

**MIAMI-DADE COUNTY  
OFFICE OF THE INSPECTOR GENERAL**



**FINAL AUDIT REPORT**

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*Miami-Dade Transit Agency Contract No. TR04-PTP1  
Non-Exclusive Professional Service Agreement Between Miami-Dade  
County and Parsons Brinkerhoff Quade & Douglas, Inc., for Program  
Management Services for Implementation of the People's  
Transportation Plan*

**IG06-78A**

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January 25, 2008

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### INTRODUCTION

The Office of the Inspector General (OIG) conducted an audit of the Miami-Dade Transit Agency's (MDT) Non-Exclusive Professional Service Agreement (Agreement) between Miami-Dade County and Parsons Brinkerhoff Quade & Douglas, Inc. (PBQD) Contract No. TR04-PTP1. Our audit focused on determining whether MDT has effective processes to oversee PBQD activities and to ensure the propriety of amounts paid to PBQD for providing Program Management Consultant (PMC) services.

We reviewed the Agreement, including its scope of services. We also reviewed the schedule of participation for each of the Disadvantage Business Enterprises (DBE) service providers under contract with PBQD. The OIG, at this time, has no comment on DBE participation under this contract. We will continue to monitor this subject and issue a report at a later date, if we believe one is justified by the circumstances.

Additionally, we reviewed the performance evaluations completed by MDT Project managers. Our field work included interviewing MDT personnel to gain an understanding of their activities and procedures related to program administration and record keeping. We also reviewed MDT's payment files and the documentation submitted by PBQD substantiating its invoices for work performed.

Additionally, we reviewed MDT's periodic progress reports covering the status of People's Transportation Plan (PTP) corridor projects and this contract, as well as its formal reports on the PMC on an annual basis. In addition, we reviewed the PMC's annual work program. The PMC's annual work program describes the work to be executed during the following year and is submitted for MDT's review in advance of MDT issuing the next year's work orders, which are MDT's primary tool to authorize and control all contract work. During the year, the PMC also submits various (weekly, monthly, etc.) progress reports describing work performed to achieve the goals described in approved annual work program.

We noted that MDT's handling of the PMC has shown improvement since contract inception, in particular, in its invoice processing practices. MDT has modified its practices with regards to its review and approval of PMC employee salary rates and direct labor hours resulting in more efficient invoice processing. MDT appears to be effectively using the annual performance evaluation process to elicit changes in PMC management resulting in a PMC more responsive to MDT's needs. In addition, the PMC is now issuing monthly lobbyist usage disclosure reports. These and other OIG observations are described in this report. We note that there are no material adverse

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audit findings. However, a few recommendations are offered by the OIG in areas where we believe there is room for improvement and, in one particular area, where we believe a technical correction may be necessary.

### **AUDITEE RESPONSES AND OIG REJOINDERS**

A copy of this report, as a draft, was provided to MDT and to PBQD for their comments, on January 3, 2007. MDT provided its response to this report (OIG APPENDIX A), dated January 18, 2008. MDT commented on each of the six report sections—Lobbyist Disclosure Report, Overhead Rates, Commission on Ethics Opinions, Salary Rates, Bi-weekly Labor Reports, and Performance Evaluations. At times, MDT repeated that which was reported and, at other times, it offered some explanatory comments to what was discussed in the Draft Audit Report or its response to our recommendations. We have not received comments from PBQD, as of this report's release date.

In our Overhead Rates section, we described how MDT's practice of accepting the Florida Department of Transportation's (FDOT) approval of contractor overhead rates may not technically comply with contract requirements. MDT stated that it would obtain the actual annual overhead audits submitted by the PMC consultants to FDOT, in addition to FDOT's annual approval letter.

We mentioned, in our Commission on Ethics Opinions (COE) section, that the PMC had not been submitting periodic follow-up reports to the COE, as required by the contract. MDT stated that PBQD submitted such reports to the COE on November 6, 2007, and that it would be "implementing a "Contract Requirements Checklist" to be completed Project Control to track and follow-up on Ethics Commission opinions and/or reports."

MDT stated, in response to a recommendation contained in our Bi-weekly Labor Reports section, that it was re-establishing the PMC's certification of these reports and adding a sign-off for MDT project management acceptance of the submitted labor hours.

