




Memorandum



Miami-Dade County Office of the Inspector General
A State of Florida Commission on Law Enforcement Accredited Agency
601 NW 1st Court ♦ South Tower, 22nd Floor ♦ Miami, Florida 33136
Phone: (305) 375-1946 ♦ Fax: (305) 579-2656
Visit our website at: www.miamidadeig.org

To: Honorable Mayor Carlos A. Gimenez
Honorable Esteban L. Bovo, Jr.
and Members, Board of County Commissioners, Miami-Dade County

From: Mary T. Cagle, Inspector General 

Date: October 10, 2017

Subject: Transmittal and Executive Summary of the OIG's Final Report on the *Audit of Miami-Dade Aviation Department's Permit Application, Extension, and Renewal Processes, Phase 2 – Permittee's Gross Revenues Reporting*
Ref. IG15-03

Attached please find the above-captioned report issued by the Office of the Inspector General (OIG). The issuance of permits to conduct commercial activities at the County's airports is a revenue generating activity for the Miami-Dade Aviation Department (MDAD), and this audit was undertaken by the OIG as a part of a larger BCC-directed effort at enhancing revenue accountability at MDAD. This audit provides our assessment of MDAD's monitoring of permittee monthly and annual gross revenues reporting to determine whether permittees are submitting their monthly and annual gross revenue reports timely. In addition, we analyzed whether permittees are reporting gross revenues to the MDAD Finance Division (MDAD Finance) from the same clients that they have disclosed to the MDAD Properties Division (MDAD Properties).

This report, as a draft, was provided to MDAD for its review and comment. The OIG received two responses from MDAD. In its first response, MDAD accepted our recommendations nos. 1, 2 and 4 and stated that it would prospectively implement these three accepted recommendations. In its supplemental response, MDAD addressed recommendation number 3 and stated that it would create a new fraud policy; however, it was not clear whether this new policy would incorporate all the components of the OIG's recommendation number 3. As such, we will leave this recommendation's disposition as open, pending our receipt and review of the new policy. Likewise, as MDAD's implementation of recommendations nos. 1, 2 and 4 are prospective, the OIG, in accordance with Section 2-1076(d)(2) of the Code of Miami-Dade County, respectfully requests that MDAD provide a report in 90 days as to the status of these recommendations. We would appreciate receiving this report on or before January 8, 2018. For reading convenience, a one page executive summary follows.

Attachment

cc: Emilio T. Gonzalez, Ph.D., Director, Miami-Dade Aviation Department
Cathy Jackson, Director, Audit and Management Services Department and
Interim Commission Auditor

EXECUTIVE SUMMARY

Our audit results highlight a need for MDAD's Properties and its Finance Divisions to strengthen their inter-division communication regarding permittee reporting of customers, and gross revenue reporting. While these conditions do not appear to compromise MDAD's permit operations or revenue recording activities, we believe that there can be better coordination between the two divisions to monitor and track the identity and number of each permittee's airport customers. This, in turn, will improve upon the accuracy and completeness of permittee reporting of its customer base and gross revenues received therefrom.

We examined files maintained by both divisions for ten permittees and determined that only one permittee was accurately reporting the number and identity of its customers to both divisions. Eight permittees were reporting additional customers to Finance (i.e., sources of gross revenues) than they were reporting to Properties. One permittee had underreported its customers, and associated gross revenues to both the Properties and Finance Divisions.

We also noted that MDAD Properties and MDAD Finance have not historically communicated with each other in such a way to identify and compare each permittee's customer base. For the period under review, there were few controls that would have reasonably assured permittee accountability for the accurate and complete reporting of their MDAD customers and their gross revenues.

Regarding the above-noted permittee that underreported its customers to both MDAD divisions, we learned that MDAD elected not to impose any penalties or interest against this permittee for its failure to report completely and accurately all of its gross revenues derived from its MDAD operations. This reporting lapse lasted 44 months and involved over \$1,000,000 in gross revenues that this permittee failed to report – amounting to \$72,000 in opportunity fees not paid to MDAD. We believe that these circumstances indicate the need for MDAD to develop and implement more robust internal controls to mitigate the risks related to permittees self-reporting their gross revenues.

On a more positive note, we observed that MDAD had recently implemented two notable enhancements (during the course of the OIG's audit) that have improved its overall control environment. These involve MDAD Properties re-establishing its practice of sending a letter to all of its tenants requesting that they identify their service providers (i.e., permittees). The second practice recently implemented by MDAD Finance involves entering permittee customer and gross revenues information (shown on the permittees' *Monthly Report[s] of Gross Revenues*) into a database that is accessible by both MDAD Properties and Finance. These added steps to obtain and share information related to permittee customers and the associated gross revenues will help MDAD Finance and MDAD Properties to administer permittee activities. However, the benefits to be gained from these actions will only be realized if the two divisions actively use the information obtained during the permittee gross revenues reporting process and the permit application/extension/renewal processes.

Although improved communications between MDAD Properties and MDAD Finance will be beneficial, the subject processes will still have a significant, inherent control weakness attributable to permittees self-reporting their gross revenues. While self-reporting is not an uncommon practice, it does provide an opportunity for unscrupulous permittees to under report their gross revenues and cheat MDAD out of the opportunity fees owed to it. Since permittees use self-reported gross revenues as the basis for calculating permittee opportunity fees, additional steps to mitigate this risk are critical. Accordingly, the practice of allowing permittees to self-report their gross revenues should be accompanied by resolute and hard-hitting enforcement measures. We believe that our recommendations, if implemented, would strengthen MDAD's control environment and improve upon its ability to detect a permittee's misreporting of its customer identities and associated gross revenues. Lastly, it is hoped that the consistent imposition of administratively-available remedies (e.g., penalties and interest) will serve to deter unscrupulous permittees and hold even the honest, but negligent, permittees more accountable.

