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**Office of the Inspector General**  
**Miami-Dade County**

# Memorandum

To: Marvin O'Quinn, President & CEO  
Public Health Trust/Jackson Health Systems

\_\_\_\_\_  
Received By Date

From:  Christopher Mazzella  
Inspector General

cc: See Distribution List

Date: March 8, 2005

Re: Final OIG Audit Report, Parking Management Agreement between the PHT and  
APCOA/Standard Parking, Inc.

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**\*Note, the OIG is requesting a status report in 90 days, on or before June 10, 2005.**

This audit was issued as a "draft" on January 21, 2005 and provided to the PHT/JMH President and to the APCOA/Standard Parking (Standard) Regional Manager. A request was made, on behalf of Standard, for a two week extension of time, which was granted. Responses to the draft were provided by both parties, and are attached and fully incorporated herein as **Appendix A and B**, respectively.

First and foremost, it should be noted that no changes have been made to the body of the audit report, except for one comment at the bottom of page eleven regarding the amount of a net credit due to the PHT.

Second, the PHT's response, while agreeing overall with the OIG's findings, still falls short in addressing the lack of supervisory, secondary, or independent review of a request for payment and the documentation submitted in support thereof. This oversight is essential to the prospect of holding contractor/vendors in compliance to their contractual obligations in the area of requisite documentation. The PHT's response notes that this entire operation was entrusted to one individual, the former Director of Parking Services, who reported directly to the previous Chief Financial Officer. But payment approvals should require a level of review separate and apart from the person charged with administering the project/contract. The segregation of duties between these two functions is a basic control element. At a minimum, it should be expected that Accounts Payable personnel review each request for

payment to ensure that it meets the documentary requirements required by the Accounts Payable division and by the contract. This would necessarily include the requirement that reimbursement requests are accompanied by receipts/invoices documenting the services rendered and the expenditures incurred.

Third, while the PHT's response addresses the corrective actions taken since its referral of this matter to the OIG, it does not specifically address recommendations nos. 1, 2, and 4.

- The PHT has not advised the OIG whether it will accept photocopies of invoices in lieu of originals. And regardless of whether a PHT/JMH employee reviews and approves invoices for major expenses incurred by Standard prior to payment by Standard, the question remains whether the requisite level of support will be submitted to the PHT as part of its payment requisition. (See recommendation no. 1.)
- The PHT has not addressed the reconciliation of the operating expense account. (See recommendation no. 2.)
- The OIG's recommendation pertaining to all management contracts, not just this one, and the level of internal controls involving advanced funds is left unaddressed. (See recommendation no. 4.)

Finally, as it relates to Standard's response, the OIG is encouraged by its statement that it is committed to working cooperatively to resolve these issues. It is noted that throughout Standard's response it asserts that it needs more specific invoice detail in order to respond to our findings of questioned cost categories. Notwithstanding the OIG's attachment of Exhibit B, which provides a breakdown of the questioned costs, Standard did not contact the OIG to review its audit work papers, even after a two week extension was granted. Moreover, Standard's response indicates that a schedule relating to the monthly operating account reconciliation was attached to its response. However, neither the faxed copy nor the original copy mailed to the OIG included a reconciliation schedule attachment.

With the inclusion of PHT/JMH and Standard's responses, this audit is issued as "final." With respect to the remaining issues identified in this cover memorandum, the OIG considers this audit resolved-open pending receipt from the PHT/JMH of a follow-up, status report in 90 days (by June 10, 2005). This update should address the bulleted issues above, any reconciliation of (withholding of) payment issues, and status of the new contract or arrangements made to manage the PHT's parking facilities.

The OIG would like to acknowledge the cooperation and courtesousness of PHT staff and Standard personnel afforded to the OIG during the course of this audit.

**Distribution List**

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**Honorable Joe A. Martinez, Chairman, Miami-Dade Board of County Commissioners**  
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**Clerk of the Board (copy filed)**

**OFFICE OF THE INSPECTOR GENERAL  
FINAL AUDIT REPORT**

**Parking Management Agreement between the PHT and APCOA/Standard Parking, Inc.**

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**INTRODUCTION**

At the Public Health Trust's (PHT) request, the Office of the Inspector General (OIG) initiated an audit of the Parking Management Agreement between the PHT and APCOA/Standard Parking, Inc. (hereinafter referred to as Standard). The OIG's audit of this contract focused on Standard's payment requisitions and supporting documentation that it submitted to the PHT for services rendered during the period October 1, 2002 through April 30, 2004.

The OIG began collecting and analyzing PHT records and interviewing PHT personnel in late June 2004. Early in this process, OIG auditors determined that there was very poor record-keeping consisting of incomplete and, at times, non-existent documentation relating to the services provided. Thus, on July 15, 2004, the OIG recommended to the PHT that it withhold making further payments to Standard until Standard complies with its contractual obligation to provide original documentation completely supporting its monthly reimbursement requests. (See OIG Exhibit 1, letter dated July 15, 2004.)

After communicating these apparent observations to PHT management, the OIG concentrated its efforts on verifying the payment requisitions and substantiating the dollar amounts of the unsupported payments. OIG auditors and investigators initially attempted to obtain the voluntary cooperation of Standard and its third-party vendors whose billings were included in Standard's monthly reimbursement requests. After several unsuccessful attempts to obtain the requested records, the OIG issued subpoenas to Standard and several of the respective third-party vendors. The records subpoenaed included vendor invoices, cancelled checks and all supporting documentation, including but not limited to work orders, requisitions, receiving reports and work inspection reports.

OIG personnel reviewed the records provided by Standard and its third-party suppliers pursuant to the subpoenas. These records were marginally more supportive of some of the audited expenses but they did not represent a substantial improvement to those already reviewed. In total, the collective body of documentation did not reassure the OIG that Standard's claimed expenses were authentic, verifiable costs that it had incurred while performing under its contract to manage JMH parking facilities.

Examples of missing documentation not provided by the PHT, Standard or one of its third-party suppliers, included such items as work orders, receiving or inspection reports and cancelled checks. At times, there was not even a supplier invoice for a claimed expense. This condition is of great concern to the OIG because it shows that the PHT was not a diligent, effective "gatekeeper" of public funds.