Regarding our comments in the Performance Evaluations section, MDT described its approach and practices to performance evaluations. MDT stated that it believes that its performance evaluations have been a successful tool in gauging PMC performance and that it "will further enhance the evaluation process by basing performance evaluations

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of CORs [Contracting Officer's Representative] and project managers on their effectiveness in meeting contract performance measures.”

The OIG requests that MDT provide to the OIG a follow-up report in 90 days, on or before April 24, 2008, with copies of: (1) the PBQD submitted updates to the Ethics Commission relating to its compliance and that of all of its sub-consultants with the restrictions contained in the advisory opinions issued by the Ethics Commission, (2) its Semi-Annual Performance Appraisals for the PMC team, covering the period from July 1, 2007, to December 31, 2007, and (3) samples of the new certification format used in the Bi-weekly Labor Reports.

### OIG JURISDICTIONAL AUTHORITY

In accordance with Section 2-1076 of the Code of Miami-Dade County, the Inspector General has the authority to make investigations of county affairs and the power to review past, present and proposed County and Public Health Trust programs, accounts, records, contracts and transactions. The Inspector General has the power to analyze the need for, and the reasonableness of, proposed change orders. The Inspector General is authorized to conduct any reviews, audits, inspections, investigations or analyses relating to departments, offices, boards, activities, programs and agencies of the County and the Public Health Trust.

The Inspector General may, on a random basis, perform audits, inspections and reviews of all County contracts. The Inspector General shall have the power to audit, investigate, monitor, oversee, inspect and review the operations, activities and performance and procurement process including, but not limited to, project design, establishment of bid specifications, bid submittals, activities of the contractor and its officers, agents and employees, lobbyists, and of County staff and elected officials in order to ensure compliance with contract specifications and detect corruption and fraud.

The Inspector General shall have the power to review and investigate any citizen's complaints regarding County or Public Health Trust projects, programs, contracts or transactions. The Inspector General may exercise any of the powers contained in Section 2-1076, upon his or her own initiative.

The Inspector General shall have the power to require reports from the Mayor, County Commissioners, County Manager, County agencies and instrumentalities, County

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officers and employees and the Public Health Trust and its officers and employees regarding any matter within the jurisdiction of the Inspector General.

### RESULTS SUMMARY

#### Lobbyist Disclosure Report (Section XVIII(F))

The Agreement states, in relevant part:

After award of the contract and throughout the contract term (including any renewals or extensions), proposers shall disclose all names of all lobbyists and their firms, as well as lobbying fees and costs billed and/or paid for all lobbying services, including costs and expenses incurred prior to the execution of this contract, (concerning or related to this contract) directed at the Board of County Commissioners, its members and/or staff, the Mayor and/or Mayor's staff, any County Board and its members, including but not limited to the MPO and the CITT, and all County employees, agents, and instrumentalities, including but not limited to County selection and/or negotiation committee members and staff. Said disclosure shall be in writing and addressed to County Project Director... with a copy to the clerk of the board. The disclosure shall be current and updated monthly.

Our review shows that at the beginning of the contract period, PBQD submitted an initial lobbyist report, dated June 13, 2005. In this report, PBQD mentioned the use of a lobbyist for legal services rendered and expenses incurred in connection with the pursuit of the this contract. After this initial disclosure, we noted that PBQD did not submit any other monthly reports.

In October 2006, as part of the audit process, the OIG requested this documentation for review. On October 26, 2006, MDT's Deputy Director of Engineering sent a letter to PBQD's Program Manager stressing that "effective immediately" the monthly lobbyist reports should be provided with the monthly pay requisitions.

After MDT's October 2006 letter, PBQD submitted a Lobbyist Report on November 28, 2006. From that date forward, PBQD has been consistent in submitting the reports, complying with the contract requirement. In each of these monthly reports, PBQD

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certifies that it "has not retained any lobbyist or lobbying firm to provide services related to the PMC contract prior nor after the execution of said contract."

*Overhead Rates (Section IV(B))*

The Agreement's negotiated multipliers include overhead rates, which may be based either on uncontested overhead audits performed by a government agency or on overhead audits that are performed by a Certified Public Accountant (CPA), in accordance with the Federal Acquisition Regulations (FAR).