Miami-Dade County Office of the Inspector General



FINAL AUDIT REPORT

**Audit of Miami-Dade Aviation Department's
Permit Application, Extension, and Renewal Processes,
Phase 2 – Permittee's Gross Revenues Reporting**

**IG15-03
October 10, 2017**

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG FINAL AUDIT REPORT
Audit of Miami-Dade Aviation Department's
Permit Application, Extension, and Renewal Processes,
Phase 2 – Permittee's Gross Revenues Reporting

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION	1
II. RESULTS SUMMARY	1
III. AUDITEE RESPONSES AND OIG COMMENTS	3
IV. TERMS USED IN THIS REPORT	3
V. BACKGROUND	4
VI. OIG JURISDICTIONAL AUTHORITY	5
VII. OBJECTIVES, SCOPE AND METHODOLOGY	5
VIII. OIG AUDIT OBSERVATIONS	
OBSERVATION 1 Permittees do not always provide MDAD with complete customer information at the time of permit application, extension, or renewal, which may ultimately result in lost revenues.	6
Table 1 Sampled Permittee Customer Reporting Comparison	7
OBSERVATION 2 MDAD lacks the appropriate internal controls necessary to monitor effectively the accuracy and completeness of permittee customer information and revenue reporting.	8
OBSERVATION 3 MDAD's recently implemented proactive measures involving the active sharing of information between MDAD Properties and MDAD Finance are a good start in creating an improved control environment, but more efforts will be needed to compensate against the risks inherent in a revenue program based on self-reporting.	11
IX. RECOMMENDATIONS	13
APPENDIX A Miami-Dade Aviation Department Responses	

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT
*Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting*

I. INTRODUCTION

As part of the Office of the Inspector General's (OIG) on-going oversight activities at the Miami-Dade Aviation Department (MDAD), and in conjunction with the Board of County Commissioners (BCC) directed initiatives aimed at revenue accountability at airport facilities, the OIG initiated an audit of MDAD's permit-related processes. MDAD issues permits, a revenue generating activity, to companies doing business on airport properties. These companies, known as "permittees," must satisfy certain requirements for the opportunity to do business at the airport. These requirements include submitting an application; paying an application fee and a security deposit; satisfying certain insurance requirements; and most importantly, remitting to MDAD a percentage of the gross revenues that the company earned from its business dealings at the airport. This last requirement, known as the "opportunity fee," varies depending on the type of services that the permittee provides, but is generally 7% of the permittee's gross revenues.

In Phase 1 of our audit, we evaluated how MDAD manages the permit process from initial application; to Risk Management verification of insurance requirements; through permit issuance, extensions, and renewals.¹ These processes primarily reside with MDAD's Real Estate Management and Development Division, Permit Section (MDAD Properties), and were outlined in our Phase 1 audit report.

This Phase 2 report covers MDAD's monitoring of permittee monthly and annual gross revenues reporting to determine whether permittees are submitting their monthly and annual gross revenue reports timely and whether they are reporting gross revenues to the MDAD Finance Division (MDAD Finance) from the same clients that they have disclosed to MDAD Properties.

II. RESULTS SUMMARY

Our audit report has three observations and four recommendations that highlight a need for improved communication between MDAD Properties and MDAD Finance regarding permittee reporting of customers and gross revenues. While these conditions do not appear to compromise MDAD's permit operations or revenue recording activities, we believe that there can be better coordination between the two groups to monitor and track the identity and number of each permittee's airport customers. This, in turn, will improve upon the accuracy and completeness of permittee reporting of its customer base and gross revenues received therefrom.

¹ See following link: <http://www.miamidadeig.org/Reports2016/IG15-03 MDAD Permits Combined Files AS ISSUED FINAL 09 12 16 v2.pdf>

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT
***Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting***

Based on our testing of MDAD Properties and MDAD Finance records, we observed that permittees have not been accurately submitting to MDAD Properties the identity of all of their customers.² We selected ten permittees for our audit sample, and our testing showed that eight permittees were reporting gross revenues from more customers than were indicated in their permit agreements. One permittee reported revenues from the same customer that it had indicated in its permit agreement; and one permittee was found to be reporting revenue from only one of its two customers. This permittee had under reported its gross revenues and, as such, had underpaid the opportunity fees due to MDAD.

We also noted that MDAD Properties and MDAD Finance have not historically communicated with each other in such a way to identify and compare each permittee's customer base. For the period under review, we found limited controls that will reasonably assure permittee accountability for the accurate and complete reporting of their MDAD customers and their gross revenues.

Within our sample of selected permittees, we found an instance where MDAD Properties inadvertently discovered a case of a permittee under reporting its gross revenues. Apparently, this permittee had not reported gross revenues in excess of \$1 million over a 44-month period from one of its MIA customers. This permittee had not disclosed to either MDAD Properties or MDAD Finance that it was servicing this additional customer. The inadvertent discovery resulted in MDAD collecting over \$72,000 in previously unpaid opportunity fees, but did not result in any late fees or penalties being assessed. This occurrence emphasizes the need for MDAD to develop and implement more robust internal controls (as suggested in our audit recommendations) to mitigate the risks related to permittees self-reporting their gross revenues.

We acknowledge that MDAD has recently implemented two notable enhancements (during the course of the OIG's audit) that have improved its overall control environment. These involve MDAD Properties re-establishing its practice of sending a letter to all of its tenants requesting that they identify their service providers (i.e., permittees). The second practice recently implemented by MDAD Finance involves entering permittee customer and gross revenues information (shown on the permittees' *Monthly Report[s] of Gross Revenues*) into a shared drive database (i.e., accessible by MDAD Properties). These added steps by the two MDAD divisions to obtain and share information related to permittee customers, and the associated gross revenues will help MDAD Finance and MDAD Properties to administer permittee activities. However, the benefits to be gained from these actions will only be realized, if the two divisions actively

² As part of the permit application/extension/renewal processes, MDAD Properties requires the prospective permittees to provide it with copies of all their fully executed service agreements with their MDAD customers.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT
***Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting***

use the information obtained during the permittee gross revenues reporting process and the permit application/extension/renewal processes.

Although improved communications between MDAD Properties and MDAD Finance will be beneficial, the subject processes will still have a significant, inherent control weakness attributable to permittees self-reporting their gross revenues. While self-reporting is not an uncommon practice, it does provide an opportunity for unscrupulous permittees to under report their gross revenues and cheat MDAD out of the opportunity fees owed to it. Additional steps to mitigate this weakness are critical since MDAD uses self-reported gross revenues as the basis for calculating permittee opportunity fees. Accordingly, the practice of allowing permittees to self-report their gross revenues should be accompanied by resolute and hard-hitting enforcement measures to deter this practice.

III. AUDITEE RESPONSES AND OIG COMMENTS

This report, as a draft, was provided to MDAD for its review and comment. The OIG received two responses from MDAD. In its first response, MDAD accepted our recommendations numbers 1, 2 and 4, and stated that it would prospectively implement these three accepted recommendations. Following a meeting between the OIG and MDAD staff concerning the non-accepted recommendation, the OIG received a supplemental response from MDAD concerning recommendation number 3. In its supplemental response, MDAD stated that its Professional Compliance Division will be memorializing the Department's policy on fraud; however it fell short in addressing the Department's protocol for the waiver of penalties and interest fees. It is our hope that the newly created standard operating procedure will address the protocol for the waiver of fees and penalties in non-criminal instances of non-compliance as recommended by the OIG. (See Recommendation No. 3 on page 14.)

Both of MDAD's responses are attached, in their entirety, as Appendix A, and a summary of the individual response follows each recommendation. As the implementation of some recommendations are prospective, the OIG requests that MDAD provide us with a follow-up status report in **90** days.