**OFFICE OF THE INSPECTOR GENERAL  
FINAL AUDIT REPORT**

**Parking Management Agreement between the PHT and APCOA/Standard Parking, Inc.**

---

After receiving the OIG letter, the PHT informed the OIG that it would begin withholding its monthly payments otherwise due Standard beginning with the July 2004 payment. In total, the PHT has withheld \$449,165. Standard, in response, has deducted \$352,952 from amounts that it would have otherwise submitted to the PHT as parking revenues. In total, and not including the impact of the recent withholdings or deductions, the PHT has paid Standard approximately \$3 million from contract inception in October 2002 through December 22, 2004.

**SUMMARY RESULTS**

A review of all three (3) sets of records (PHT, Standard and third-party vendors) showed that required documentation was poor and at times non-existent. There was contractual non-compliance by Standard and poor oversight and enforcement by the PHT. Our audit demonstrates that the PHT was negligent in approving payment to Standard. Payment was made without the requisite original documentation submitted. Albeit that the PHT relied on copies, the OIG found \$101,017 in questioned costs, which includes \$32,611 in expenses that were completely unsupported by any documentation, including an invoice.

The PHT merely relied on what was presented to it in the way of a *Monthly Revenue/Expense* report, but having gone through the audit step of verifying the third party billings through subpoenaing the vendors directly, we maintain that the PHT was negligent in its payment to Standard as the supporting documentation was unattainable through this process. Furthermore, had the PHT performed its quarterly reconciliations of the advanced operating expenses versus the reported expenses, it would have recognized that it was due a credit of \$40,435.50 from Standard for just the period audited by the OIG.

**BACKGROUND**

Standard's management agreement with the PHT was initially awarded in February 1997. The contract was for a five-year term with five one-year options to renew (at the PHT's option). The PHT exercised two one-year extensions and in January 2004, the PHT issued one additional extension to September 2004 to coincide with the end of the PHT's fiscal year. During the summer of 2004, the PHT had issued Request for Proposal (RFP) 04-5152—the intended replacement contract to manage the PHT's parking facilities. This new contract has yet to be awarded although Central Parking of Florida, Inc. is the recommended vendor.

**OFFICE OF THE INSPECTOR GENERAL  
FINAL AUDIT REPORT**

**Parking Management Agreement between the PHT and APCOA/Standard Parking, Inc.**

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At the January 13, 2005 PHT Fiscal Affairs Committee, the subject contract with Standard was on the agenda for another contract extension.<sup>1</sup> The PHT requested additional funding in the amount of \$894,000 to continue with Standard's management services through April 2005. According to the PHT, it is evaluating the contract's scope of services and the feasibility of performing all or some of these services in-house<sup>2</sup> prior to negotiating and executing a contract with Central.

Apparently, management's withholding of monthly payments and Standard's reciprocal action of deducting its fees from the revenues was not addressed when the agenda item was heard by the Fiscal Affairs Committee.

On a monthly basis, Standard receives the following payments/reimbursements from the PHT: "Management Fees" of \$4,000; and "Operating Expenses" of \$114,600 in advance of the month in which they are to be incurred. Standard is also reimbursed for "Approved Additional Expenses" at the end of the month in which the expenses occurred. As of December 29, 2004 Standard has submitted billings totaling approximately \$3.4 million and has been paid approximately \$3 million. The difference between the billings and payments is the amount being withheld by the PHT as stated above. A summary breakdown is listed in the following table.

<b>PAYMENTS RECEIVED BY STANDARD**</b>	
<b>FOR THE PERIOD OCTOBER 2002 THRU DECEMBER 2004</b>	
MANAGEMENT FEES	\$ 104,000.00
ADVANCED OPERATING EXPENSES	\$ 2,876,120.75
ADDITIONAL EXPENSES	\$ 12,761.11
<b>GRAND TOTAL</b>	<b>\$ 2,992,881.86</b>

\*\*These amounts were provided by PHT's Accounts Payable Department.

Contract Article 7, *Compensation and Reimbursement to Operator* requires Standard to submit a certified "Monthly Revenue/Expense" report to the PHT with original documentation of all expenses incurred on a monthly basis. This report serves as a summary of the previous month's gross revenue, all applicable taxes, operating expenses, "approved" additional expenses, and management fee received, in addition to providing year-to-date amounts. This report serves as the monthly invoice from Standard to the PHT.

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<sup>1</sup> This was Agenda Item No. 12 of the Fiscal Affairs Committee Purchasing Report. The item was actually classified as a bid waiver. This item still must be presented to the full PHT Board for approval.

<sup>2</sup> This decision is directly related to Project Recreate Jackson (staff reassignments).

**OFFICE OF THE INSPECTOR GENERAL  
FINAL AUDIT REPORT**

**Parking Management Agreement between the PHT and APCOA/Standard Parking, Inc.**

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**GOVERNING AUTHORITY**

In accordance with Section 2-1076 of the Miami-Dade County Code, the Office of the Inspector General (OIG) has the authority to review past, present and proposed County and Public Health Trust programs, contracts, transactions, accounts, records and programs. This includes conducting contract audits, whether or not the contract contains an OIG random audit fee.

**OBJECTIVE, SCOPE AND METHODOLOGY**

Our objective was to determine whether Standard's requisitions submitted to the PHT along with its supporting documentation represented authorized and verifiable expenses for goods/services provided during the audit period.

We prepared a summary schedule of the revenues/expenses reported by Standard during the period October 1, 2002 through April 30, 2004. The information was taken from the *Monthly Revenue/Expense* reports submitted by Standard to the PHT. Additional information was obtained from interviews and subpoenaed documents as stated earlier.

We sorted expenses by category and their dollar amounts and frequency of occurrence. We reviewed these expenses in conjunction with the *Monthly Revenue/Expense* reports submitted by Standard to the PHT for payment. These monthly reports were to contain the "original documentation of operating expenses" to support payment to be made. Based on our judgmental review, resulting in the aforementioned July 2004 letter, the OIG took steps to further review all items where support for the expenditure was lacking or incomplete. This grouping of suspect expenditures consisted of 40 items,<sup>3</sup> which totaled \$188,701 (16% of \$1.2 million paid to Standard in operating expenses, excluding payroll).<sup>4</sup>

Documentation was obtained from the PHT (Standard's submissions to the PHT), Standard, and its third party vendors. The OIG first attempted to obtain documents for our review through voluntary compliance. We were partially successful. In order to secure the necessary documents to complete our review, we issued subpoenas to

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<sup>3</sup> Each item relates to services provided by a specified vendor, however, an item may relate to several work locations and an item could have been invoiced on more than one invoice.