As part of the audit, the OIG reviewed the annual overhead rates for the years 2005 to 2007. Our review indicates that prior to approving the overhead rates submitted by PBQD and some of its sub-consultants, MDT reviews letters prepared by the Florida Department of Transportation (FDOT). FDOT prepares these letters in response to a firm's annual application for "qualification." Firms submit their "qualification package" to FDOT stating their interest in performing specified types of work, information about its accounting system and financial statements supporting its overhead rates. In response, FDOT prepares a letter with its determination as to the type of work the firm is qualified to perform, approves the firm's accounting system and accepts the submitted overhead (home/branch office and field office) rates. FDOT's acceptance of a firm's submitted overhead rates is contingent upon FDOT's later receipt of the firm's overhead audit results, which the firm submits to comply with FDOT's requirement on overhead audits.

For other PBQD sub-consultants, MDT reviews the Schedules of Overhead and Labor Costs, which is attached to a CPA's certification of the overhead rates. MDT annually reviews these FDOT letters and the submitted audit reports prior to approving revised overhead rates for PBQD and its sub-consultants.

The OIG notes that neither of the two above options used by MDT comply with the Agreement's specific requirements—an uncontested overhead audit performed by another government agency or a CPA-certified audit performed in accordance with the FAR. The OIG suggests that MDT evaluate the subject circumstances to determine appropriate action. To the extent that any federal funds are used, MDT may not have a choice in the matter as to what are acceptable overhead audits. If not the case, MDT may want to consider amending this contract requirement to allow the FDOT approval process as an acceptable alternative.

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During our audit, MDT relocated to the Overtown Transit Village Building, located at 701 NW 1<sup>st</sup> Court. As a result of this relocation, MDT and the PMC executed a Memorandum of Understanding (MOU). This MOU provides for the PMC to relocate its staff at the new building. Additionally, the MOU specifies that MDT will pay the PMC a "field" overhead rate for its resident staff<sup>1</sup> and a "home office" overhead rate for its non-resident staff.

Based on our review, the OIG concludes that while MDT's overhead rates review is based on a credible practice of relying on FDOT's approval for work under FDOT contracts, it does not technically comply with the requirements established in Section IV(B). We reiterate our recommendation that MDT re-evaluate the subject circumstances to determine appropriate action.

### Commission on Ethics Opinions (Section XVIII(E))

Throughout the procurement process of this contract, several advisory opinions were issued by the Commission on Ethics (COE) regarding its determination whether there was, is or would be a conflict of interest for PBQD and its sub-consultants to provide services as the PMC and perform professional services on other transit projects.

The OIG reviewed fourteen opinions issued by the COE. Our review shows that for most of the opinions issued, the COE determined that the firms may perform as part of the PMC team. In some instances, however, the COE approved the prospective firm's participation subject to some limitations dealing with a firm's overlapping of actual work that it is performing outside the PMC with the work it would perform, as part of the PMC. Also, some of the opinions state that in cases where a sub-consultant's outside work is not completed by the date that it begins PMC work MDT should monitor the firm's work to avoid any possible conflicts of interest.

To facilitate continuing COE oversight, Contract Section XVIII(E) states, in relevant part:

The consultant must provide the ethics commission with a written report regarding its compliance with any restrictions contained in the advisory opinions issued to the Consultant, subconsultants or team members within ninety (90) days of the issuance of each work order.

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<sup>1</sup> Resident staff is defined as PMC full-time staff employed by PBQD and its sub-consultants, co-located with MDT in the Overtown Transit Village Building.

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The OIG requested from MDT copies the aforementioned written reports that were supposed to be submitted ninety days after the issuance of each work order. MDT replied to the OIG that they were not aware of the requirement. For that reason, they did not know whether the PMC was complying with this requirement.

The OIG also asked the COE if the PMC was submitting the reports and, and if so, to please provide copies of the reports. The COE Executive Director responded that the COE has not received any written reports from the PMC relating to this matter.

Later, MDT explained to the OIG that the PMC understood that since there were no changes in the type of work being performed, that there was no need to submit this type of report. Notwithstanding, the OIG stressed that the purpose of this report is to allow the COE to monitor that its restrictions are being implemented, and for MDT to provide the proper follow-up to ensure that the PMC keeps complying with any of the stated restrictions to avoid conflicts of interests.