IV. TERMS USED IN THIS REPORT

AMS	Audit and Management Services, Miami-Dade County
BCC	Board of County Commissioners
County	Miami-Dade County
CPA	Certified Public Accountant
Letter	Tenant/Vendor Letter (issued by MDAD Properties)
MDAD	Miami-Dade Aviation Department
MDAD Finance	MDAD Finance Division

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT
***Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting***

MDAD Properties	MDAD Real Estate Management and Development Division
MIA	Miami International Airport
OIG	Office of the Inspector General, Miami-Dade County
Permittees	Contractors/Vendors awarded permits by MDAD to conduct business at MDAD facilities
Sodexo	SodexoMagic, Inc.

V. BACKGROUND

Miami-Dade Aviation Department Permits

Permits are specifically addressed in County Administrative Order (A.O.) 8-5, titled Permission to Conduct Private Business on Public Property (effective December 17, 1999), which states: "Persons or firms desiring to conduct private business on County property shall make application to the department director who is responsible for the property in interest." Accordingly, any person or firm desiring to transact business with any airline or other airport tenant (or even a business that is located off airport premises but the commercial transaction is made possible by accessing any of the airports) must obtain a permit or other written agreement (such as a lease or a license) issued by the MDAD Director.³

Permit Fees, Monthly Gross Revenues Reporting, and Annual Audits

Fees to obtain a permit include a non-refundable application fee and a refundable security deposit, currently at \$1,000 each, for a total initial financial outlay to the applicant of \$2,000. Both the application fee and the security deposit are subject to change by the BCC. In addition, at initial application, and later at permit extension and renewal, permittees are required to provide MDAD Properties with a complete listing of their customers and a copy of all of their fully executed customer service agreements.

In addition to these costs, most permits require a permittee to pay a monthly opportunity fee of 7% of all of its gross revenues arising from its activities at the airport. The 7% fee also applies to activities outside the airport, if airport access is essential to the permittee's business activity. MDAD established a monthly opportunity fee of 3% of all gross revenues for aircraft maintenance service providers and a monthly opportunity fee of 30% of all gross revenues for vending machine operators.⁴

Permittees are required to self-report to MDAD Finance a listing of their customers' names and the gross revenues derived from the services that they provided to their customers. Their reports are due to MDAD Finance by the 10th day of the month

³ See following link: http://www.miami-airport.com/business_permits.asp

⁴ Ibid.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT
***Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting***

following the month in which services were rendered. The reports must be signed and attested to by a permittee corporate officer (or authorized designee) that it is a "true and correct" statement. The reports must be filed using the form provided by MDAD Finance. The amounts shown thereon are the basis for calculating permittee opportunity fees due for that reporting month.

In addition, a permittee is required to submit to MDAD Finance, a Certified Public Accountant (CPA)-certified annual audit of its gross revenues within 90 days of the anniversary of the effective date of its permit, if gross revenues generated under the permit are \$250,000 or more. If a permittee's annual gross revenues are less than \$250,000, the permittee must submit a notarized report, using an MDAD Finance form. This form is signed and attested to by a permittee corporate official that the amounts reported thereon are a true and correct statement of its annual gross revenues.

VI. 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; audit, inspect and review past, present and proposed County programs, accounts, records, contracts, and transactions; conduct reviews and audits of County departments, offices, agencies, and boards; and require reports from County officials and employees, including the Mayor, regarding any matter within the jurisdiction of the Inspector General.

VII. OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this phase of our audit was to determine if MDAD Finance maintains records that adequately document the timely reporting of permittee monthly and annual gross revenues reports, and that all of the permittees' customers are listed on the reports submitted.

The scope of our audit included a review of MDAD Finance policies, procedures, and records, including permittee monthly gross revenue reports, and annual certified audits or notarized revenue certifications related to the permittee's self-reported revenue. The scope also included a review of permits and records in MDAD Properties' permittee files—as of August 2016—to determine a sample of permittees to be tested.

OIG Auditors met with MDAD Finance and MDAD Properties staff to obtain a clear understanding of the processes and the related internal control environment. We also reviewed MDAD Finance policies and procedures related to the recording and tracking of permittee gross revenues reports, and examined records and reports generated to track and record permittee gross revenues earned at MDAD facilities.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT
***Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting***

We judgmentally selected a sample of ten MDAD permittees based on their amounts of reported gross revenues and assorted service types provided. Next, for each permittee selected, we compared information obtained from MDAD Properties showing the permittee's customers, with information provided to MDAD Finance on the same permittee's monthly gross revenues reports, to determine if the permittees were reporting revenues from the same customers. We performed this comparison for Fiscal Years 2014, 2015, and 2016.

Finally, for each selected permittee, we reviewed MDAD Finance's files to determine the existence and adequacy of the permittees' CPA certified annual audits or notarized annual gross revenues reports. We observed that the appropriate documents—either CPA audits or notarized certifications by permittee representatives—had been completed and submitted as required. In addition, for four selected permittees, we verified that their annual reported revenues equaled their collective monthly reported gross revenues. We observed that amounts reported on the permittee's collective monthly revenue reports matched the amount shown by the permittee's CPA-certified audit or its notarized annual gross revenues report. No irregularities were noted. (Note: Notwithstanding its failure to disclose one of its customers, the amounts reported by SodexoMagic, Inc. (Sodexo), for the one customer on its monthly gross revenues reports matched the amounts that it reported on its annual statements.)

In our examination of the gross revenue certification records, we noted that in one instance, a permittee who had generated over \$250,000 in revenues had submitted a notarized certification from its corporate officer, rather than the required CPA-certified annual audit. MDAD Finance staff immediately notified the permittee of the error. MDAD Finance staff then requested, and subsequently received, the appropriate CPA-certified annual audit of the permittee's gross revenues.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards.

VIII. OIG AUDIT OBSERVATIONS AND RECOMMENDATIONS

Observation 1 Permittees do not always provide MDAD Properties with complete customer information at the time of permit application, extension, or renewal, which may ultimately result in lost revenues.

At the time of permit application and at each extension/renewal, an applicant is required to provide MDAD Properties with a listing of all of its customers, as well as copies of executed contracts with those customers. For the ten permittees selected for audit testing, we reviewed the information that they provided to MDAD Properties

**MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT**

***Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting***

at the time of permit issuance or extension/renewal, as well as the gross revenues reports that they submitted to MDAD Finance (see Table 1 below).

We found that permittees have not been accurately submitting to MDAD Properties the identity of all of their customers. Eight of the permittees reported more customers on their gross revenues reports to MDAD Finance than they had reported to MDAD Properties. One permittee reported the same number of customers to both MDAD Finance and MDAD Properties. The one remaining permittee—Sodexo—also reported the same number of customers to both MDAD Properties and MDAD Finance; however, it failed to report to both divisions that it had a second customer.

