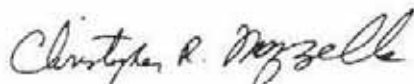


A Message from the Inspector General

The past year has been a momentous one for the Office of the Inspector General. We have seen very important legislative and budgetary changes impacting our office. These changes have solidified our autonomy and independence so that we can continue to perform our mission and vision to serve the citizens of Miami-Dade County by restoring their trust in government through programs that enforce honesty, integrity, accountability, and efficiency. I've alluded to some of these important changes in this year's annual report. And to bring us more in line with County business, I have also decided to publish our future annual reports on a fiscal rather than calendar year basis. So this 2004 Annual Report that I am presenting to you really only highlights our achievements and programs for the period from January 1, 2004 to September 30, 2004. Our next annual report will detail our activities for the entire fiscal year 2004-2005, which began on October 1, 2004 and which will end on September 30, 2005.

I hope you will find our 2004 Annual Report informative. We have highlighted many accomplishments which have saved taxpayers millions of dollars and resulted in the criminal prosecutions of numerous offenders. None of these remarkable achievements could have occurred without the strong support of our elected officials, County staff, the law enforcement community, most notably the Miami-Dade Police Department and the Miami-Dade State Attorney's Office, and, of course, the public. We, at the Inspector General's Office, are most grateful for your confidence in us.

Very truly yours,



Christopher Mazzella
Inspector General

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ABOUT THE OFFICE

In response to the public's demand for clean government, the Miami-Dade County Board of County Commissioners (BCC) created the Office of the Inspector General (OIG) in December 1997. The BCC determined that the oversight of such a large and diverse government required the OIG to be independent and autonomous. To effectively uphold this mandate, the Commissioners vested the OIG with independent status so that it could carry out its goals without political interference. Miami-Dade County has one of the few Inspector Generals in the country that has jurisdiction to investigate officials at any level, including elected officials. Offices of Inspector Generals (OIG) are commonly known as "watchdog" agencies and are found in all levels of local, state and federal government.

In March of 2005, Miami-Dade County Commissioners voted unanimously on a new measure giving the OIG greater autonomy and independence by revamping the selection and removal process of the Inspector General (IG) and by specifically codifying the jurisdiction, powers and responsibilities of the OIG.

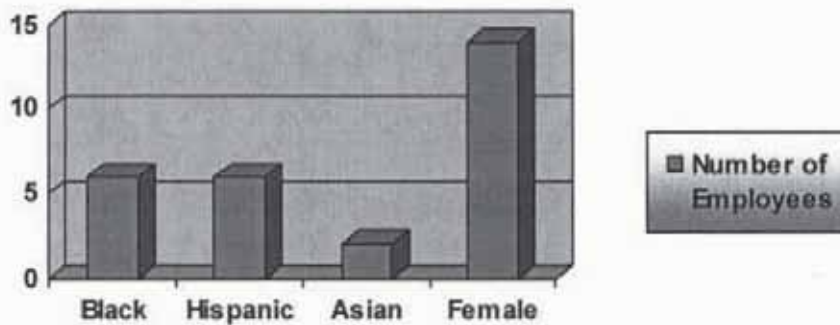
The Office of the Inspector General serves Miami-Dade County citizens by detecting, investigating, and preventing fraud, waste, mismanagement and abuse of power in County projects, programs or contracts. Our ultimate goal is to prevent misconduct and abuse and seek appropriate remedies to recover public monies. Above all, our principal objective is to promote honesty, efficiency and ethics in government, and to maintain and promote the public's trust in government. We must continue to stay vigilant to insure that, in the final analysis, our taxpayers get a fair and honest accounting of their funds.

The OIG currently has oversight of over 40 County departments, including Aviation, the Seaport, Transit, Housing, Community and Economic Development, Water and Sewer, Public Works and the Public Health Trust. Basically, the OIG scrutinizes County programs, contracts or

transactions to determine whether they are financially reasonable, sound, necessary or operationally deficient. The OIG conducts random audits and provides general oversight of department programs and large-scale construction projects.

The Office employs a team of highly skilled professionals from various disciplines and backgrounds that includes attorneys, Certified Public Accountants, Certified Fraud Examiners, former law enforcement officials, investigators, financial analysts and forensic accountants. Additionally, our staff has specialties in the fields of construction, information technology, investigative databases and government procurement.