<sup>4</sup> Of the \$3 million paid to Standard for the period audited, approximately \$1.7 million is attributed to payroll costs. The payroll expenditures were excluded from our audit. Another \$102,000 represented the monthly management fees. For the remaining \$1.2 million, the selected grouping of \$188,701 represents 16% of the expenditures not including payroll and management fees.

**OFFICE OF THE INSPECTOR GENERAL  
FINAL AUDIT REPORT**

**Parking Management Agreement between the PHT and APCOA/Standard Parking, Inc.**

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Standard and seven (7) third party vendors whose expenditures fell within our initial grouping.<sup>5</sup>

Records requested from the third party vendors generally included original vendor invoices, and all supporting documentation including but not limited to work orders, material delivery reports, and work completion and inspection reports for all work performed at and/or materials delivered to JMHS on behalf of Standard. The documentation obtained and/or reviewed pursuant to the OIG's subpoenas were reconciled against the grouping selected by the OIG as initially suspect expenditures.

**FINDINGS AND RECOMMENDATIONS**

**Finding No. 1: Expenditure amounts reported in the "Monthly Revenue/Expense" reports were not supported by original supporting documentation, such as vendor invoices, purchase/work orders, receiving/inspection reports etc.**

Article 7.02 (Reimbursement) of the contract between Standard and the PHT states:

Original documentation of operating expenses and approved additional expenses shall accompany the monthly revenue / expense report.

Contrary to this requirement, Standard has been paid approximately \$3 million for *Operating Expenses* and *Approved Additional Expenses*, which were not supported by original documentation.

In addition to being a contractual requirement, it is good business practice to require original supporting documentation as a basis for making payment, as this supports the authenticity of the expenses for which reimbursement is being sought. In not doing so, the PHT did not exercise its administrative and managerial responsibility in its review of the documentation prior to payment being made. This review is essential as it provides the principal basis to support the payment/reimbursement of these expenditures.

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<sup>5</sup> The third party vendors who were subpoenaed for their records are: Consolidated Electrical Distributors, Inc., CINTAS Corporation, Jani-King of Miami, Inc., NCS Pearson, Inc., Nextel Communications, Quality Markings, Inc., and Watts Electric of South Florida, Corp.



**OFFICE OF THE INSPECTOR GENERAL  
FINAL AUDIT REPORT**

**Parking Management Agreement between the PHT and APCOA/Standard Parking, Inc.**

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**Finding No. 2A:**     **The PHT reimbursed Standard \$32,611 for expenditure items that had no supporting documentation at all, such as copies of invoices, purchase orders or work orders.**

An important administrative and management control is to review contract billings to ensure that only those services authorized in the contract are being billed and that documentation is provided that supports the amounts billed in accordance with the terms of the contract. At a minimum, expenditure items should be accompanied by an invoice, work order, inspection report and any other documentation, which clearly states the goods/services provided or the scope of work performed.

Of the \$188,701 in expenses reviewed, \$32,611 or 17% were not supported at all and, thus, were improperly approved and paid by the PHT. Such expenditures included:

Ticket Expense:	\$18,975
Auto Damage Claims:	\$ 4,589
Uniforms and Laundry:	\$ 3,361
Miscellaneous Expenses:	\$ 2,624
Statement Adjustments:	\$ 1,591

(See **OIG Exhibit 2** for a complete schedule of questioned costs.)

In the absence of any supporting documentation, the **OIG** questions how the **PHT** was able to determine that the goods were obtained, services were provided, and even that the reported costs were incurred. Moreover, the **OIG** questions how the **PHT** was able to assure itself that these expenditures are specifically related to **Standard's** parking management operations at the **PHT's** parking facilities as opposed to another client. Furthermore, the **PHT's** ability to ensure expenditures were authorized and served the intended public purpose is compromised.

**Finding No. 2B:**     **For the \$32,611 in questioned costs above, Standard did not provide any supporting documentation for these expenditures in response to the **OIG's** records request.**

The **OIG's** subpoena to **Standard** requested, among other items: original documents in support of its Contract Management System adjustments, auto damage claims, miscellaneous expenses that were included in the monthly reports, original invoices, original check requests, original cancelled checks, and all supporting documentation, including but not limited to work orders, requisitions, receipt of materials reports, and work inspection reports for its third party vendors.

**OFFICE OF THE INSPECTOR GENERAL  
FINAL AUDIT REPORT**

**Parking Management Agreement between the PHT and APCOA/Standard Parking, Inc.**

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The names of the third party vendors whose expense items were not supported by any documentation were included in the OIG's subpoena to Standard. Other than general ledger entries, the OIG's review turned up no additional documentation. Of the documents provided by Standard in response to our subpoena, the OIG did not find either check requests, copies of issued checks, invoices, work orders or other documentation to support these expenditures. Based upon this secondary review by the OIG, it is even more apparent that payment by the PHT for these amounts were unwarranted.

**Finding No. 3A:**     **The documentation submitted to the PHT, albeit copies, was incomplete and inadequate to support much of the payments made. For example, the description of the services provided was not clearly defined and/or the location of third-party services provided or delivery points were not shown, and the like.**

A properly prepared invoice is required for all contract payments. To ensure that contractors provided goods/services for which they were paid by Standard, all payment items should include adequate supporting documentation clearly stating the scope of work performed, the goods/services provided, the service location or delivery points and inspection or receiving reports. This requirement is even more important when a public entity such as the PHT is paying Standard as "reimbursement" for third party costs.

The PHT, under the contract, could have rejected all payment requests submitted by Standard, but they did not, and instead relied upon copies.

