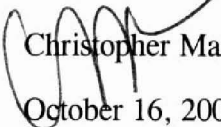




# Memorandum

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To: The Honorable Carlos Alvarez, Mayor, Miami-Dade County  
The Honorable Chairman Bruno A. Barreiro and  
Members, Board of County Commissioners, Miami-Dade County

From:  Christopher Mazzella, Inspector General

Date: October 16, 2007

Subject: Executive Summary and Transmittal of the OIG's Final Report on the  
*Non-Exclusive Management Agreement Between the Miami-Dade Aviation  
Department and Airport Parking Associates for the Operation of the Public  
Parking Facilities at Miami International Airport (MIA)*; Ref. IG07-04

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Attached please find the Office of the Inspector General's (OIG) Final Report on the above-captioned subject. The subject contract has been in place since 1997. The original 10-year total term has since expired. Pursuant to a new Request for Proposal process initiated in 2006, a proposed new contract award recommending the incumbent operator, Airport Parking Associates (APA), is pending action by the Board of County Commissioners. At present, however, management services are being provided by APA pursuant to a third amendment to the 1997 contract, which was approved on September 18, 2007.

Our review was prompted by a barrage of anonymous emails received by MDAD, County officials, and the OIG in December 2006. The anonymous complainant raised several allegations ranging from mismanagement, lack of accountability, overbilling and other financial wrongdoing relative to the subject management agreement. This Office issued a memorandum on May 10, 2007, which noted preliminary findings and identified potential areas of concern in the proposed new agreement.

As noted in the County Manager's Recommendation Memorandum<sup>1</sup> accompanying the request for a third amendment to the current agreement:

. . . as the OIG has not yet finalized its pending investigation of the expiring contract, deferral of the award to APA is recommended,

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<sup>1</sup> County Manager's Recommendation Memorandum, dated September 18, 2007, Agenda Item No. 14(A)(1), *Third Amendment to Management Agreement for the Public Parking Facilities at Miami International Airport*.

until the OIG report is finalized. Accordingly, the Third Amendment will extend the term of the Agreement, on a month-to-month basis not to exceed three (3) months. The Third Amendment also incorporates the corrective provisions included in the new contract. These include:

- certain expense reimbursement will be based on actual expenditures supported by receipts or other third-party documentation rather than on estimates;
- 401(k) plan reimbursement will be based on actual monthly costs of plan participation rather than a percentage of total gross salaries;
- workers compensation and general liability insurance expenditures will be based on actual premiums and coverage attributable to operations at Miami International Airport; and
- a provision for restitution and resolution of any related disputes is included if APA is found by audit or investigation to owe money to MDAD.

The highlighted bullets, above, are at the essence of the OIG's review and are reflected in the Final Report covering contract years 2004, 2005 and 2006.

We looked at the payments made to APA in three categories: 1) 401(k) retirement plan contributions, 2) workers' compensation insurance, and 3) general/garage keeper's liability insurance. Payments made to APA in these three categories fall under the contract's category of *Reimbursable Expenses* (Article 4.02). Cost estimates for these items are first reflected and approved in a yearly/monthly budget format; thereafter, the costs are presented in the *Monthly Revenue/Expense Report*, which is to serve as a monthly invoice to the Department [MDAD] from the Operator [APA].

Overall, we found that MDAD overpaid the Operator in these three categories. In the category of 401(k) retirement plan contributions, overpayments occurred because MDAD paid on estimates, and not what APA actually paid as employer-matching contributions to its employees. In the case of workers' compensation insurance, MDAD overpaid because APA did not pass along certain insurance discounts to the Department. Thus, MDAD's payments exceeded APA's workers' compensation premium costs. In the area of general/garage keeper's liability, there was no assurance that the rate set by APA and paid by MDAD was competitive. We surmise that the annual insurance coverage paid by MDAD was at least \$100,000 more expensive than comparable liability coverage. (TABLE 1, which may be found on page 3 of the INTRODUCTION & SUMMARY section of the Final Report, presents the Total Overpayments by Year and Expense Category.)