Further, in some of the COE opinions that are addressed to PMC sub-consultants, the restrictions deal with that firm's work outside the PMC and which the PBQD may not know about. Whether a PMC sub-consultant was issued an advisory opinion with restrictions relative to its work on the PMC versus other work, is a concern to PBQD. The contract puts the burden of providing reports on PBQD and that requirement extends to its subcontractors and other team members.

### Salary Rates (Section IV(B)(2-5))

The compensation for services rendered by the PMC shall be computed based on an employee's direct salary cost, as reported to the Internal Revenue Service.<sup>2</sup> Also, the labor rates shall be in accordance with the list of employees and rates supplied by the consultant. These rates should be consistent with prevailing local wage rates paid for similar work to similar employee classifications.

We noticed instances where the hourly salary rates used on the invoices were higher than the approved rates, during our review of early PMC invoices. MDT explained that, in many instances, the difference between the approved rates and the invoiced rates was because the "approved" rates were actually budgeted rates and not the actual rates. To monitor PMC salaries and salary increases, MDT told us that the PMC annually submits a document (the "Matrix") showing the actual rates for all PMC staff.

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<sup>2</sup> Employee annual salaries are converted to hourly labor rates for billing purposes.

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MDT approves the Matrix before the rates are actually paid. The PMC periodically updates the Matrix throughout the year to reflect changes to employee salaries (rates) and submits the updates for MDT approval.

### Bi-weekly Labor Reports

Additionally, the PMC submits a bi-weekly labor report, which is divided in two parts. The first part is a schedule of hours worked by individual per individual task number, and the second part is a schedule of the total hours worked by individual during a two-week period. These are time utilization reports that are used for billing purposes.

During our review of the bi-weekly labor reports, we noticed that the PMC included the following certification on its early reports: "The PMC's Project Managers signature indicates that time charges in this task are true and correct to the best of his/her knowledge." The reports also had a space for MDT Project Managers to approve PMC staff work hours. Beginning in February 2007, however, the PMC's certification and MDT's approval were removed.

The OIG believes that some form of a bi-weekly, documented approval of all direct labor hours worked by PMC employees by their immediate supervisors should be a required business practice. The OIG believes that such a certification requirement is an excellent control mechanism because it imposes a responsibility on the PMC to review and certify that the time charged by an individual during a specific period of time is, in fact, the actual amount of time worked. This certification enhances the PMC supervisor's individual accountability for monitoring and accurately reporting subordinate time charges; thus, reducing the risk of overstated work hours and overpaid wage reimbursements.

However, the OIG takes exception to the disclaimer noted on the PMC project manager's certification "that time charges in this task are true and correct to the best of his or her knowledge." (OIG emphasis) The bi-weekly labor report is the authoritative source document substantiating all PMC staff direct labor hours, including those of PBQD and all of its sub-consultants, team members, etc. It is incumbent upon PBQD, as the prime, to take all reasonable steps to ensure that all PMC employee work hours billed to MDT are "true and correct." That, at times, PBQD relies upon direct labor hour submissions from its sub-consultants outside of its immediate, on-site supervision, does not relieve it from its responsibility to certify that such work hours are true and correct. The added disclaimer only served to reduce MDT's reliance on the respective PMC project manager's certification.

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During our exit briefing with MDT management, we recommended that a certification requirement be re-instated. In order to achieve a level of assurance that the reported hours are actually true and correct, PBQD may have to require its sub-consultants to certify their direct labor hour reports as "true and correct" before including such hours in its own bi-weekly labor reports to MDT.

We also note that, under the prior process, the MDT project managers did not themselves have the protection provided by the PMC disclaimer when approving invoices. This omission appears to have made MDT staff more directly accountable for PMC timekeeping and/or billing errors and misstatements than their PMC counterparts when approving PMC direct labor hours.

Accordingly, the OIG recommends that MDT re-establish the PMC's certification—without any disclaimer—to help ensure the veracity of the information contained in the biweekly labor reports before submitting them to MDT for payment. In addition, the OIG believes that MDT should re-establish the sign-off by its own project managers, although we believe that the signature line provided in the report should read "Accepted by MDT" instead of "Approved by MDT."