Table 1 Sampled Permittee Customer Reporting Comparison

Permittee Name	Permit Number	Service Type	MDAD Properties Number of Clients			MDAD Finance Number of Clients		
			FY 2014	FY 2015	FY 2016	FY 2014	FY 2015	FY 2016
SodexoMagic, Inc.	PC 8665	Food and Beverage	1	1	2	1	1	2
Gama Support Services	PC 9091	Aircraft Line Maintenance	0	1	1	0	1	1
Baggage Airline Guest Services	PC 7750 PC 9225	Baggage Delivery	7	6	12	13	20	25
Flying Food Servair	PC 7109 PC 8692	In-flight Catering	9	12	12	24	26	26
Truly Nolen Exterminating, Inc.	PC 7163 PC 8431	Pest Control	6	6	6	6	7	7
LAN Cargo Repair Station, LLC	PC 6675 PC 7893	Aircraft Maintenance	5	8	8	10	10	10
Airborne Management & Engineering Services	PC 6857 PC 9535	Aircraft Line Maintenance	3	7	8	8	9	9
Brinks, Inc.	PC 7720 PC 9153	Armored Car Services	14	14	17	26	26	26
Security Management Innovations, Inc.	PC 8097 PC 9492	Security	3	3	2	3	5	5
EFCO USA, Inc.	PC 9356 PC 7277	Janitorial	1	1	1	2	4	4

Inaccurate reporting by the aforementioned eight permittees in our sample did not compromise MDAD's revenues. Nevertheless, the lack of controls surrounding these activities indicates an increased probability that other permittees may not be accounting accurately and completely for all of their customers on their monthly gross revenues reports and in their permit agreements. Consequently, this amplifies the risk of lost

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT
***Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting***

revenue to MDAD because the permit process relies on self-reporting. And, while permittee self-reporting is not an uncommon practice, this practice carries the risk that permittees may under report their gross revenues, especially, in the absence of resolute and hard-hitting enforcement measures to deter the practice.

These eight permittees misreported their customer bases to MDAD Properties almost every time they sought to extend or renew their permits during this three-year period. The lack of reporting discipline exhibited by these permittees is problematic. We believe that when permittees appear to place little emphasis on accuracy and completeness in reporting information to MDAD, it indicates their lack of accountability.

Finally, we observe the current permit agreement does not contain a monetary penalty provision associated with a permittee's failure to disclose its entire customer base to MDAD Properties. Conversely, a permittee can be financially penalized for not accurately reporting its gross revenues to MDAD Finance. We believe the dual responsibilities – fully disclosing one's customers and accurately reporting one's gross revenues – should each carry with it penalties for failure to adhere to permit agreement terms.

Observation 2 MDAD lacks the appropriate internal controls necessary to monitor effectively the accuracy and completeness of permittee customer information and revenue reporting.

Section D-1 of the MDAD Permit agreement states "the Permittee shall submit a Monthly Gross Revenues Report accurately reflecting all Gross Revenues and a listing of all customers for the month, by the 10th calendar day of the month following the month in which the services were performed and the Gross Revenues for such services were received or accrued."

Only after selecting ten permittees for further audit testing did the OIG learn, through discussions with MDAD Properties staff, that one of the selected permittees, Sodexo, had recently been found to be under reporting its gross revenues. Sodexo failed to disclose that for almost four years (November 2011 – June 2015) that it was servicing more than one customer. Sodexo was reporting to both MDAD Properties and MDAD Finance that it had only been servicing the American Airlines Admirals Club. However, during this same period, Sodexo was also servicing the Delta Sky Club and, in fact, it had failed to report over \$1,000,000 in gross revenues from its second customer. As a result, Sodexo did not pay MDAD over \$72,000 in opportunity fees that were due.

As it was explained to the OIG, MDAD Properties' discovery of this condition occurred in June 2015 when an MDAD employee noticed Sodexo employees providing services at the Delta Airlines Sky Club, and mentioned this observation to a member of the MDAD Properties staff. MDAD Properties immediately contacted the permittee, who

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT
***Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting***

confirmed that it, in fact, was providing services to two customers at MIA, and had not been reporting revenues from its second customer to MDAD Finance. Also disconcerting is that during the entire 44-month period, Sodexo had not informed MDAD Properties that it had been servicing a second customer when it applied for its permit extensions and renewals.

Accordingly, MDAD Properties and MDAD Finance obtained from Sodexo copies of its invoices, other sales records, and, eventually, CPA-certified annual audits for the 44 months in question that related to its second MIA customer. (Previously, Sodexo had submitted to MDAD four self-certified annual gross revenue statements and one CPA-certified annual audit for its one disclosed MIA customer.) Using the newly acquired records, MDAD Finance learned that Sodexo had earned in excess of \$1,000,000 in gross revenues from its previously undisclosed second customer. As a result, Sodexo owed MDAD \$72,354 in past due opportunity fees. It was in February 2017 that Sodexo made its last payment to MDAD for the past due opportunity fees, that according to its permit agreement, it was obligated to pay to MDAD.

It is worth emphasizing that given the opportunity to self-report its customers and gross revenues, for nearly four years, Sodexo misrepresented to MDAD Properties the identities, and number of its MIA customers when applying for permit extensions and renewals. In addition, for almost four years, Sodexo misrepresented to MDAD Finance its MIA customers and related gross revenues, in both its certified monthly gross revenues reports and in its one CPA-certified annual statement and its four notarized annual gross revenues reports attested to by a corporate officer.⁵ The Sodexo example highlights the unsustainable condition that MDAD does not have timely and effective processes in place to detect the inaccurate and incomplete reporting of customers and gross revenues, by permittees.⁶

⁵ MDAD's compliance efforts do not require the submittal of a permittee's actual source documents (or copies thereof) to verify whether the self-reported revenue data is complete and accurate. Other than the efforts provided by the County's Audit and Management Services (AMS), MDAD relies on the information presented in the permittees' CPA-certified audits and notarized statements of annual gross revenues, as a check on the permittee's opportunity fees due. We noted that MDAD's Finance staff reviews the permittee notarized statements and CPA audit results when they are submitted to ensure that the terms and conditions of the permit agreement are met, and that the gross revenue amounts submitted on monthly reports match those indicated in the certified audits and statements. However, this is a surface-level review of the data already provided, and is not intended to, nor does it provide, assurance that the permittee is completely reporting all of its customers and associated revenues.