The Miami-Dade OIG strives to reflect the diversity of our great community. Among the staff, we are 50% Female, 22% Black, 21% Hispanic and 8% Asian. The Office of the Inspector General is committed to recruiting qualified employees who reflect the makeup of Miami-Dade County.



For more information about the Office of the Inspector General and what we do, please go on-line and visit our website at www.miamidadeig.org. All of our press releases and annual reports, and the majority of our public reports can be found and printed directly from our website. Most importantly, Miami-Dade County citizens, employees, vendors and contractors can confidentially report fraud directly through our website.

A YEAR OF TRANSITION

The year of 2004 has been a transition year for the OIG Office. In the financial area, general funds committed for FY 03-04 (combined Office of the Inspector General and the Commission on Ethics and Public Trust) were extremely low, \$906,000. This was based on unanticipated collections by the OIG of unbudgeted revenues from the Public Health Trust, which included over \$1 million in past due revenue, and the Seaport, based on its Redevelopment Program, which was a one-year only payment. There was carryover of approximately \$1.5 million, which will not be repeated this fiscal year. For the first time, this fiscal year the OIG is tendering its own budget for FY 04-05, which will no longer be combined with the Commission on Ethics and Public Trust.

This Annual Report is in a state of transition, as well. In the past, the Annual Report covered the entire calendar year. In this Annual Report, we are making the transition to a fiscal year reporting format. The 2004 Annual Report, therefore, covers just three quarters, January 1, 2004 through September 30, 2004.

Administratively, here are some of this year's highlights:

- A successful campaign was undertaken to increase public awareness through our Fraud Hotline posters on Miami-Dade Metro-rail and buses. We also have a new logo.
- Staffing levels were increased to hire an additional auditor, a financial analyst, an administrative clerk, and 2 investigators.
- Our presence at the Seaport was expanded by opening a satellite office.
- There was an expansion of our oversight role to include the County's Transportation Program.
- We expanded the training program for OIG staff.

- The Audit Unit randomly audited ten County contracts and/or programs.
- Fraud complaint programs were revamped to provide an effective and efficient oversight mechanism to resolve serious complaints by citizens.

Program integrity will continue to be a top priority for the OIG. In 2005, the Office of the Inspector General will be stepping up its oversight of the Transit Department, Aviation Department, Performing Arts Center, Water & Sewer Department, and Jackson Memorial Hospital. In addition, a satellite office was opened at the Miami-Dade County Seaport. A satellite office will soon be opened at the Department of Solid Waste Management. The OIG deploys investigators, auditors and financial analysts, as needed, on satellite assignments.

The Office routinely reviews and evaluates proposals, contracts and programs for such criteria as cost and quality control, time management, program and project management, performance standards, consultant's performance, subcontracting assignments and safety issues.

Investigations, audits, reviews or inspections are initiated upon receipt of credible information alleging an act of fraud, waste, financial mismanagement or abuse. We continue to handle a variety of cases, which include investigations of contractors doing business and/or receiving funds from the County and cases of employee and official misconduct. In a number of investigations, ethics complaints will be filed before the Commission on Ethics, criminal charges are being prosecuted, and other administrative remedies imposed.

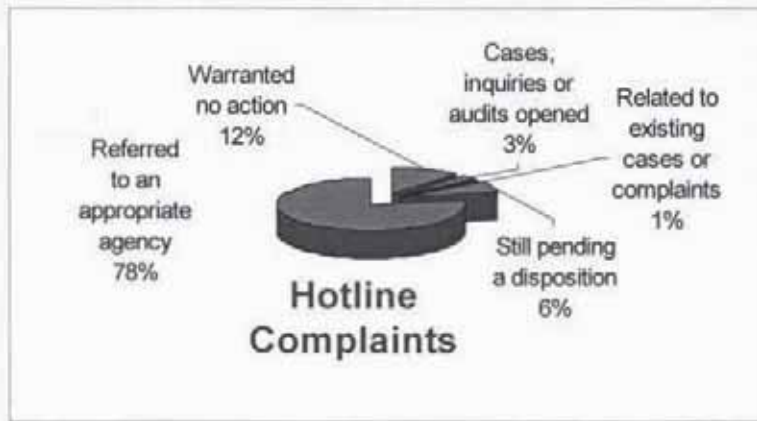
The Office also lends a hand to many Miami-Dade County departments in areas of critical importance, conducting numerous background screening investigations of employees and due diligence inquiries on contractors who will work or seek access to sensitive areas of our County

government. The Office also makes recommendations to improve security at various County facilities. Special investigations have also been initiated upon request from the Mayor and the Board of County Commissioners, in such areas as elections, community councils, and the County's animal shelter.