### Performance Evaluations (Section II(C)(D)(E))

Before award of the contract, the OIG reviewed the County's procurement process and the contract terms. In consideration of our concerns and in an effort to promote accountability on the part of the PMC, the County and the PMC agreed to institute a performance evaluation program that directly ties the PMC's compensation to its performance. The PMC shall be paid a base profit (or margin) of ten percent (10%) on burdened labor for acceptable performance ("Met Expectations"<sup>3</sup>) on assigned tasks. In the event the PMC receives a superior evaluation ("Exceed Expectations"), MDT shall pay the PMC and additional one percent (1%) profit, increasing the base profit to 11%.

The County Manager in his May 3, 2005 Recommendation Memo stated:

The performance evaluation procedure included in this contract complies with and surpasses the County's performance evaluation process outlined

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<sup>3</sup> The scale used for evaluation is the following: "Met Expectations" for an acceptable performance, "Exceed Expectations" for superior performance and "Did Not Meet Expectations" for a poor performance.

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in Administrative Order 3-39.<sup>4</sup> It is anticipated that a formal performance evaluation of the consultant will be performed by the MDT Director on a yearly basis as well as periodic informal evaluations by staff. All informal evaluations by staff will be included as attachments to the yearly performance evaluation.

We reviewed MDT's earliest PMC evaluations—the first was on October 20, 2006, and the second on March 21, 2007. At the highest level, on both evaluations, the PMC team "Met or Exceeded Expectations" in several areas like: project design (update and maintenance), performance on the personnel preparing and performing the studies on the various corridor, creation of public involvement activities and support services (development and analysis) among others. Of note, these areas are not related to the managerial aspects of the contract.

On tasks that were directly related to the management of this contract, MDT evaluated the PMC as "Did Not Meet Expectations." This rating directly applies to the PMC Project Managers in charge the oversight and control of the work performed under this contract. The evaluated areas were: (1) Maintain program budget, (2) Maintain coordination of all team members and projects, (3) Provide proactive solutions to issues, (4) Facilitate the work of the program manager, (5) Provide continual input to the program manager and Deputy Director, (6) Meet schedules and deadlines for all deliverables, task and projects, and (7) Provide overall management and coordination of the work.

MDT was looking for improvements on these tasks where expectations were not met. As result of these evaluations and the inability from the PMC Project Managers to improve their performance, MDT had removed from the PMC those Project Managers, whose evaluations were not satisfactory.

Based on the overall "Met Expectation" average received on both evaluations and to comply with contract requirements, MDT did not approved the one percent (1%) increase on the profit margin, leaving it at ten percent (10%).

At a more task-specific level, the other MDT evaluations were often completed inconsistently. Some were missing the name of the assigned PMC project manager, and, too often, the evaluator's rating was unsupported by other than a checked box

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<sup>4</sup> Administrative Order 3-39, *Standard process for construction of Capital improvements, acquisition of professional services, construction contracting, change orders and reporting.*

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indicating the rating for the stated objective. Most evaluations were based on the individual project manager's performance on four vaguely worded task-related objectives. Some PMC employees had multiple task assignments during the rating period; therefore, they were rated on each assignment. Occasionally, we observed that a sub-consultant's company name was shown instead of the assigned project manager's name. In a few other instances, we observed that a MDT employee was listed as both task assigned project manager and the individual completing the evaluation of a PMC sub-consultant. To the extent that a sub-consultant was under the direct supervision of MDT, we question why that task was placed under the PMC.

We earlier mentioned that the PMC prepares a detailed annual work program complete with tasks, subtasks, work scopes, deliverables, schedules and budgets. We stated that the annual work program is the basis for the upcoming year's work orders, which are MDT's primary tool to authorize and control all contract work. Accordingly, since MDT's evaluations are task-based, we suggest that MDT use the annual work program also as a tool for its PMC evaluations. Evaluation objectives should directly refer to the stated work program objectives. The PMC project manager should evaluate both the quality of the services rendered and the deliverables provided and whether they were delivered on time and on budget using the annual program detail as a benchmark for the evaluation process. By doing this, MDT can help to ensure that it is receiving value commensurate with the funds expended.

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The OIG appreciate the cooperation and assistance afforded us by personnel from the Miami Dade Transit Agency during the course of our audit.