⁶ We acknowledge that the AMS may have audited Sodexo eventually; at which time, AMS would likely have uncovered this condition. However, there are over 140 active permittees and hundreds of other airport vendors, all of whom self-report their gross revenues and make fee payments to MDAD. Although all contracts and agreements contain a "right to audit" clause, given the vast number of airport contractors, complete audit coverage by AMS alone could take years. We also noted that in two recent audits (Aviation Main Services, Inc. in 2014 and Worldwide Livestock Services, Inc. in 2016), AMS identified that both permittees were under reporting their MDAD revenues and underpaying their MDAD opportunity fees. In the case of Aviation Main Services, the matter was referred to the OIG for criminal investigation. That case recently ended with the successful prosecution of the former owner of the

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT
***Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting***

Penalties and Interest

Permit agreement terms allow MDAD Finance to impose upon a permittee a late payment fee⁷ (interest on unpaid amounts) and a penalty⁸ for not having submitted accurate monthly gross revenues reports. However, MDAD Finance elected not to charge Sodexo any interest or a penalty. The OIG questions MDAD Finance's decision not to enforce the permit agreement's terms that allowed it to impose both charges for the unpaid opportunity fees and for submitting monthly gross revenue reports that were not "true and correct" statements. MDAD's Permit Agreement Section D.1., states:

The Permittee shall submit a Monthly Gross Revenues Report (see Exhibit A hereto) accurately reflecting all Gross Revenues and a listing of all customers for the month, by the 10th calendar day of the month following the month in which the services were performed.
(OIG added emphasis)

Although Sodexo was submitting monthly gross revenues reports to MDAD Finance during the period in question, these reports were materially misstated. The records reviewed suggest that Sodexo's actions were more than just forgetful reporting or inadvertent noncompliance. We reiterate that Sodexo:

- submitted 44 false statements to MDAD Finance, (as shown on its *Monthly Report[s] of Gross Revenues*) between November 2011 – June 2015 that were signed and attested to by a corporate official, as being "true and correct" statements of all of its customers, associated gross revenues, and opportunity fees payable; and
- submitted to MDAD Finance four false statements, as shown on its *Annual Certification[s] and Schedule[s] of Gross Revenues* reports (for the years 2011,

company. The criminal sentence also included a significant sum of restitution to MDAD.

⁷ See following link: http://www.miami-airport.com/pdfdoc/Permit_Agreement_Template.pdf Section C.7., addresses the late payment fee, which is currently set at 1½% per month for the duration of the underpayment.

⁸ Ibid. Section C.8., addresses the penalty charge, which is currently set at \$50 per day for each calendar day following the report due date, up to a maximum of \$750 per violation (per *MDAD Rates, Fees, and Charges Schedule FY2015-2016*). We believe that this penalty is a *de minimis* amount that would not discourage a permittee from misreporting its customers and revenues (or, conversely, encourage a permittee to report accurately, completely, and timely, its customers and revenues). In the subject case, Sodexo could have been charged \$750 for each monthly report not filed over the four-year period, or \$33,000 (44 monthly reports not filed x \$750 per instance). Had MDAD imposed such a penalty, it would have sent a strong message to Sodexo, and to the other permittees, that it takes seriously its responsibility to collect opportunity fees due MDAD. MDAD would have indicated its willingness to hold permittees accountable, as allowed by the permit agreement, to accurately, completely, and timely report to MDAD all of their customers and associated revenues, and remit to MDAD the correct opportunity fees.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT
***Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting***

2012, 2014, and 2015) that were signed and attested to by a corporate official, and one false statement, as shown on its *Annual Certification and Schedule of Gross Revenues* report (for the year 2013) that was signed and attested to by a CPA, as being “true and correct” statements of its annual gross revenues; and

- submitted to MDAD Properties multiple, incomplete listings of its customers and service agreements when requesting its annual permit extensions and/or alternating year permit renewals.

In addition, we note that neither MDAD Properties nor MDAD Finance referred this matter to MDAD's Professional Compliance Division, who was otherwise unaware of the Sodexo circumstances (until OIG Auditors brought the matter to its attention). MDAD Professional Compliance has the designated responsibility to “Conduct internal administrative review of allegations of ethics violations or violations of departmental or County rules and procedures.”⁹ Considering the scope of Sodexo's fraudulent statements, we believe that a third-party review of these issues, prior to waiving late payment fees and interest charges would have been justified.¹⁰

Observation 3 MDAD's recently implemented proactive measures involving the active sharing of information between MDAD Properties and MDAD Finance are a good start in creating an improved control environment, but more efforts will be needed to compensate against the risks inherent in a revenue program based on self-reporting.

During the course of our review, MDAD has taken steps to enhance its ability to monitor the accuracy and completeness of permittee customer and gross revenues reporting. MDAD Properties reinstating its dissemination of the *Tenant/Vendor Letter* (explained below), is one-step. In addition, MDAD Finance's implementation of a shared database accessible by MDAD Properties, containing information taken from each permittee's *Monthly Report of Gross Revenues*, is another step. However, the information sought from the *Tenant/Vendor Letter* and the information contained in the shared database adds little value, if it is not actively analyzed, compared, and updated on a regular basis.

MDAD's Tenant/Vendor Letter

As we noted in our first audit report, MDAD Properties last issued a *Tenant/Vendor Letter (Letter)* in 2011. The *Letter* provides an explanation of the Miami-Dade County

⁹ See MDAD website: http://www.miami-airport.com/compliance_division.asp, *Mission of the Inspections Section*.

¹⁰ At that time, another option for MDAD would have been for it to refer the matter to the OIG's on-site investigators to conduct a fraud investigation.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT

***Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting***

Code, as it applies to permittees and tenants, and requests that all tenants submit a list of their vendors, i.e., permittees that access the tenants' leasehold to provide goods and services. The *Letter* explains that these vendors may only access airport property with authorization from MDAD and may be required to apply for a permit to do so. The *Letter* acts as a control and a management tool for MDAD Properties to help achieve its organizational objectives with regard to operational effectiveness and efficiency, and compliance with County laws, regulations, and policies.

In its response to our Part 1 audit, MDAD stated that in August 2016 it sent the *Letter* to all MDAD tenants. During this review we noted that the *Letter*, in fact, was issued in August 2016 and that MDAD Properties has completed compiling and recording the information received from MDAD tenants. We also learned by way of interviews and observations that MDAD Properties has begun using this information to update its permittee files. This practice should help to improve file accuracy and completeness, in that it will aid MDAD Properties in obtaining from the permittees complete documentation of their MDAD customers and to issue permits to previously unpermitted vendors that were providing services to MIA tenants.¹¹ However, the true value of the updated permittee client portfolio is for MDAD Finance to also utilize this information and compare it against the identities of each permittee's customers, as disclosed on its *Monthly Report[s] of Gross Revenues*.