FISCAL YEAR 2003-04 FRAUD COMPLAINTS

In our efforts to serve the citizens of Miami-Dade County, the OIG embarked on a mission to encourage the reporting of fraud. Look for our posters on Miami-Dade Metro-rail trains and on Miami-Dade Transit buses. All Miami-Dade County citizens, County employees, County vendors and contractors are encouraged to confidentially report fraud in a variety of convenient manners. Ways to report fraud include mailing in complaints to our office, faxing them in, or calling them in on our dedicated HOTLINE at (305) 579-2593. Special Agents offer immediate information and assistance to callers on our Fraud Hotline. Complaints can also be conveniently registered on-line. Citizens may visit our website at www.miamidadeig.org and report fraud directly on-line.

In 2004, we received 423 fraud complaints from the community through letters, faxes, the hotline, and via the OIG website. This represents more than a 25% increase in complaints over last year. Of these: 7% led to the initiation of a case, audit or inquiry; 11% related to an existing complaint or case; 59% were referred to an agency that could directly address the concerns of the complaint and, in many cases, received appropriate OIG follow-up; and 23% warranted no additional action. Eleven percent of the complaints are still pending a disposition.



The public can register complaints anonymously or by furnishing their identities. The identity of any person providing information to the OIG shall be protected to the maximum extent of the law.

QUESTIONABLE COSTS, SAVINGS, AND RESTITUTION

Since the office's inception in 1998, OIG investigations, audits and reviews have identified over \$35 million dollars of questionable costs and savings. In the fiscal year 2003-2004, over \$6 million in questionable costs and lost revenues were identified. For this same fiscal year, over a million dollars in restitutions were made.

The fight against waste and abuse within our County government continues, with measurable achievements and success in eliminating fraud discovered in such areas as:

- Misappropriation and Misuse of County Funds
- Fraudulent Overbilling
- Overtime Abuse
- Kickbacks
- Waste Disposal Contracts
- Building Certificate Compliance
- Elections Campaign Finance
- Mortgage Fraud
- Construction Fraud
- Contractor Fraud

Successful investigations and audits have led to thousands of dollars in savings, in such areas as:

- Uncovered a scheme to steal at least 3 million gallons of jet fuel from Miami International Airport, representing \$4 million in theft and \$1.3 million in falsified charges in a related contract fraud scheme.
- Exposed a scheme to dump waste tires without paying dumping fees, resulting in nearly a million dollars in lost revenues and stolen coupons.
- Uncovered a scheme to defraud the courts and a Miami-Dade County child care assistance program of thousands of dollars.

- Discovered overtime abuses for fire inspections by County employees resulting in salary overpayments of over \$14,000.
- Detected a jury duty scam involving a County employee and \$18,000 in salary and benefits.
- Found billing irregularities leading to \$945,000 in credits being issued to the Public Health Trust/Jackson Memorial Hospital (JMH) and the withholding of \$6 million in payments to Cardinal Health, Inc. pending the outcome of an investigation by the OIG and an audit by JMH.
- Uncovered a scheme by a non-profit director who misappropriated County funds to obtain grants that were used to purchase properties, which were then quitclaimed and mortgaged to obtain \$170,000 in personal loans.
- Exposed a scheme where a non-profit agency was billing the County for alleged clients who were actually incarcerated.

ARREST STATISTICS

The Office of the Inspector General is proud of its strong record of criminal prosecutions. During 2003, nineteen arrests took place. During the fiscal year October 1, 2003 through October 31, 2004, arrests nearly doubled over the prior year. A total of 36 arrests were made during this time, and five companies were indicted. Since the inception of the OIG, our investigations have resulted in 137 arrests.

Of the 36 arrests made this fiscal year, individuals were charged with various crimes that were costing the County millions of dollars each year. Arrest charges included Grand Theft, Official Misconduct, Solicitation to Commit Perjury, Racketeering and Racketeering Conspiracy, Unlawful Compensation, Organized Scheme to Defraud, and practicing in various professions without a license. Almost a million dollars in savings and restitution have been recovered from the arrests made during this fiscal year alone.