Excluding the \$32,611 in questioned expenses identified in Finding No. 2 above, the PHT made payments to Standard totaling \$68,406 for other expenses inadequately documented. (See OIG Exhibit 2 for the schedule of costs.) This finding and the questioned amount is not only reached by our review of what the PHT relied on in order to process its payment but is reached after inspecting and incorporating all the documentation obtained and reviewed from Standard and the third party vendors. (See Finding 3B below for a more detailed discussion.)

Without adequate supporting documentation, the OIG questions whether the PHT may have paid for goods / services not received. Furthermore, the PHT is abdicating itself of its responsibility to effectively manage and oversee this contract when it allows vendors to perform below the requirements set forth in the contract. It behooves

**OFFICE OF THE INSPECTOR GENERAL  
FINAL AUDIT REPORT**

**Parking Management Agreement between the PHT and APCOA/Standard Parking, Inc.**

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management to hold vendors accountable when they are not in compliance with their contractual obligations. Moreover, we recommend that the PHT assert its presence in this process to ensure expenditures of public funds are made in accordance with the terms of the contracts. A key step to accomplishing this oversight is to require that expenditures be adequately supported.

The overall lack of accountability, justification, and proper supporting documentation for contract payments raises serious concerns to the OIG. These contract payment records did not contain sufficient information to provide an adequate basis for making such payments. Furthermore, these practices may allow opportunities for abuse at the taxpayers' expense.

**Finding No. 3(B): Standard's third-party vendors did not provide documentation to support the expenses for which reimbursement was sought.**

Standard's contract with the PHT allows Standard to execute national and local contracts to secure goods/services with third-party vendors. The billings submitted to Standard by these vendors are included in Standard's reimbursement request to the PHT and, thus, became part of our audit. As explained in earlier findings, the OIG requested documentation from many of Standard's third-party vendors whose billings fell in the set of audited expenditures.<sup>6</sup>

Some of the third-party vendors whose billings were reviewed include:

**UNIFORMS & LAUNDRY**

Central Uniform Leasing  
CINTAS Corporation  
Priority Manufacturing

**REPAIRS & MAINTENANCE  
(LAND/BUILDINGS & EQUIPMENT)**

WATTS Electric of South Florida, Corp.  
Quality Markings, Inc.

PHT records reflect that most of the billings submitted by Standard on behalf of these third party vendors were paid. Notwithstanding, the documentation received were still

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<sup>6</sup> The OIG was able to obtain documentation from some vendors voluntarily. For others, the OIG resorted to issuing subpoenas.

**OFFICE OF THE INSPECTOR GENERAL  
FINAL AUDIT REPORT**

**Parking Management Agreement between the PHT and APCOA/Standard Parking, Inc.**

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deficient in that key records were not provided.<sup>7</sup> The following four (4) examples are generally reflective of the condition of the records received and subsequently reviewed.

**Example 1**

WATTS Engineering was paid approximately \$34,300 for repairs and maintenance work in the parking garages. The invoices lacked key elements such as service date, service location or number of hours per day, etc. Additionally, no other supporting documentation such as a work order or inspection report was provided.

**Example 2**

Quality Marking, Inc. was paid approximately \$27,000 for striping, restriping and minor pavement work. None of the invoices were supported by a work order request or inspection work. Furthermore, some of the invoices were for large lump-sum amounts as well. One of these invoices for \$5,000 was submitted and paid twice by the PHT. As mentioned above, standard information such as service dates and hours were also missing from these invoices.

**Example 3**

CINTAS Corporation was paid approximately \$2,260 for uniforms and did not provide documentation reflecting that the recipients of the uniforms were employees assigned to one of the PHT's garages.

**Example 4**

Priority Manufacturing, Inc. was paid approximately \$1,591 for uniforms and did not provide documentation reflecting that the recipients of the uniforms were employees assigned to one of the PHT's garages.

The OIG is concerned that these records and supporting documentation were not provided to Standard, PHT or in response to the Subpoena Duces Tecum. Absent such documentation, the OIG questions whether the expenditures submitted and paid to these

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<sup>7</sup> This finding relates to documents actually received. As previously stated in Finding No. 2(B), there were some expenditures that were unsupported by any documentation even after requesting the documentation from the third party vendor.

**OFFICE OF THE INSPECTOR GENERAL  
FINAL AUDIT REPORT**

**Parking Management Agreement between the PHT and APCOA/Standard Parking, Inc.**

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vendors were valid and supported Standard's parking management operations at the PHT's parking facilities as opposed to another client.

**Finding No. 4      Standard could not provide the OIG with sufficient documentation to support \$49,922 in expenses that it sought reimbursement for from the PHT.**

Standard's contract with the PHT requires that original documentation supporting all expenses ("Operating" or "Additional") be submitted with the monthly request for reimbursement. As stated in earlier findings, after several unsuccessful attempts to obtain records supporting Standard's monthly reimbursement request, the OIG issued a Subpoena Duces Tecum to Standard requesting documentation supporting the monthly reimbursement request.

The OIG was contacted by Standard's attorneys whereby arrangements were made to comply with the subpoena. Standard's corporate headquarters in Chicago forwarded to its Miami representatives boxes of original documentation relating to the PHT contract. The OIG observed original third party invoices for much of the expenditures reimbursed by the PHT to Standard.

We also viewed some original check requests and viewed copies of some checks issued by Standard to its third party vendors. However, of the subset of \$101,016.84 in questioned costs (see Exhibit 2), copies of checks issued by Standard only accounted for \$51,095 or 51% of the questioned costs. Forty-nine percent (49%) or \$49,922 were not supported by even a copy of a Standard issued check. Notably, no cancelled checks were presented to the OIG in compliance with the subpoena.

Furthermore, OIG auditors determined that the records also remained deficient in that key documentation was still not provided. In addition to cancelled checks, other key documentation not provided included, work orders, receiving reports, and inspection reports.

Sufficient documentation of all expenditures should be present when the request for reimbursement is presented for payment. Furthermore, this documentation should be maintained as an audit trail of the transaction and to facilitate third-party review, when necessary. Absent such documentation, the OIG has to assume that the documentation does not exist and that payment of the related amounts should have been denied.

**OFFICE OF THE INSPECTOR GENERAL  
FINAL AUDIT REPORT**

Parking Management Agreement between the PHT and APCOA/Standard Parking, Inc.