Implementation of a Shared Drive Database

During the course of this audit, in June 2016, MDAD Finance began entering permittee customer names and their monthly gross revenues taken from permittee *Monthly Report[s] of Gross Revenues* into a shared drive database. This database is accessible by MDAD Properties. Using this information, MDAD Properties can compare the customers disclosed by the permittees at the time of their permit extension and renewal, with the customers listed on their monthly gross revenues reports, as maintained on this shared database by MDAD Finance. The comparison of its own records with those of MDAD Finance will help MDAD Properties to obtain improved assurance that permittees are disclosing all of their customers. Although this process does not ensure that all permittee revenue or customers are being reported, it does enable MDAD Properties, to better monitor permittee activities, and to take appropriate action where necessary to enforce permittee accountability related to the accuracy and completeness of their customer base reporting.

MDAD Properties is able to perform the assessment described above because MDAD Finance enters permittee customer names and revenues into a network shared drive database. Similarly, we believe, there is an opportunity now for MDAD Properties to share with MDAD Finance the results of the *Tenant/Vendor Letter*. Increased data

¹¹ MDAD stated, in its response, that it intends is to send *Letters* out annually, commencing in September 2017.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT
***Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting***

sharing by both divisions could facilitate a mutual assessment of information that would help to ensure that permittees are completely reporting their customers and associated revenues. However, the benefits to be gained from such actions will only be realized, if the two divisions actively use the information obtained during the permittee revenue reporting process and the permit application/extension/renewal process.

IX. RECOMMENDATIONS

1. MDAD Properties should modify its *Tenant/Vendor Letter* to include a request for tenants to not only name all of their service providers (as currently practiced), but also, to have the tenants report amounts paid to their providers in the most recent 12-month period. Collecting accounting data from tenants would be a valuable contribution to the collective processes. Benefits of this would be that:
 - MDAD Properties could use the information as a check against its records of approved permittees.
 - Both MDAD Properties and MDAD Finance could use the information to crosscheck their records of identified permittee customers.
 - MDAD Finance could use the information as a check against its records of reported permittee revenues.

MDAD's Response:

MDAD concurs with the OIG recommendation and stated that it will modify its Tenant/Vendor Letter to request that its tenants, in their response to MDAD, report amounts paid to their providers. MDAD stated the Tenant/Vendor Letters will be sent during the month of September 2017, and that MDAD Real Estate Management and Development will share the information with MDAD Finance via a shared folder. The OIG will monitor the progress of these efforts and additional testing and verification may be performed in the course of the OIG's audit follow-up activities.

2. MDAD Properties should consider issuing a formal, written procedure for entering its permittee data, including its customers' names, into a shared database with MDAD Finance, that would allow a crosscheck of information between the two divisions to help ensure the completeness of permittee revenue reporting and opportunity fees payable.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT
***Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting***

MDAD's Response:

MDAD concurs with the OIG recommendation and will begin entering permittee data into a shared folder with MDAD Finance that will be updated as changes occur.

3. The MDAD Director should establish a formal protocol for handling a permittee that misreports its gross revenues, complete with a delegation of authority to specified individual(s) to approve a waiver of fees and penalties, as well as steps to follow once the misreporting has been identified.
 - a. MDAD Finance should be required to refer all instances of a permittee's misreporting its gross revenues and underpaying the required opportunity fees to MDAD's Professional Compliance Division for consultation, as well as provide notice to MDAD Properties of the permittee's actions.
 - b. The consultation should discuss whether late payment fees and penalties should be assessed against a permittee for its non-compliance with the gross revenues reporting terms and conditions of its permit agreement or waived because of extenuating circumstances.
 - c. MDAD Professional Compliance should consider the specific circumstances related to the under reporting and, if deemed necessary, request that the OIG investigate the circumstances to determine whether they were consistent with a finding of fraud or of a fraud-related activity.
 - d. In the event that fees and/or penalties are not assessed (i.e., waived), the Director's protocol should require signature approval from designated individuals, (by authority/job title) at MDAD Finance, MDAD Properties, and MDAD Professional Compliance.
 - e. The signed document should include an explanation for the waiver, including the financial impact (i.e., the dollar amounts waived). The original document should be maintained by MDAD Finance and, as deemed necessary, copied to MDAD Properties and MDAD Professional Compliance.

MDAD's Responses:

In its initial response, MDAD stated that "One must always weigh the cost of any additional control against the added benefit that control will bring." The response continued to state "It is MDAD's practice to charge interest for adjustments when there is compelling evidence that the underreporting was deliberate..." and finally,

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG Final AUDIT REPORT

**Audit of Miami-Dade Aviation Department's Permit Application, Extension,
and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting**

the response stated "There is no need to formalize a waiver process for fees that should not be charged in the first place." This response did not address our recommendation.

After a meeting with the OIG, MDAD provided a supplemental response. In this response, MDAD explained that it has a "zero tolerance for any type of fraudulent activity" – the OIG would expect nothing less. The supplemental response also states that the Finance Division will notify both the Real Estate and the Professional Compliance divisions of all instances of permittee under-reporting. Professional Compliance will then further assess the information and, if warranted, may request additional audit and/or investigative resources. The Professional Compliance Division will "memorialize the Department's policy on fraud and the standard fraud protocol as a standard operating procedure."

The OIG welcomes the development of a new policy and procedure on fraud. The assessment of penalties and interest fees should not be confined to only deliberate or intentional cases of under-reporting. Intentional and deliberate acts (i.e., fraud) should be referred for criminal enforcement. We would hope that this new procedure includes protocols for the assessment of penalties and interest fees even in cases of non-criminal, non-compliance.

For example, we acknowledge that a permittee could accidentally misreport its revenues, and in such cases a waiver may be appropriate; however, waivers should be provided one time only, thus giving a permittee an opportunity to comply with the provisions of its permit. Holding permittees accountable for compliance is at the heart of revenue accountability.

In other examples, interest fees can be assessed by MDAD when a permittee fails to make payments within 10 calendar days after they become due. These fees are currently set at 1 ½% per month (i.e., interest) until the Department receives payment. The application of interest fees should not be confined only to instances of intentional under-reporting. MDAD should consider the non-timely payment of revenues analogous to the non-timely payment of a credit card. If credit card payments are remitted late, the bank will assess both a penalty for late payment as well as interest on the outstanding balance. Just like with credit card payments, the late fee might be waived, but the interest will still be assessed. In the case of Sodexo, payments for the non-disclosed client (Delta Sky Club) were eventually paid – but paid up to 44 months late. Neither penalties nor interest were imposed.