MAJOR CRIMINAL INVESTIGATIONS RESULTING IN ARRESTS

Thorough and comprehensive OIG investigations have been a cornerstone in building a record of successful criminal prosecutions. Its partnership with the Miami-Dade County State Attorney's Office has been a pivotal part of this success.

The following cases highlight some of the OIG's important investigations that have resulted in criminal prosecutions:

Acting on information provided by the Department of Solid Waste Management (DSWM), the OIG and the State Attorneys Office (SAO)

“OPERATION GET THE LEAD OUT”

began an investigation into a scheme by waste tire haulers to cheat the County's waste area facility scales to avoid paying disposal fees.

The Resource Recovery Facility operates a disposal facility which converts waste to energy and shreds, recycles and processes other waste for ultimate disposal. A county-operated scalehouse records the weight of a truck when empty, and later subtracts that from the weight of a fully loaded truck as it comes into the facility to dispose of tires. Fees of \$75 a ton for waste tires are then assessed.

Two brothers who own and operate a Hialeah waste tire disposal trucking business were arrested and charged with Cheating, Organized Scheme to Defraud and Grand Theft. In one scheme, they added thousands of pounds of temporary lead weights to the cabin of their truck when first registering the "empty" weight of the truck. After obtaining this fraudulently inflated weight, they removed the lead and then dumped truckloads of tires at a reduced assessed weight. In the second scheme, they lined the inside box of the truck with 5/8" plywood, adding 1,020 lbs. to the truck weight prior to the required weigh-in at the County's scalehouse. Another trucker was arrested and charged with Grand Theft, Organized Fraud and Cheating in a sting operation that resulted in the discovery of a truck with two false 33-gallon gas tanks that were filled with lead. In each case,

when tires were dumped, the false weight of the trucks was used to determine the assessment fee for the disposed tires, which resulted in losses of \$375,000 in disposal fees to the County.

The investigation is ongoing and has, thus far, resulted in the arrests of four County employees. Two of the employees received cash from tire vendors to dispose of waste tires. These two employees were not assigned to collect waste tires and were able to avoid the scales in their attempt to dump over nine tons of waste tires into the shredding area. They were charged with Grand Theft and Unlawful Compensation. Another employee, a County waste truck driver, was pocketing cash from a tire vendor to dump tires at the County's Resource Recovery Facility. Using the County's waste truck, the tire vendor avoided paying \$1,424 in fees to dispose of approximately 20 tons of tires. He was charged with two counts each of Grand Theft and Unlawful Compensation. A fourth employee, a DSWM cashier assigned to sell coupons for the disposal of waste at County facilities, was arrested and charged with Organized Scheme to Defraud, Unlawful Compensation, Grand Theft and Solicitation of Perjury in an Official Proceeding. A review of the individually numbered coupons sold between June 1, 2002 and April 30, 2004 revealed that a total of \$484,250 in coupons was missing from his station, which the employee sold for 20% to 40% below face value to commercial waste tire haulers, and then pocketed as much as \$52,000 in illegal cash proceeds. The "missing" coupons were voided by their serial numbers, thereby preventing hundreds of thousands of dollars in fraudulent transactions.

As a result of this investigation, the Department of Solid Waste Management has implemented new procedures and training. Disposal coupons have ceased being sold or accepted as a form of payment at the Resource Recovery Facility.

CARDINAL HEALTH, INC.

An investigation was undertaken by the Office of the Inspector General into the Public Health Trust's (PHT) multi-million dollar pharmacy operations management contract with Cardinal Health, Inc. (Cardinal). The contract was awarded as a no-bid contract based upon the promise that the taxpayers would save millions of dollars. OIG investigators uncovered numerous fraudulent expenses paid by the PHT that were submitted by Cardinal as part of the contractual implementation fee.

In December 2004, the Implementation Manager of Cardinal was charged with Organized Scheme to Defraud and Grand Theft. He was in charge of the implementation of the contract to manage pharmacy operations and to purchase all drugs to be used by the Public Health Trust and Jackson Memorial Hospital, and supervised the transition team that set up the billing processes between the PHT and Cardinal. The investigation revealed nine instances where he falsely and fraudulently submitted bills for nights at strips clubs, fishing trips and for expensive meals. Although the expense reports falsely stated the purpose of the events and inflated the number of attendees to avoid the scrutiny of the PHT and Cardinal, the PHT signed off on more than \$6,380 of expenses for reimbursement without reviewing the bills or requesting other back-up documentation that might have triggered the appropriate scrutiny of these expenses.