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**Finding No. 5:** The PHT was unable to document that it reconciled the operating expense account (Contract Article 6) resulting in PHT not receiving a \$40,435 credit for the five (5) months in which the monthly operating expenses were less than the amount advanced to Standard.

Article 6.02 (Operating Expenses) of the contract between Standard and the PHT states:

The Operator and the Trust will reconcile the operating expense account every three (3) months.

If any amount less than one-twelfth (1/12) of the annual budget for operating expenses is expended during the month, the balance will be deducted from the amount due by the Trust to the Operator for the next month's operating expense payment.

Contrary to this requirement, neither the PHT nor Standard performed this reconciliation. This was further confirmed after several requests by the OIG, including our written request contained in the aforementioned July letter which included a demand for all reconciliations. This resulted in the PHT not receiving a \$40,435 credit for the five (5) months, in which the monthly operating expenses were less than the amounts advanced to Standard. The OIG only reconciled the monthly operating expenses for the period audited (October 2002 through April 30, 2004).

A review of the *Monthly Revenue/Expense* reports showed that there were at least five (5) months in which the operating expenses were less than the amount advanced to Standard which were not deducted from the next months advance payment:

MONTH	TOTAL OPERATING EXPENSES	LESS ADVANCE PAYMENT	AMOUNT DUE PHT
Jun-03	107,148.18	(114,600.00)	(7,451.82)
Jul-03	105,577.92	(114,600.00)	(9,022.08)
Sep-03	103,122.63	(114,600.00)	(11,477.37)
Nov-03	104,530.22	(114,600.00)	(10,069.78)
Feb-04	112,185.55	(114,600.00)	(2,414.45)
	<b>\$ 532,564.50</b>	<b>\$ (573,000.00)</b>	<b>\$ (40,435.50)</b>

Subsequent to our review, the PHT has sought credit for these amounts although this issue remains unresolved as of the date of this report. Standard's response to this finding agrees that the PHT is due a net credit of \$35,198.37, but it refers to an "attached schedule" which the OIG did not receive.

**OFFICE OF THE INSPECTOR GENERAL  
FINAL AUDIT REPORT**

**Parking Management Agreement between the PHT and APCOA/Standard Parking, Inc.**

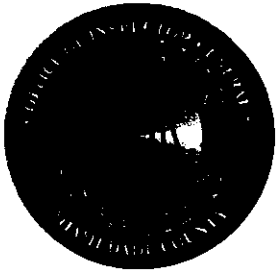
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**RECOMMENDATIONS**

Overall, it is management's responsibility to ensure that all contracts are managed to ensure contractor compliance with the terms therein and that when applicable, contractors are made to comply with their contractual obligations. Based upon the conditions noted above, the OIG has determined that PHT management failed to enforce Standard's compliance with the terms of the contract. The OIG strongly recommends that the PHT:

1. Enforce contract compliance with applicable contractual terms and conditions in order to evaluate whether the services received from Standard benefited the PHT's parking management operations. This should include review of the OIG's audit work papers and subpoenaed documentation to ascertain the validity of Standard's reimbursement requests.
2. Perform a comprehensive reconciliation of the operating expense account in order to determine if the PHT is due any additional credits/refunds. As stated above, the OIG's reconciliation demonstrating that the PHT is owed \$40,435 only covered the period audited (October 2002 through April 2004). It is recommended that the PHT perform this reconciliation from the beginning of the contract in 1997.
3. Withhold making further payments to Standard until it complies with its contractual obligations.
4. Re-evaluate its internal controls as it relates to payment of operating expenses, especially advanced funds in prospective contractual situations involving the operating of the parking garages, or for that matter, any other management agreements.

**The OIG appreciates the PHT forwarding its concerns to us and cooperating with OIG personnel throughout the course of this review.**



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

**CHRISTOPHER R. MAZZELLA**  
INSPECTOR GENERAL

**ALAN SOLOWITZ**  
DEPUTY INSPECTOR GENERAL

**PATRA LIU**  
ASSISTANT INSPECTOR GENERAL  
LEGAL COUNSEL

July 15, 2004

Mr. Marvin O'Quinn, President  
Public Health Trust  
West Wing 117  
1611 NW 12<sup>th</sup> Avenue  
Miami, FL 33136-1005

Re: Audit of APCOA/Standard Parking, Inc. Contract

Dear Mr. O'Quinn:

In accordance with Section 2-1076 of the Miami-Dade County Code, the Office of the Inspector General (OIG) has the authority to review past, present and proposed County and Public Health Trust programs, contracts, transactions, accounts, records and programs. This includes conducting contract audits, whether or not the contract contains an OIG random audit fee.

At the Public Health Trust's (PHT) request, we initiated an audit of the Parking Management Agreement between PHT and APCOA/Standard Parking, Inc. (hereinafter referred to as Standard). The OIG's audit of this contract focused on Standard's payment requisitions and supporting documentation that it submitted to PHT for services rendered for the period October 2, 2002 through April 30, 2004.

On a monthly basis, Standard receives "Management Fees" of \$4,000; and "Operating Expenses" of \$114,600 in advance of the month in which they are to be incurred. Standard is also reimbursed for "Approved Additional Expenses" at the end of the month in which the expenses occurred. As of June 22, 2004, Standard has been paid approximately \$2.5 million.

Pursuant to the contract's terms, Standard is required to submit a certified "Monthly Revenue/Expense" report to PHT with original documentation of all expenses incurred on a monthly basis, pursuant to Contract Article 7. This report serves as a monthly summary of the previous month's gross revenue, all applicable taxes, operating expenses, "approved" additional expenses, and monthly management fee received *and* as the monthly invoice from Standard to the PHT.

**EXHIBIT**



During our preliminary review of the monthly revenue/expense report and the documentation supporting the expenditure amounts we have determined that there is contractual non-compliance for the following reasons:

1. Expenditure amounts reported in the "Monthly Revenue/Expense" reports were not supported by original supporting documentation, such as vendor invoices, purchase/work orders, receiving/inspection reports etc.
2. There were numerous instances of expenditure items that were paid with no supporting documentation at all including copies of invoices, purchase orders or work orders.
3. The documentation reviewed, albeit copies, was incomplete. For example, the description of the services provided was not clearly defined and/or the location of third-party services provided or delivery points were not shown, and the like.
4. PHT was unable to document that it reconciled the operating expense account (Contract Article 6) resulting in:
  - a. PHT not always receiving credit for the months in which the monthly operating expenses were less than the amount advanced to Standard; and
  - b. A discrepancy in the amounts reported as payments received by Standard.

