



Memorandum



Miami-Dade County Office of the Inspector General
A State of Florida Commission on Law Enforcement Accredited Agency
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To: Emilio Gonzalez, Aviation Director

From: Mary T. Cagle, Inspector General

Date: December 17, 2014

Subject: Receipt of MDAD's Status Reports Pertaining to the OIG's Final Report of Investigation
Re: *Contractual Violations and Other Findings Relating to the Management and Operation of the Miami International Airport Hotel*. Ref. IG10-51

The Office of the Inspector General (OIG) is in receipt of the Miami-Dade Aviation Department's (MDAD) status reports dated November 26, 2014 and October 28, 2014 (Attachments A and B, respectively). The OIG, in our final report, had requested that MDAD provide such a status report detailing its actions in implementing our recommendations.

We have reviewed the two status reports and are pleased that MDAD has adopted and is implementing all thirteen of the OIG recommendations. The OIG is particularly encouraged that MDAD, among the various reforms that it is implementing, is now (1) requiring that any modifications/deviations from a Management Agreement be supported in writing, with a clear approval chain, (2) modifying forms used in the procurement process to increase transparency of persons in the approval chain and (3) requiring that all vendors contracting with MDAD—even when indirectly through a management agreement—register as a County vendor and execute affidavits of conflicts of interest. It is hoped that between the increased training of both MDAD employees and vendors and strengthened internal controls, the likelihood of any future recurrence of the type of fraud detected in this case will be minimized.

The OIG recognizes that MDAD began taking important proactive steps to strengthen its internal controls even before issuance of the OIG's report. These steps included hiring a certified fraud examiner to review accounts payable, reconsidering the efficacy of management agreements in future endeavors, and increasing the training of its employees in spotting red flags which might indicate fraud is present.

Last, as you are aware, there remain two defendants who are still awaiting trial on the criminal case associated with the MIA Hotel. While the criminal case remains open, the OIG considers the investigation and the resulting above-captioned administrative report closed. We appreciate MDAD staff's continuing cooperation and we look forward to working together in the future.

Attachment

Cc: Hon. Carlos A. Gimenez, Mayor, Miami-Dade County
Hon. Rebecca Sosa, Chairwoman
and Members, Board of County Commissioners
Honorable Harvey Ruvlin, Clerk of the Courts
Alex Ferro, Chief of Staff, Office of the Mayor
Cathy Jackson, Director, Audit and Management Services
Charles Anderson, Commission Auditor

Memorandum



Date: November 26, 2014

To: Mary T. Cagle
Inspector General

From: Emilio T. González
Aviation Director

Subject: Addendum Response to OIG Report-Contractual Violations and Other Findings Relating to the Management and Operation of the Miami International Airport Hotel-IG 10-51

This memorandum responds to the Office of the Inspector General's (OIG) request to provide a status of our actions taken in response to the recommendations and changes presented in the above referenced report. The Aviation Department (Department) has also issued additional responses to the OIG report in memorandums dated July 3, 2014 and October 28, 2014.

The OIG issued thirteen recommendations which are bolded and italicized for reference below and the Department's actions follow.

- 1. Require an external audit of the HID Manager's Account to ensure all MDAD revenues were in fact remitted to MDAD. HID's continued refusal to comply should be handled in accordance with the penalty provisions of the Management Agreement.*

Department Response

The Aviation Department and its external auditor have had limited success in obtaining information from HID necessary to audit the Manager's Account. HID maintains that it has provided all necessary information but it is not conclusive. Therefore, the Aviation Department has requested that the Audit and Management Services Department perform an audit of the Manager's Account.

- 2. Require HID to reimburse MDAD for expenses HID improperly paid using funds from the MDAD Imprest Operating Account funds.*

Department Response

The Aviation Department has recently recovered \$38,650 from HID for improper expenses and an additional \$39,462 for unapproved health insurance reimbursements. Also, \$120,077 has been recovered for payroll theft which occurred from 2009 to 2010. The Department will continue this recovery policy for any future occurrences.