The investigation into similar abuses at the PHT continues and the OIG expects that there will be additional arrests. As a result of the investigation, the no-bid management contract with Cardinal was terminated for cause. The County Manager had assigned the County's Procurement Management Director to review and assess Cardinal's contractual performance under other contracts, and had also temporarily assigned someone to provide the PHT with assistance with its financial problems. The PHT has undertaken many management modifications, as well, in order to correct long standing practices.

MIAMI INTERNATIONAL AIRPORT FUEL FARM

This large scale OIG investigation targeted theft and corruption in connection with Aircraft Services International Group's (ASIG) management agreement with Miami-Dade Aviation Department (MDAD) to run the Fuel Farm facility at the airport. The investigation has revealed that ASIG employees, and at least one airport official, were responsible for the theft of almost 3 million gallons of jet fuel, representing a theft of approximately \$4 million. To date, twenty-three individuals have been arrested on a variety of first degree felony charges including Racketeering and Conspiracy to Commit Racketeering relating to the fuel theft and contract fraud scheme. A plea agreement was reached with a manager who was second in command at ASIG and responsible for billing schemes involving fictitious work and parts. The plea agreement called for restitution in the amount of \$200,000 resulting from the sale of his home, which had been partially purchased with proceeds from the theft.

Investigators estimate that the fraudulent contract schemes have resulted in a minimum of \$1.2 million dollars in falsified charges against the County. As in similar frauds detected by the OIG, corrective actions have been implemented by Miami International Airport to avert fuel thefts.

ELECTIONS CAMPAIGN FINANCE

An investigation was initiated after the OIG was alerted to campaign contribution irregularities in a County Commission District 13 campaign. The initial focus was on the campaign of candidate Jorge Roque which the Elections Department determined to be eligible to receive public matching funds from the County's Campaign Trust Fund.

Investigative fieldwork verified that fraudulent activity did occur with the purpose of qualifying the campaign to receive monies that it would not otherwise have been entitled to, leading to the arrest of two individuals related to the campaign, one of whom has already pled no contest. Of the \$75,000 dispensed in public matching funds, \$18,000 was frozen as a result of this investigation.

The fraudulent activities discovered in the Roque campaign investigation led the OIG to audit the qualification submittals of all eleven candidates who had applied for public funding. Irregularities in other campaigns have been detected and, as a result, the OIG is working closely with the Miami-Dade Police Department to resolve these concerns. Although the investigation is ongoing, we set forth a set of observations and findings identifying loopholes, deficiencies, inefficiencies, problems and other notable concerns with the current procedures for the front-end qualification of public Campaign Financing Trust Fund monies and the verification of the information. The findings and recommendations to curtail future abuses are under consideration by the Board of County Commissioners.

OTHER INVESTIGATIONS, INSPECTIONS AND PROGRAM EVALUATIONS

AMERICAS CENTER

The OIG launched an investigation into allegations that the Americas Community Center, Inc. (ACC) was improperly charging and collecting fees from its clients for program services and job placements. There was also an allegation that Miami-Dade County funds were being used to operate a similar program in Broward County. The ACC was organized to operate through County funding exclusively as a charitable, social services and educational organization to provide “job search and employability skills, education and training” free of charge to County residents in need.

OIG Special Agents determined that program participants were charged fees for job placements, seminars, and for posting resumes on the website. The investigation determined that the charging of nominal user fees required prior approval from the County, as any “program generated income” would affect the amount of funding that an agency is entitled to receive. ACC was not authorized to charge fees, and no consistent system of tracking or of recording the program fees existed. The agency claimed that the fees charged for employment were actually “donations”; it should be noted that program participants were asked to sign a contract requiring the “donation” upon successful job placement.

OIG Special Agents also reviewed the County’s monitoring of the contract and found that the County failed to detect the inappropriate fees.

Of even greater concern were findings that the final disbursement of County grant funds was deposited into ACC's Broward account. The grant is strictly a reimbursement grant to be used to fund social services and community redevelopment in Miami-Dade County. A review of ACC's Miami-Dade account reveals that the final disbursement of County funds was not reimbursed or returned to ACC's Miami-Dade account.

As a result of the OIG audit, the County took corrective actions including the stoppage of fee collections, temporary suspension of funding, the drawing up of stronger sanctions, the seeking of funding recovery, and further auditing of all records.

EMPOWER U, INC.