During the course of this review, the OIG met with APA/CPS officials and provided them an opportunity to address these areas of concern. APA provided written responses to our inquiries, which are included in the Final Report as **Attachment 1**. We also provided a "draft" version of this report to APA and MDAD for comment. Their written responses are included in the Final Report as **Appendix A<sup>2</sup> and B**, respectively.

Overall, APA "respectfully and emphatically disagrees with each and every one of the OIG's unsubstantiated 'findings' and speculative 'conclusions' as set forth in the August 30<sup>th</sup> Draft Report." Its main contention is that each of these expenses were approved in an annual budget process with MDAD staff, which included negotiations of these items; and that during the performance of the contract MDAD had the right to verify the amounts claimed on the monthly expense reports, but never did. It may be true that MDAD never challenged the charges, but it also appears that MDAD staff did not employ specific contract provisions to gauge the reasonableness of CPS' charges. However, their failure to do so does not negate our independent assessment of the amounts we believe MDAD overpaid.

MDAD, on the other hand, agrees "that the amounts paid for retirement plan matching, worker's compensation insurance, and garage liability insurance exceeded the actual costs incurred by the parking management company." MDAD, however, disputes the OIG's observation that there was a lack of contract oversight. It notes that "insurance and retirement plan-related decisions made by the Landside Division during the term of the current parking management agreement were consistent with contract administration practices and the agreement as negotiated over ten (10) years ago." Nevertheless, MDAD affirms that going forward, both MDAD's Risk Management Division and Finance Division will assume greater roles in reviewing contractual insurance requirements for suitability and will independently review reimbursement packages for propriety. MDAD also states that it "will also require that all services and procurement contemplated by the management company must be conducted through a competitive process that entails a minimum of three (3) bids unless circumstances justify a lesser number or sole source." Finally, MDAD concludes that it will review the Final Report with recommendations and APA's response before it makes a recommendation to the County Manager.

Our recommendations, which may be found on page 18 of the Final Report, are:

1. That MDAD recoup overpayments in the categories of 401(k) reimbursement and WC premiums, as identified in this report. It should be re-emphasized that the OIG report only focuses on fiscal years 2004, 2005 and 2006. Hence, MDAD may want to audit the entire period of the contract to assess the full extent of overpayments.

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<sup>2</sup> APA provided the OIG with a seventeen-page response and a binder of attachments containing 347 pages of material. Only its seventeen-page response is appended herein as Appendix A; the remainder of the APA's materials may be made available by contacting the OIG.

2. That in light of the relatively low number of employees participating in the 401(k) plan in 2004, it is recommended that MDAD conduct a similar review for the first two years that the 401K plan was put in place (2002 and 2003).
3. That MDAD ensure that workers compensation premiums are assessed and paid based on the appropriate salary amounts (i.e. excluding overtime) and that premium discounts are passed through to MDAD by the Operator.
4. That prospectively, MDAD require APA/CPS, or any other parking operator, to positively identify all Related Party Purchases and Services and require that no less than three bids/quotes are obtained for all purchases of goods and services. In instances where a related party purchase is considered (e.g. insurance), MDAD staff—not the Operator—should obtain the bids/quotes from other providers.

The OIG appreciates the cooperation and assistance afforded to us by MDAD staff and APA representatives.

cc: George Burgess, County Manager  
Robert A. Cuevas, County Attorney  
Ysela Llorc, Assistant County Manager  
Jose Abreu, Director, Miami-Dade Aviation Department  
Anne S. Lee, Chief Financial Officer, Miami-Dade Aviation Department  
Cathy Jackson, Director, Audit and Management Services Department  
Charles Anderson, Commission Auditor  
Airport Parking Associates (under separate cover)  
Clerk of the Board (copy filed)