In MDAD's initial response, it stated that "It is MDAD's practice to charge interest for adjustments when there is compelling evidence that the underreporting was deliberate..." The response continues to state that in the case of Sodexo, deliberate underreporting has not been proven. The OIG

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

OIG Final AUDIT REPORT

Audit of Miami-Dade Aviation Department's Permit Application, Extension, and Renewal Processes, Phase 2 – Permittees' Gross Revenues Reporting

believes, however, that MDAD's position in this matter is flawed. Sodexo submitted 44 monthly false revenue reports to MDAD Finance, four false Annual Certifications, as well as multiple incomplete listings of its customers when requesting annual permit extensions or permit renewals. Intentional or not, Sodexo was certainly not in compliance with its permit terms and conditions, and should have been assessed fees and penalties. The Sodexo case gives rise to our recommendation that there be clear documentation regarding who waived the fees and penalties as well as a justification for doing so when permittees under report gross revenues.

MDAD has indicated that the fraud policy will be drafted in the next 90 days. As such, we will leave this recommendation's disposition as open-pending our receipt and review of the new policy.

4. MDAD should amend its permit agreement to include a monetary penalty for the failure by a permittee to fully disclose the identities of all of its clients.¹² This penalty provision should apply to disclosures required in the initial application, and in its permit extension/renewal applications, and should apply regardless of whether there is a financial loss of revenue to MDAD. This puts permittees and prospective permittees on notice of their responsibility to disclose, at all times, who their customers are. A protocol, similar to what is recommended in No. 3 above should also be developed.

MDAD's Responses:

MDAD concurs with the OIG recommendation and will establish a penalty fee to be imposed on permittees that do not fully disclose their customers. This fee will be added to its official Fee Structure beginning in October 2018.

The OIG appreciates MDAD's thoughtful consideration of our recommendations. We respectfully request that MDAD provide a follow-up response in 90 days, to be received on or about January 8, 2018. The OIG asks MDAD to report on the status of implementing these recommendations, and include with its response any documents (copies of revised Tenant/Vendor Letter, new policies and procedures, and amended permit agreement, etc.) supporting their implementation.

Last, the OIG would like to thank MDAD staff for its cooperation and the courtesies extended to the OIG throughout this audit.

¹² MDAD's recently revised permit agreement states that MDAD may terminate a permittee for its failure to provide MDAD, within seven days, a copy of a customer contract entered into after the issuance of the current permit; however, in lieu of termination, there is no monetary penalty associated with this act provided for in the permit agreement.

Miami-Dade County Office of the Inspector General



FINAL AUDIT REPORT

Appendix A

Miami-Dade Aviation Department's Responses
Initial Response – July 7, 2017
Supplemental Response – July 28, 2017

**Audit of Miami-Dade Aviation Department's
Permit Application, Extension, and Renewal Processes,
Phase 2 – Permittees' Gross Revenues Reporting**

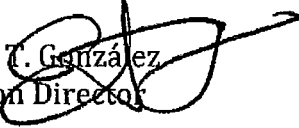
IG15-03

Memorandum



Date: July 7, 2017

To: Mary T. Cagle
Inspector General

From: Emilio T. González
Aviation Director 

Subject: Response to Draft Audit Report – Permit Application, Extension, and Renewal Processes Phase 2, Permittees Gross Revenue Reporting – IG15-03

This memorandum responds to the draft audit referenced above, dated June 21, 2017. The Miami-Dade Aviation Department thanks the Office of the Inspector General (OIG) for the opportunity to have our response include in the final report as well as for its efforts and staff professionalism on this engagement.

The OIG has provided Recommendations which are addressed in the order in which they appear in the report. The Recommendations are listed in *italics* followed by the Department's response, as indicated below.

OIG RECOMMENDATIONS

1. *MDAD Properties should modify its Tenant/Vendor Letter to include a request for tenants to not only name all of their service providers (as currently practiced), but also, to have the tenants report amounts paid to their providers in the most recent 12-month period. Collecting accounting data from tenants would be a valuable contribution to the collective processes. Benefits of this would be that:*
 - *MDAD Properties could use the information as a check against its records of approved permittees.*
 - *Both MDAD Properties and MDAD Finance could use the information to crosscheck their records of identified permittee customers.*
 - *MDAD Finance could use the information as a check against its records of reported permittee revenues.*

Department Response

MDAD concurs with the recommendation to modify the Tenant/Vendor Letter. The next Letter will be sent out to Tenants by September 1, 2017, and will include a request for tenants to also report amounts paid to their providers in the most recent 12-month period.

Furthermore, MDAD Real Estate Management and Development will share with MDAD Finance the data that will be provided by Tenants. The data will be placed in a shared folder to facilitate the crosscheck of records and be able to collectively proceed with corrective action as needed.

2. *MDAD Properties should consider issuing a formal written procedure for entering its permittee data, including its customers' names, into a shared database with MDAD Finance, that would allow a crosscheck of information between the two divisions to help ensure the completeness of permittee revenue reporting and opportunity fees payable.*

Department Response

MDAD concurs with this recommendation and effective July 7, 2017 the Permittee Data Log, that includes customers' names and contact information will be placed in a shared folder with MDAD Finance and updated as changes occur.

3. *The MDAD Director should establish a formal protocol for handling a permittee that misreports its gross revenues, complete with a delegation of authority to specific individuals(s) to approve a waiver of fees and penalties, as well as steps to follow once the misreporting has been identified.*
 - a. *MDAD Finance should be required to refer all instances of a permittee's misreporting its gross revenues and underpaying the required opportunity fees to MDAD's Professional Compliance Division for consultation, as well as providing notice to MDAD Properties of the permittee's actions.*
 - b. *The consultation should discuss whether late payment fees and penalties should be assessed against a permittee for its non-compliance with the gross revenues reporting terms and conditions of its permit agreement or waived because of extenuating circumstances.*
 - c. *MDAD Professional Compliance should consider the specific circumstances related to the under reporting and, if deemed necessary, request that the OIG investigate the circumstances to determine whether they were consistent with a finding of fraud or of a fraud-related activity.*
 - d. *In the event that fees and/or penalties are not assessed (i.e., waived), the Director's protocol should require signature approval from designated individuals, (by authority/job title) at MDAD Finance, MDAD Properties, and MDAD Professional Compliance.*
 - e. *The signed document should include an explanation for the waiver, including the financial impact (i.e., the dollar amounts waived). The original document should be maintained by MDAD Finance and, as deemed necessary, copied to MDAD Properties and MDAD Professional Compliance.*

Department Response

One must always weigh the cost of any additional control against the added benefit that control will bring. Having said that, it is inherent in the nature of the permittee business that at times someone or a firm that is self-reporting will intentionally or unintentionally incorrectly report their gross revenue. To that end, MDAD has established certain controls to identify such occasions and mitigate them. Amongst regular monitoring and monthly fluctuation analysis of sales, unusual activities and fluctuations are forwarded to the County Internal Auditor for further audit work. Other controls include the annual certification for permittees with revenue below \$250,000 and the required external audit for those over \$250,000.