Due to the above-mentioned conditions, the OIG is precluded from determining whether the \$2.5 million paid to Standard represents work actually completed and that such expenses were approved in accordance with the contract.

As such, the OIG recommends that PHT withhold making further payments to Standard until it complies with its contractual obligation and provides the following documentation:

1. Original invoices, purchase orders, receipts, etc. that support its operating and additional expenses.
2. Reconciliation of the operating expenses.
3. Refund/credit for the months in which the total operating and additional expenses were less than the advance payments.

In conclusion, the overall lack of accountability, justification and proper supporting documentation for the payments made under this contract raises serious concerns to the OIG. In addition to withholding future payments, the OIG recommends that PHT conduct a complete and thorough review of this contract.

The OIG notes that PHT representatives initiated a review of select monthly expenses reported and has been corresponding with Standard Parking, Inc. personnel regarding some of the above-mentioned conditions. The OIG is encouraged by this initiative and looks forward to the results of the complete review.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Mazzeola", written in a cursive style.

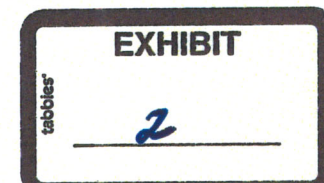
Christopher Mazzeola  
Inspector General

cc: Mark Aprigliano, Chief  
Corporate Services  
Safety, Security & Emergency Management

OFFICE OF THE INSPECTOR GENERAL  
SUMMARY REPORT 04-46A  
APCOA / STANDARD PARKING, INC

	VENDOR	EXCEPTION CATEGORIES				DOCUMENTATION PROVIDED							NOTES
		NO DOCUMENTATION	AMOUNT	QUESTIONED COSTS	AMOUNT	Vendor Invoice	Check Request	Work Order	Inspection Report	Cancelled Check	Check Issued (Copy)	Other	
1	Central Uniform Leasing	X	3,360.75	X	3,360.75	NO	NO	NO	NO	NO	NO	NO	No documentation provided: (\$3,360.75).
2	CINTAS			X	2,264.95	YES	YES	NO	NO	NO	YES	NO	APCOA / Standard did not provide documentation reflecting that the recipients of the uniforms were employees assigned to one of PHT's garages.
3	CMSADJ (Statement Adjustment)	X	1,591.00	X	1,591.00	NO	NO	NO	NO	NO	NO	NO	No documentation provided: (\$1,591.00).
4	Home Depot	X	100.72	X	100.72	NO	NO	NO	NO	NO	PARTIAL	NO	Obtained invoices for \$946.99; no documentation provided for remaining \$100.72.
5	Priority Manufacturing			X	1,591.10	YES	YES	NO	NO	NO	YES	NO	APCOA / Standard did not provide documentation reflecting that the recipients of the uniforms were employees assigned to one of PHT's garages.
6	Quality Markings, Inc.	X	600.00	X	26,814.00	NO	NO	NO	NO	NO	PARTIAL	NO	No documentation provided for \$600.00; also, no additional info provided for \$26,814.00.
7	Southland Printing	X	18,975.33		18,975.33	NO	NO	NO	NO	NO	NO	NO	No documentation provided for \$18,975.33.
8	The Bankers Club	X	770.10		770.10	NO	NO	NO	NO	NO	NO	NO	No documentation provided for \$770.10.
9	WATTS Electric of South Florida			X	34,313.00	YES	YES	NO	NO	NO	PARTIAL	NO	Invoices provided for \$14,588.00; however, no additional info provided for \$34,313.00.
10	Auto Damage Claims	X	4,589.22	X	8,612.13	YES	NO	NO	NO	NO	PARTIAL	YES	Documentation provided for \$4,022.91; however, no documentation provided for \$4,589.22.
11	Miscellaneous Expenses	X	2,623.77		2,623.77	NO	NO	NO	NO	NO	NO	NO	No documentation provided.
			\$ 32,610.89		\$ 101,016.85								

Red = documentation obtained from APCOA / Standard via subpoena  
Blue = documentation obtained from vendor





**MARVIN O'QUINN**  
*President/CEO*

*Executive Office*

*Jackson Memorial Hospital  
1611 N.W. 12<sup>th</sup> Avenue  
Miami, Florida 33136-1096*

*(305) 585-6754*

February 9, 2005

Mr. Chris Mazzella  
Office of the Inspector General  
19 West Flagler Street  
Suite 220  
Miami, FL 33130

RE: Parking Management Agreement between the PHT and  
APCOA/Standard Parking, Inc.

MDC-OFFICE OF THE  
INSPECTOR GENERAL  
2005 FEB 11 PM 2:41

Dear Mr. Mazzella,

The information listed below is in response to your draft report related to the Parking Management Agreement between the PHT and APCOA/Standard Parking, Inc.:

**SUMMARY RESULTS**

The issues documented by your audit were those that were identified by PHT Security Services, which occurred prior to October 2003 and were the catalyst that caused the Trust to initially request the OIG's assistance.

However, your office was instrumental in that it could provide the necessary experience; independent and unchallenged authority and the resources to properly conduct a forensic type audit. The resulting audit documents the issues in real dollars which ultimately provides a more comprehensive understanding of the depth and scope of the problem.

**BACKGROUND**

At the request of the CEO of the Public Health Trust (PHT), in October 2003, Security Services was instructed to assume the responsibility for oversight and supervision of the Parking Services operation. Prior to October 2003, this role was the responsibility of a Trust employee, the Director/Parking Services, who directly reported to the previous Chief Financial Officer of the PHT.

**An Equal Opportunity Employer**



Standard's management structure included an On-Site Parking Manager and a Senior Manager.

Security Services immediately began a due diligence type review in an attempt to determine the status/condition of the parking operations and to identify areas for improvement. That due diligence determined that corrective action had to be taken immediately. The Director/Parking Services, at the instruction of the CEO, was relieved of his duties on November 6<sup>th</sup>, 2003; and several weeks after that Standard's managers were relieved. New management was in place by early December.

