to require:

- City Commission approval for all gift card purchases;
- Formal confirmation of public purpose by the City Commission;
- Defined eligibility criteria and documented demonstration of need for recipients;
- Clearly articulated disciplinary measures for policy violations, including written reprimand, reimbursement, suspension, or termination, as applicable; and
- The establishment of a formal requirement that complete records fully documenting the results of all investigations related to gift card use or distribution be retained in accordance with applicable records retention laws and City policy.

Conclusion

The City concurs with the Auditor's determination that Findings 1, 4, and 5 have been corrected. Findings 2 and 3 have likewise been formally resolved through the adoption of enhanced policies, implementation of strengthened internal controls, and institutionalized compliance procedures.

These corrective measures have been embedded within the City's operational framework to ensure consistency, accountability, and long-term governance integrity. The City remains committed to continuous improvement and will maintain ongoing monitoring, training, documentation, and oversight to ensure sustained compliance and prudent stewardship of public resources.

The City appreciates the opportunity to address these matters and remains committed to maintaining strong financial management and compliance practices.

Respectfully submitted,



Shereece George Depusoir
Chief Procurement Officer, City of North Miami Beach

c: Darwin Williams, City Manager
Tarik Rahmani, Chief Financial Officer
Andrise Bernard, City Clerk