The Office of the Inspector General investigated allegations that this non-profit organization was billing the County for services that were never rendered. Empower U, Inc. (EU) received funding administered by the Miami-Dade County Office of Strategic Business Management (OSBM), to assist low income and minority persons with the HIV/AIDS virus. The funding is awarded through a federal source known as the "Ryan White Title II Program." EU provides its clients with case management services, peer education and support network services, and outreach services designed to engage in HIV treatment programs for persons who are newly diagnosed and not receiving care, and those who have disappeared from the system of care.

It was alleged that EU's Executive Director instructed her staff to falsify EU encounters with clients who were incarcerated, institutionalized or otherwise lost to care (not coming in); to enhance billing time for actual client encounters; and to falsely bill travel expenses for employees who either did not have a valid driver's license or access to a vehicle.

The preliminary investigation focused on those clients receiving services from EU while incarcerated and confirmed various instances of false and questionable billing regarding at least six EU clients. The OIG also found that the Executive Director falsely attested on two occasions to her lack of a criminal conviction in the past ten years, despite a felony charge of Cocaine Possession in 1994.

As a result of the strong evidence confirmed in the OIG's investigation, OSBM is conducting an audit of EU billing records and will make a determination of a specific reimbursable amount that EU will be accountable for. Furthermore, the OIG recommended that the new contract, a proposed award of over \$277,000 currently pending for Ryan White Year 14, should be rescinded and future funding denied.

VIOLATIONS OF COUNTY INTERNET SERVICE AND E-MAIL POLICIES AMONG MIAMI-DADE AVIATION (MDAD) EMPLOYEES

A complaint to our hotline led to the investigation of 28 male and female MDAD employees, including supervisory personnel, who transmitted one or more e-mails containing pornographic or otherwise sexually explicit materials through the use of their County assigned e-mail accounts over the last two years. The investigation disclosed that numerous airport employees exchanged prohibited materials on a fairly routine basis. The

OIG focused on 61 e-mails, including 16 video clips, that were selected because of their pornographic, sexually explicit, lewd, offensive, or otherwise inappropriate nature. The 61 selected e-mails (and images) were inappropriately forwarded to over 350 airport employees' e-mail accounts and in excess of 140 outside accounts.

As a result of this investigation, certain disciplinary action was taken for those persons identified as having violated County and Departmental computer use policies. MDAD implemented an ongoing, repetitive compliance education program to familiarize employees with County Administrative Orders and Aviation Department Written Directives and for supervisory personnel responsible for enforcing them. Furthermore, the County Manager undertook actions to implement similar programs for all County departments.

ANIMAL SERVICES

A series of complaints led to an inquiry of the Miami-Dade Animal Services operations by the OIG and the County Manager. As part of this inquiry, the OIG retained an outside consultant, the Humane Society of the United States (HSUS), who worked with the OIG and the County Manager to

conduct an in-depth study. The HSUS program evaluation and study ultimately led to the creation of a new department, the Animal Services Department.

The HSUS' recommendations for the detailed working plan were numerous and comprehensive. Operationally, hundreds of suggestions were offered ranging from facility maintenance (such as replacing burnt out light bulbs, cleaning the glass front doors, color coding animal tags by gender, and reconfiguring and restriping the parking lot) to such broader issues as wild and exotic animal housing, disease control and sanitation, sterilization and vaccination protocols, and emergency procedures and disaster preparedness.

THE 2004 ELECTIONS

At the request of the Board of County Commissioners, the OIG conducted a study to assess the County's overall preparedness for the then upcoming 2004 elections. As a result of the study, the OIG issued a number of recommendations to help ensure the integrity of the election process. The County adopted all of the OIG's recommendations. County preparedness for the Fall elections was high, and Miami-Dade County earned high marks for its 2004 electoral processes. However, problems still persist and the OIG will continue its active oversight of their department.

Parallel testing (monitoring) was one recommendation of our study. This process involved the random selection of real voting equipment

intended for use at polling places. This process tested the accuracy of the voting machines to record, tabulate and report votes under actual voting conditions. The OIG studied the states of California and Washington's models, the only states which had undertaken this task. For the November general election, we deemed it critically necessary to perform this testing in order to restore voter confidence.