In December 2003, concurrent with the due diligence review, Security Services, at the direction of the CEO, began the process of drafting a RFP for Parking Management Services. The process involved a line-by-line review of the current contract with Standard, in an effort to draft a RFP that would ultimately result in a new parking contract which adequately protected the Trust. Standard had provided Parking Management Services to the Trust since the early 1990's, had bid and won another five-year contract in 1997, which had five one-year renewable options. Two one-year extensions were exercised by the Trust. January 2004 would have been the end of the second one-year extension.

Due to the lengthy process required to carefully draft the RFP and the required time to advertise, receive responses and review those responses, the Trust further extended Standard's agreement (initially to June 2004 and then extended it once again until September 2004 which was the end of the fiscal year).

The RFP process resulted in Central Parking Services, Inc. being recommended as the selected vendor to take over Parking Management Services. However, due to organizational changes; downsizing within the Trust; a new Trust strategy on the operation of Parking Services (partial in-house operation) and a legal challenge by the other vendors who were not recommended as the selected vendor, Central has not yet been awarded the contract.

This process has resulted in unexpected delays, which has ultimately resulted in Standard continuing to act as the vendor of the Parking Management Services. As the relationship with Standard has and will continue for the next few months, Security Services was obligated to make a formal request to the Fiscal Affairs Committee (and ultimately to the Board of Trustees) to properly fund the Parking Services account for future payments to Standard, should a comprehensive audit determine that Standard is due additional funds for their services.

## **FINDINGS AND CORRECTIVE ACTIONS**

Virtually all of the findings documented in the OIG Audit were identified internally after Security Services assumption of responsibility and review of Parking Services (as indicated above), and hasten the invitation to and involvement of the OIG.

The following actions were taken prior to the receipt of the OIG's audit and support the findings of the audit:

- **Termination of all payments to Standard.** Payments to Standard were stopped in August 2004, as suggested by the OIG's letter dated July 15<sup>th</sup>, 2004. The only payment made to Standard after that point was in November 2004, in the amount of \$319,950.45. This amount accounted for the labor expenses only for July, August and September 2004. The payment was made after Standard threatened to invoke Section 6.02 of the operating agreement, which allows Standard to take the Trust's daily revenue and deposit into a separate interest-bearing account, until such time that that Standard recovers the total amount due to them by the Trust.

To date, because of questionable expenses, the Trust has held back approximately \$550,000.00 due to Standard. Due to the non-payment, Standard did invoke Section 6.02 in late November – December 2004, and deposited approximately \$420,000.00 of the Trust's daily revenues into a non-Trust, interest-bearing account.

Standard once again invoked Section 6.02 on January 25<sup>th</sup>, 2005, by taking the Trust's daily revenue and depositing into a separate interest-bearing account, until such time that that Standard recovers the total amount due to them by the Trust.

- **Competitive bids for services (repairs and maintenance).** Repairs cost for the garage and lot facilities were previously required (by contract) to be incurred by Standard on behalf of the Trust and then billed to the Trust on a monthly basis. In an effort to further control Standard's operating expense; Security Services has taken away Standard's ability to engage the services of outside vendors for various services.

Chris Mazzella  
Office of Inspector General  
Page 4

- Close review and approval process of all major expenses to be incurred by Standard on behalf of the Trust; Close review and approval process of all invoices (regardless of the dollar amount) incurred by Standard on behalf of the Trust. The On-Site Manager is now required to meet with the appointed Trust employee to review and approve all invoices prior to their submission to Standard's local office for payment.

It should be noted that as a result of continued oversight, supervision and additional controls of Parking Services as described above, revenues from July through November 2004 increased by \$100,000.00 while expenses decreased (and from September through October were actually below the monthly budgeted expenses of \$114,600.00).

I would like to express thanks to you and your staff for the cooperation, assistance, and support in working with the PHT staff to bring these issues to fruition.

Sincerely,



Marvin O'Quinn  
President & CEO  
Jackson Health System

MOQ/sh

February 28, 2005

**Via Hand-delivery**

Mr. Christopher Mazzella  
Office of The Inspector General  
Miami-Dade County  
19 West Flagler Street, Suite 220  
Miami, Florida 33130

Re: Parking Management Agreement between the Public Health Trust (PHT) and  
APCOA-Miami Parking

Dear Mr. Mazzella:

This firm represents Standard Parking Corporation ("Standard Parking") in connection with the Office of Inspector General's ("OIG") investigation regarding the Management Agreement dated August 5, 1997 ("Contract") between the Public Health Trust ("PHT") and APCOA-Miami Parking, a joint venture of which Standard Parking is the managing agent. The OIG recently issued its draft audit report ("Draft Report").

Standard Parking greatly appreciates the opportunity to provide our written response to the Draft Report. Standard Parking takes the concerns of the OIG very seriously, and Standard Parking is committed to working cooperatively with the OIG to resolve any concerns it may have.

**General Observations**

The Draft Report contends that, in certain instances, Standard Parking provided incomplete or inadequate documentation to the PHT to support its requests for payments and reimbursements. The Draft Report also contends that, in response to the subpoena issued by the OIG ("Subpoena"), Standard Parking provided incomplete or inadequate documentation from its own files to verify those payments and reimbursements. Indeed, the Draft Report suggests that Standard Parking's response to the subpoena "did not reassure the OIG that Standard's claimed expenses were authentic, verifiable costs that it had incurred while performing its contract to manage the [Jackson Memorial] parking facilities." (Draft Report at 1). The Draft Report contains 5 findings of a similar nature.

Standard Parking respectfully submits that, in its view, these allegations and findings are unfounded and profoundly unfair. As set forth below, although Standard Parking remains deeply committed to working with the OIG to resolve the issues raised in the Draft Report (and any other concerns the OIG may have), Standard Parking has not been given sufficient information to do so.