It is not uncommon for adjustments to the monthly reported revenue to take place after the annual certification or CPA-certified annual audit. It is MDAD's practice to charge interest for adjustments when there is compelling evidence that the underreporting was deliberate as it did in the case of Aviation Main Services. In the case of Sodexo, that has not been proven. Should the OIG or Professional Compliance decide to investigate further and prove there was intent to defraud; Finance will reconsider its position.

The MDAD Rates and Charges allows for a \$50.00 per day fee, up to \$750 per month for strict "late revenue reporting fee" rather than underreported ones as MDAD may terminate for cause when found. This fee does not include underreported. As noted in the response to Recommendation #4 (see below) Real Estate is going to recommend a penalty fee in the amount of \$50.00 per customer if the permittee fails to disclose to MDAD. The fee will be submitted for approval to the Board of County Commissioners as part of the next budget submission for Fiscal Year 2018-19.

There is no need to formalize a waiver process for fees that should not be charged in the first place. In situations where fraud is suspected Finance always consults with Professional Compliance and the OIG to provide guidance and investigative assistance as needed.

4. *MDAD should amend its permit agreement to include a monetary penalty for the failure by a permittee to fully disclose the identities of all of its clients. This penalty provision should apply to disclosures required in the initial application, and in its permit extension/renewal applications, and should apply regardless of whether there is a financial loss of revenue to MDAD. This puts permittees and prospective permittees on notice of their responsibility to disclose, at all times, who their customers are. A protocol, similar to what is recommended in No. 3 above should also be developed.*

Department Response

MDAD concurs with the establishment of a monetary penalty fee to be assessed against permittees that fail to fully disclose the required identities of customers to whom services will be provided under the authority of the Permit. A penalty fee in the amount of \$50.00 per customer that the

permittee fails to disclose to MDAD is recommended. The fee will be submitted for approval to the Board of County Commissioners as part of the next budget submission for Fiscal Year 2018-2019. The fee will be incorporated in the official MDAD Fee Structure that will be implemented effective October 1, 2018.

Upon approval all permittees will be made aware of the established penalty fee, through a notification. Further, the Report of Monthly Gross Revenue Form that must be submitted by Permittees to MDAD Finance will be amended to include the implementation of the referenced fee. The notification that will be sent to Permittees will also provide the amended Form. Furthermore, the permit application, permit extension, and renewal notices sent to permittees will also emphasize this penalty fee.

Should you have any questions regarding our response, please contact Evelyn Campos, MDAD Division Director, Professional Compliance at 305-876-7390.

Memorandum



Date: July 28, 2017

To: Mary T. Cagle
Inspector General

From: Emilio T. González
Aviation Director

Subject: Supplemental Response-Permit Application, Extension, and Renewal Processes
Phase 2, Permittee Gross Revenue Reporting DRAFT - IG 15-03

This memorandum is a supplemental response to our previously issued response to this report, dated July 7, 2017, and is submitted in efforts to provide more detail and clarity to our course of action. The Aviation Department (Department) appreciates the opportunity to provide this clarification for inclusion in the report.

This supplement responds to the OIG Recommendation #3, which is represented below italicized for reference. The Department's updated response follows.

3. *The MDAD Director should establish a formal protocol for handling a permittee that misreports its gross revenues, complete with a delegation of authority to specific individuals(s) to approve a waiver of fees and penalties, as well as steps to follow once the misreporting has been identified.*
 - a. *MDAD Finance should be required to refer all instances of a permittee's misreporting its gross revenues and underpaying the required opportunity fees to MDAD's Professional Compliance Division for consultation, as well as providing notice to MDAD Properties of the permittee's actions.*
 - b. *The consultation should discuss whether late payment fees and penalties should be assessed against a permittee for its non-compliance with the gross revenues reporting terms and conditions of its permit agreement or waived because of extenuating circumstances.*
 - c. *MDAD Professional Compliance should consider the specific circumstances related to the under reporting and, if deemed necessary, request that the OIG investigate the circumstances to determine whether they were consistent with a finding of fraud or of a fraud-related activity.*
 - d. *In the event that fees and/or penalties are not assessed (i.e., waived), the Director's protocol should require signature approval from designated individuals, (by authority/job title) at MDAD Finance, MDAD Properties, and MDAD Professional Compliance.*

- e. *The signed document should include an explanation for the waiver, including the financial impact (i.e., the dollar amounts waived). The original document should be maintained by MDAD Finance and, as deemed necessary, copied to MDAD Properties and MDAD Professional Compliance.*

Supplemental Department Response

It's important to reaffirm that the Aviation Department has zero-tolerance for any type of fraudulent activity, regardless of who the perpetrator is or the fraud value amount. The events surrounding the Sodexo permit and concerns that have been outlined in the report confirm that additional processes should be implemented to assure the Department's zero-tolerance policy is considered.

We are in agreement that the Finance division should submit notification of all permittees that under-report gross revenues to our Real Estate and Professional Compliance divisions. The process currently in place would not overly change in that our Finance Division will continue to evaluate the circumstances surrounding under-reported revenues. Subsequently, when the permittee has been uncooperative, Finance has always involved Professional Compliance for assistance. In those instances, Professional Compliance makes an assessment of the available information and if needed, will request investigative or audit services from either the Office of the Inspector General or the Audit and Management Services Department. In addition, assistance has also been requested from the Miami-Dade Police Public Corruption Bureau or if circumstances require, the Commission on Ethics. The State Attorney's Investigative Unit has also become an option for the Department should fraud be suspected. These actions and resources have always been the standard protocol in our efforts to mitigate fraudulent activities.

However, Professional Compliance will memorialize the Department's policy on fraud and the standard fraud protocol as a standard operating procedure. In this directive, the Professional Compliance division is the designated contact point for all suspected concerns of fraud, to include under-reporting activity, within the Department. As an example, in the case of Sodexo, regardless of the permittee's cooperative stance, the information and Finance's planned course of action would be sent to Professional Compliance for review and/or recommendation. All divisions impacted by the issue will be consulted for input. Professional Compliance will continue to report fraud referrals and subsequent courses of action to the Director's office for awareness and if needed, authorization.

Additionally, the OIG makes a valid point in stating that the vast number of airport contractors makes full audit coverage by Audit and Management Services a challenge. It is also accurate that performing internal reviews is a responsibility of the Professional Compliance division. As such, the Professional Compliance division has budgeted for another compliance position that will focus on performing internal reviews and provide training to applicable staff based on the results of those reviews. These efforts are supplemental to those of our external audit and investigative partners as these internal reviews can also become referrals for investigative assistance. The Department is committed to all efforts that will mitigate fraud within its operations.

As previously indicated, the efforts by the OIG staff on this engagement are appreciated. Should you have any questions regarding our response, please contact Evelyn Campos, MDAD Division Director of Professional Compliance at 305-876-7390.