Other adopted recommendations included: a training refresher course for all election personnel; Absentee Ballot Division training due to the removal of the witness signature requirement (hands-on training was conducted by a forensic documents examiner specializing in handwriting analysis); setting procedures for the logging out of blank absentee ballots prior to assembly for mailing; additional security (MDPD Patrols) at the voting equipment delivery, pick-up and storage sites; a post-election audit of the stored electronic data (conducted by the County's Audit and Management Services Department on audit data from 2002 to present) and an Elections Department study on the feasibility of utilizing a broader Election Audit Committee for future election audit matters.

EMPLOYEE MISCONDUCT CASES

The OIG continues to diligently pursue investigating allegations of employee corruption and fraud. Examples of employee abuses this year included the failure to disclose outside employment, time and leave abuses , abuses of the County e-mail system, pocketing of cash for County services, the fraudulent falsification of documents in County computer systems, theft, claims of excessive overtime, and a scheme to claim hundreds of hours for jury duty that was never served. Corrective measures taken on similar employee misconduct investigations have included arrests and prosecution, termination, letters of reprimand, suspension, forfeiture of annual and sick leave, and restitution to the County for monetary losses.

AUDITS

The efforts of the OIG Audit Unit have resulted in significant changes that impact the way our County government operates. Some of the changes made this year include:

- Increased overtime accountability in the County's Parks and Recreation and Fire Rescue departments.
- Correction of identified weaknesses in quality control and oversight measures.
- Payment processing procedures are being improved.
- Contract compliance enforcement measures are being implemented.
- Invoice documentation procedures are being improved to include proper measures and standards.
- Grant monitoring has been significantly elevated.
- Clearer procedures have been established to justify construction time extensions or to determine contractor liability for liquidated damages.
- Shifting Jackson Memorial Hospital collection agency billing on out-of-state Medicaid accounts to an in-house process, substantially reducing fees and commissions.

The following activities highlight some of the reviews, studies and evaluations made by the Audit Unit:

WASD AUDIT REPORTS 1 AND 2

A Miami-Dade Water and Sewer Department contract entitled *Installation or Repair of Force Mains, Water Mains and Associated Systems for a Two-Year Period with County Option to Renew for Two Additional Years on a Yearly Basis, Contract S-718*, was the focus of a review by OIG audit staff. The contract establishes a pool of eligible contactors who then bid on individual projects. Seventeen construction projects, ranging from \$100,00 to \$2.6 million in work order amounts, were reviewed as part of this audit.

The audit reviewed WASD procedures for work order pre-bid estimates, work order bid proposals and awards, contract documentation and the reporting of final contract expended amounts. Contract documentation was reviewed for work orders during the period June 2000 through December 2003. It was found that departmental bid estimates are undocumented, that large unexplained aggregate sums are often used in pricing work order items, contract items are paid without adequate supporting documentation (showing work performed and/or quantities used for which payment is being requested), and that contract expenditures are overstated and available funds tracking is erroneous due to inaccurate reporting of the work order amounts paid.

The audit also focused on documenting the work completion date, which is essential in determining whether liquidated damages and/or time extensions are applicable. The document period reviewed was June 2000 through December 2003. OIG auditors interviewed WASD personnel and examined the work order files maintained by WASD's Construction Contracts Section, Construction Management Section and the Contract Review Unit, as well as reviewed the contract's General Covenants and Conditions. It was found that project files for the work orders issued pursuant to the S-718 contract do not contain records establishing and

documenting authoritative work completion dates, which are essential project records for work order close-out or for the granting of time extensions or the assessing of liquidated damages. Many of the completed work orders appear to have been completed "late" to some degree, time extensions were not documented, and liquidated damages were not assessed against any of the contractors, regardless of whether time extensions were granted.

The audit is currently ongoing, and in the future will also address contract payment processing documentation and change orders.

As a result of the OIG's audit, thus far, improvement initiatives were created by WASD, including measures establishing a written process in determining an authoritative work completion date and the training of staff to properly document these procedures. In addition, WASD's General Covenants and Conditions are being updated so that clearer procedures will be established to determine a more definable point during the life of a project that may be used to justify time extensions or to determine a contractor's liability for liquidated damages. Written procedures were formalized for preparing departmental bid estimates and a tracking system was implemented on each estimate to document project estimate changes as they occur during the design phase of the project. And finally, a copy of the Certificate of Final Acceptance form will be submitted to the Construction Contracts Section, the office in charge of the blanket contract reporting, so that work order credit adjustments, under-runs and other charges are recognized and overstatements are corrected.