As an initial matter, the Draft Report did not identify the actual invoices for which it claims information is lacking. For example, Exhibit 2 of the Draft Report purports to identify \$32,610.89 in claimed expenses for which there was allegedly incomplete documentation in the files of Standard Parking. Exhibit 2,



however, merely lists 11 categories of expenses, most of which are allegedly related to specific vendors and one of which is identified only as "miscellaneous expenses." Notably, Exhibit 2 does not provide invoice numbers for each claimed expense or any other way to identify which specific claimed expense is being questioned. As another example, the Draft Report alleges that a \$5,000 invoice was paid twice by Standard Parking (Draft Report at 9); however, the Draft Report neither identifies the invoice number (or date) nor identifies the documents which support its contention that the invoice was paid twice. Given the amount of expenses and documents involved in the Contract, the limited information in the Draft Report makes it impossible for Standard Parking to respond to the findings and allegations. Standard Parking therefore requests -- as it would have requested earlier had the OIG raised any of these concerns prior to issuing the Draft Report -- that the OIG provide Standard Parking with specific identifying information which would allow it to identify the questioned items.

Standard Parking also respectfully suggests that the nature of the Subpoena and the lack of follow-up or feedback from the OIG unfairly contributed to the negative portrayal of Standard Parking in the Draft Report. The Subpoena sought broad categories of documents for a list of vendors. And, as the Draft Report recognized, Standard Parking thus provided, *inter alia*, "boxes of original documentation relating to the PHT contract." (See Draft Report at 10). In light of the non-specific nature of the Subpoena and the large volume of materials associated with the Contract -- which are in paper and electronic form in a number of different offices throughout the country -- it would not be terribly surprising if certain limited documents were inadvertently not located or identified. In Standard Parking's view, it also did not help that there was no follow-up or feedback from the OIG concerning Standard Parking's compliance with the Subpoena. Prior to issuing its Draft Report, the OIG never suggested to Standard Parking that its production of documents was incomplete in any way. Had it been so advised, Standard Parking would have welcomed the opportunity to supplement its production and cure any deficiency in it.

As noted above, Standard Parking is committed to cooperating with the OIG. Standard Parking greatly hopes that the OIG will provide additional information which will enable Standard Parking to address the OIG's concerns.

### **Specific Findings And Responses Thereto**

#### **Finding No. 1**

Expenditure amounts reported in the "Monthly Revenue/Expense" reports were not supported by original supporting documentation, such as vendor invoices, purchase/work orders, receiving/inspection reports etc.

#### **Standard Parking Response**

While we recognize that Article 7.02 of the contract between Standard Parking and PHT calls for original documentation with respect to operating expenses, it is Standard Parking policy that original documentation is retained by Standard Parking. Copies of invoices are submitted in lieu of originals. With regard to canceled checks, in most of our banking relationships, Standard Parking does not receive the actual cleared check back from the bank. Copies of cleared checks are received from the bank electronically. Prior to the receipt of the subpoena, we have no correspondence from Jackson Health System indicating that copies of invoices or check copies were unacceptable. If you believe that any of

the copies provided appear irregular or questionable, then please identify the copies and we will attempt to address the matter.

### **Findings Nos. 2A and 2B**

The PHT reimbursed Standard Parking \$32,611 for expenditure items that had no supporting documentation at all, such as copies of invoices, purchase orders or work orders.

For the \$32,611 in questioned costs above, Standard Parking did not provide any supporting documentation for these expenditures in response to the OIG's records request.

### **Standard Parking Response**

As set forth in the "General Observations" section, the Draft Report -- in particular, Exhibit 2, which is the basis for these Findings -- provides insufficient information to respond to these Findings. Also as set forth in the "General Observations" section, Standard Parking was not given the opportunity to cure any alleged deficiency in its production of documents in response to the Subpoena prior to the issuance of the Draft Report.

We request that OIG respond with a more detailed list of missing documentation to allow Standard Parking to address this finding.

### **Finding No 3A**

The documentation submitted to the PHT, albeit copies, was incomplete and inadequate to support much of the payments made. For example, the description of the services provided was not clearly defined and/or the location of third-party services provided or delivery points were not shown, and the like.

### **Standard Parking Response**

As set forth in the "General Observations" section, the Draft Report provides insufficient information to respond to this Finding. For example, as discussed in the "General Observations" section, the allegation concerning a \$5,000 bill allegedly paid twice (Draft Report at 9) contains none of the specific information necessary to identify the item and respond to the Finding. The same is true for each of the other examples provided on Page 9 of the Draft Report. Also as set forth in the "General Observations" section, Standard Parking was not given the opportunity to cure any alleged deficiency in its production of documents in response to the Subpoena prior to the issuance of the Draft Report.

Standard Parking requests that it is given an opportunity to address specific incomplete or inadequate invoice detail raised by OIG.

### **Finding No. 3B**

Standard Parking's third-party vendors did not provide documentation to support the expense for which reimbursement was sought.

Mr. Christopher Mazzella  
Office of The Inspector General  
February 28, 2005  
Page 4

**Standard Parking Response**

Standard Parking has no control over the degree to which a third-party vendor responds to a subpoena request.

**Finding No. 4**

Standard Parking could not provide the OIG with sufficient documentation to support \$49,922 in expense that it sought reimbursement for from the PHT.

**Standard Parking Response**

As set forth in the "General Observations" section, the Draft Report provides insufficient information to respond to these Findings. Also as set forth in the "General Observations Section," Standard Parking was not given the opportunity to cure any alleged deficiency in its production of documents in response to the Subpoena prior to the issuance of the Draft Report.

Standard Parking requests a more detailed listing of the missing information in order to cure this finding.

**Finding No. 5**

The PHT was unable to document that it reconciled the operating expense account (Contract Article 6) resulting in PHT not receiving a \$40,435 credit for the five (5) months in which the monthly operating expenses were less than the amount advanced to Standard Parking.

**Standard Parking Response**

We agree that a reconciliation of advances and expenses was not completed. Based upon the attached schedule, PHT is due a net credit in the amount of \$34,198.37 which Standard Parking agrees will be paid once the current funding issues are resolved.

**Conclusion**

Please do not hesitate to contact us for clarification or resolution to any or all of the Findings and responses outlined in this letter. As we have stated throughout this response, Standard Parking's goal is simple – it wishes to cooperate with the OIG to bring closure to these audit issues. Standard Parking simply and respectfully requests more specific information in order to do so properly.

Sincerely  
  
Jonathan Etra

cc: Jim Burdett