- 3. Require that all persons responsible for and/or associated with any management agreement or contract, read the Management Agreement and have a working knowledge of its requirements, including MDAD Division Directors and Finance Account Clerks.*

Department Response

The Miami-Dade Aviation Department is in the process of collecting signed acknowledgements that all Aviation Department personnel associated with management agreements have read the governing agreement and understand its provisions and their application and enforcement. Signed acknowledgements will be kept on file. The process will be repeated when a new management agreement is awarded.

- 4. Require that any modifications or deviations from the Management Agreement policies or requirements be supported in writing, with approval from MDAD Executive Management and the management company.*

Department Response

The Department has prepared a letter to HID setting forth this requirement which will be signed by the Assistant Director for Business Development upon his return to the office the week of December 1st.

- 5. Modify the Funding Request Form to include a review by MDAD Procurement or other in-house contractors prior to any large MIA Hotel purchases.*

Department Response

The Department currently requires all prospective purchases be accompanied by three bids from vendors registered with the County. Prospectively, all single item purchases equal to or greater than \$50,000 will be reviewed by Aviation Commodities Management for propriety in selecting the vendor and signed by the Division Director or her designee to indicate approval.

- 6. Establish a clear chain of authorization for MIA Hotel procurements to include designating a backup for the final authority for emergency purposes.*

Department Response

On the management company side, the Controller is the backup in the absence of the General Manager. Within the Aviation Department, the backup to the Chief of Commercial Operations is the Commercial Operations Special Projects Administrator. If neither is available, the Aviation Controller will authorize the procurement.

- 7. Modify all forms requiring signatures to include the date and the printed name of the MDAD person providing authorization.*

Department Response

All requisitions have been modified for all management companies overseen by Commercial Operations. Approved replenishment packages now reflect the names, date and signatures of the reviewer and approver for the Department.

- 8. Establish and execute a procedure between Commercial Ops and Finance for reviewing and approving replenishment requests that exceed contractual limits.*
- 9. Ensure Finance does not replenish requests that exceed contractual limits without the proper authorizations.*

Department Response

All items over \$1,000 (the current contractual limit) are reviewed and approved by Commercial Operations and Finance personnel and the review and approval evidenced by signatures. No items over the current contractual limit are approved by Finance personnel without proper authorization from Commercial Operations and performance of other internal procedures.

- 10. Ensure that annual external audits are reviewed by the Aviation Director, Finance and the Business Development Division.*

Department Response

Multiple copies of annual external audits are distributed to the Aviation Director, the Chief Financial Officer, the Controller, the Assistant Director for Business Development and all staff working with the management agreements. Further, senior Finance staff work closely with the external auditor throughout the audit process and are informed of all audit issues.

- 11. Mandate that MDAD be notified, in writing, of all management company employee hiring and terminations.*

Department Response

Management Companies under the purview of Commercial Operations are required to document all personnel hiring and terminations actions in their Monthly Management Fee payment requests.

- 12. Require that any vendor contracting with MIA Hotel or TOP sign an affidavit detailing its relationship to an MDAD employee or employee of the management entity.*

Department Response

The Department has dealt with this issue by requiring all vendors to register with the County. Such registration requires an affidavit disclosing relationships with County employees. The Management Companies are also required to disclose any nepotism to the Department when hiring.

- 13. Require that all persons working at the MIA Hotel and TOP and any other facility operated and managed by an outside entity obtain training on Miami Dade County Code of Ethics regarding conflicts of interest, nepotism and unauthorized use of county property.*

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Department Response

The Department is working with the Commission on Ethics to establish training appropriate for these companies. Based on correspondence with the Commission, the training is expected to begin in early 2015.

We appreciate the opportunity to report on our efforts and progress. Should you have any questions regarding our response, please contact Anne Lee, Chief Financial Officer at 305-876-7731.

c: Honorable Harvey Ruvin, Clerk of the Courts
Alex Ferro, Chief of Staff, Office of the Mayor
Cathy Jackson, Director, Audit and Management Services
Charles Anderson, Commission Auditor

Memorandum
INSPECTOR GENERAL



Date: October 28, 2014

To: Mary T. Cagle
Inspector General

From: Emilio T. González
Aviation Director

Subject: Status Update to OIG Report-Contractual Violations and Other Findings Relating to the Management and Operation of the Miami International Airport Hotel-IG 10-51

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This memorandum responds to the Office of the Inspector General's (OIG) request to provide a status report of our actions taken in response to the issues investigated and reported in the above referenced report. The Aviation Department (Department) originally responded to the OIG report in a memorandum dated July 3, 2014.