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**OIG APPENDIX A**

**Miami-Dade Transit Response**

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Carlos Alvarez, Mayor

January 18, 2008

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Ref: OIG Draft Audit Report – IG06-78A.  
Contract No. TR04-PTPI  
Non-Exclusive Professional Services Agreement (PSA) for Program  
Management Services for Implementation of the People's Transportation Plan

Dear Mr. Mazzela:

This serves as the Miami-Dade Transit Agency's (MDT) response to the recommendations made by the Miami-Dade County Office of the Inspector General (OIG) in the OIG Audit Draft Report – IG06-78A. We would like this response to be included in the Final Audit Report issued by your office.

Lobbyist Disclosure Report (Section XVIII (F))

Early in this review, the OIG notified Miami-Dade Transit (MDT) of non-compliance in this area. MDT took immediate action to rectify this issue and continues to comply with the Lobbyist Disclosure as required by Section XVIII (F) of this contract. The written disclosure is current, updated monthly and submitted to the MDT Project Director with a copy to the Clerk of the Board.

Overhead Rates (Section IV (B))

MDT uses two methods for establishing the office and field contract overhead rates for the Program Management Consultant (PMC) and its subconsultants. MDT reviews independent audits submitted by individual firms conducted by certified public accountants in compliance with Federal Acquisition Regulations (FAR), Chapter 31. MDT is submitting two firms' independent audit reports, previously submitted to OIG, as examples. Alternatively, MDT reviews approval letters (a/k/a Lorraine Odom Letter) from the Florida Department of Transportation (FDOT) that are based on receipt of independent audits from a CPA firm. As such, MDT is interpreting that the Lorraine Odom Letter option can be used for approving overhead rates for this PSA.

As a response to OIG's suggested course of action, MDT will request that the PMC prime and subconsultants include the independent audit with the Lorraine Odom Letter.

Commission on Ethics Opinions (Section XVIII (E))

At the inception of its contract, the PMC complied with Section 2-11.1(w) of the Code of Miami-Dade County, which has jurisdiction over contractors and vendors as it relates to compliance with restrictions contained in the advisory opinions issued by the Ethics Commission. According to the PMC since there were no changes in the restrictions contained in the advisory opinions, no written report was necessary. MDT instructed the PMC to submit follow-up written reports to Ethics Commission immediately to comply

with this contract requirement. On November 6 2007, PBQD submitted updates to the status of each project addressed by the Ethics Commission to ensure compliance and avoid conflicts of interests.

MDT will be implementing a Contract Requirements Checklist to be completed by Project Control to track and follow-up on Ethics Commission opinions and/or reports.

Salary Rates (Section IV (B) (2-5))

All billing rates are in full compliance with the contract requirements of this PSA. As stated in the report, there are cases where the budgeted rates shown in the work order is higher (and sometimes lower) than the actual invoiced rate. All invoiced rates are preapproved by the COR and listed in the matrix.

Bi-weekly Labor Reports

As recommended by the OIG, MDT has re-established the PMC's certification without any disclaimer to ensure the veracity of the information in bi-weekly labor reports. MDT has also implemented the OIG recommendation to include a Project Manager's signature approval line, which states "Accepted by MDT".

Performance Evaluations (Section II(C) (D) (E))

MDT is complying with Section II (C, D & E) by conducting formal semi-annual evaluations of the Prime Consultant (PC). Weekly meetings are held between the Contracting Officer's Representative (COR) and the PC program manager (PM) to address ongoing issues, resolutions and PC performance. Continuous feedback is provided to the PM, including a work tracker that details action items and deadlines, and is used by MDT to measure performance. In MDT's opinion, the evaluation process has been a successful tool in gauging PC performance. MDT will further enhance the evaluation process by basing performance evaluations of CORs and project managers on their effectiveness in meeting contract performance measures.

As such, MDT has replaced the existing evaluation model of assessing individual subconsultants' performance with evaluation tools that measure all critical issues at a program level.

If any additional information is required, contact Jesus Valderrama, Jr., Contract Manager, Engineering, Planning and Development (EP&D), MDT, at 786-469-5291.

Sincerely,

  
Harpal Kapoor  
MDT Director

Enclosures: Cardozo Engineering and the Allen Group Independent Audit Reports

c: Albert A. Hernandez, P.E., Deputy Director, EP&D, MDT  
Larry Reuter, PMC Program Manager  
Jesus Valderrama, Jr. MDT Contract Manager