The Department's initial response is bold, italicized and excerpted. This update responds to the status of those actions to date.

Department Response

Reassess the risk associated with the management companies.

Department Update

As previously indicated, the Management Agreement structure has many benefits that also correlate to a higher risk, therefore the Department continually assesses each management agreement on its own merits. From 2004 to 2014, the Department has reduced its Management Agreement companies from ten to six. Moving forward, that will again decrease to five as we have terminated the management agreement model for the Top of the Port Restaurant into a concession agreement, where the operator will report revenues and pay fees to the Department. Award is planned for November 2014.

Department Response

Solicit new Hotel and Restaurant Management

Department Update

After a 2013 procurement was rejected by the Board of County Commissioners, the Department bifurcated the hotel and restaurant solicitations. As indicated above, the restaurant concession agreement will be awarded soon. The solicitation for the Hotel management agreement will be issued within the first quarter of fiscal 2015. As always, we welcome the OIG's oversight of the RFP process to assure ongoing transparency and business prudence.

Department Response

Augment staff and improve fraud detection skills.

Department Update

The management agreements for the hotel, restaurant, special lounges and parking garages are now overseen by an experienced fraud examiner. This individual has implemented changes to the oversight process and has become a more visible presence in the operations. By becoming more cognizant of the daily operations, operating personnel and the customary expense requirements, supervision is enhanced and the propensities for unusual transactions are diminished. Site visits for accountants will also be scheduled after year-end closing and external audit preparations are complete.

A second senior fraud examiner position is being processed by Aviation Human Resources and will be advertised as soon as the addition is approved by the County Human Resources Department.

In August 2014, contract administration training was completed for most of the Department's contract managers and the Finance Division staff. The training was conducted by the Professional Compliance Division covering proper contract oversight processes and common contract fraud schemes. Similar training will be held annually.

Additionally, five two-hour fraud detection webinars have been scheduled for Finance and contract managers. Attendance is mandatory. Each session will be followed with a discussion of applicability to specific situations in the Aviation Department.

Department Response

Require all vendors to become County-certified.

Department Update

As part of County-wide procurement policy, all vendors employed by the County must be registered through our procurement process. As of September, we are now requiring our management agreement operators use County registered vendors as well. Furthermore, the management agreement for the upcoming Hotel procurement has been updated to include this new requirement.

All parties reviewing management company transactions have access to the County procurement system and can verify if a vendor is properly registered. Verification occurs twice: when the contract manager reviews the reimbursement requests for authorization, and when an accountant reviews the reimbursement package prior to payment. All exceptions must be requested by the management company in writing, approved by the contract manager, and attached to the applicable reimbursement request.

Department Response

Reassess and refine authorization procedures.

Department Update

Both the Finance and Commercial Operations Divisions have met to discuss the management agreement review and authorization procedures that each division performs to assure processing gaps were covered or duplicative tasks eliminated. A Standard Operating Procedure is being prepared and will be published within the next month. This collaborative effort provides both divisions with knowledge as to what their respective roles are and opens better lines of communications between divisions. The process is dynamic and will continue to be reviewed quarterly to assure efficient oversight is maintained.

The Department is also seeking to collect management company vendor data in a format that permits a variety of detailed analytical procedures. Currently, payments are made to the management company, not the vendor, so analyzing payment data by vendor is laborious and time-consuming. In order to overcome this obstacle and facilitate tracking of review and authorization, a SharePoint site is in development. It is high priority and is being expedited.

We appreciate the opportunity to report on our efforts and progress. Should you have any questions regarding our response, please contact Evelyn Campos, MDAD Division Director of Professional Compliance at 305-876-7390.

c: Honorable Harvey Ruvin, Clerk of the Courts
Alex Ferro, Chief of Staff, Office of the Mayor
Cathy Jackson, Director, Audit and Management Services
Charles Anderson, Commission Auditor