CARGO AND CRUISE PROJECT OF THE MIAMI SEAPORT REDEVELOPMENT PROGRAM

Selected Miami Seaport Redevelopment Program (MSRP) construction projects were chosen for an audit review. The audit's focus covered the time period from January 2002 to June 2004, and covered areas from bid proposal to final completion, including a review of the MSRP Agreement, construction administration, the Cargo and Cruise (C&C) project budget, deleted projects, internal change orders, payment applications, as well as other documentation supporting payments made under the contract.

P&O Ports Florida, Inc. developed and has administered the MSRP since September 2001, under the Master Development Agreement. Parties to this agreement are Miami-Dade County, the Seaport Department, and port tenants: P&O Ports Florida, Inc., Carnival Cruise Lines and the Port of Miami Terminal Operating Company (POMTOC). P&O is the service provider for container and general cargo operations, baggage handling and other services in the terminal. POMTOC is a subsidiary of P&O, and is the operator and manager of the Port of Miami's common carrier terminals, as well as a stevedoring company. Its Development Agreement with the County was terminated in April 2004 for convenience.

There are two groups of MSRP Projects: "Cargo and Cruise Project" and the "Cruise Terminal Project". The OIG audit covers the Cargo and Cruise Project (C&C Project) ONLY. The project's amended maximum cost was \$128.55 million and the amended number of separate projects involved is now 23. Each individual project has its own guaranteed maximum price (GMP).

Overall, the OIG did not observe any significant deficiencies or unallowable costs within the scope of the program. Costs were documented and applicable to the contract, statutes and regulations. A few concerns were noted, which included that cancelled projects lacked sufficient documentation to support the procedures used for the

cancellation process, that the use of the "shadowing" principle (shadowed projects that were put on hold to be completed at a later date in the program without impacting the progress of other projects) was ineffective and did not serve its intended purpose of prioritizing projects, that approximately \$2.4 million was spent on ten projects cancelled from the C&C Project, and that several "approved" internal change orders were not properly approved or supported.

As a result of the audit, the Seaport will be adding documentation oversight procedures (to support project cancellation and reallocation of funds to other projects) for all ongoing and new construction. The Seaport has also agreed to provide reasonable supporting documentation to justify project cancellations, along with records and written approval for the cancellation or reallocation of funds to other projects. The "shadowing" principle will be used as a tool to properly manage the program and not to counteract cost (overages) on other projects.

In addition, The Seaport Department or its consultant will review all of the documentation submitted for all internal change orders that have been approved to ensure that all were properly supported and properly approved.

PARK SECURITY UNIT

An OIG audit focused on the distribution as well as policies and procedures for authorizing and documenting overtime. During a 32 month period, the audit showed that the Park Security Unit (PSU) members collectively received \$293,000 in overtime payments. The Unit's four

supervisory personnel received 60% of the overtime compensation while the Unit's 28 rank and file members received 40% of the overtime payments. The audit further showed an alarming trend as overtime compensation as a percentage of regular salary for the Unit's four supervisory personnel increased from 35% in 2001 to 53% for the first eight months of 2003.

The PSU overtime distribution policy required that overtime be distributed according to the Unit's seniority list. The Unit's Captain was designated as the Unit's overtime coordinator and was placed in charge of the distribution of overtime hours. The audit showed that the Unit's overtime distribution policy was regularly not adhered to as three rank and file officers had seniority dates preceding the Captain's. Payroll and Attendance records showed that the Captain was assigned to work and earned more overtime than all of the Unit's members. During one two week pay period, it was found that the four highest ranking officers were compensated for 71% of all overtime for the pay period, and that the Captain received 23% of this overtime. The payroll records further reflect that the Captain worked 14 straight days, one of which was a 19-hour day followed by ten 16-hour days. The audit further revealed that the Captain and two Lieutenants approved 654 hours of overtime on days when their time and leave records showed that they were not working on that day.

The "Acting Chief" of the PSU had been in "Acting" status of the Unit for almost four years and signed off on the Unit's payroll, as well as

overtime, including his own. For the period audited, he received the third most overtime hours in the Unit, and his overtime hours were not approved by his supervisor. It was determined that despite fully assuming the duties of the "Chief", by remaining in an "acting out of class pay" status for four years he was entitled to receive both a supplemental pay increase and eligibility to continue earning overtime compensation.

Other findings included that the current rate charged by the Corporate Events Office was inadequate and did not cover the actual cost of park security officer services and that more officers were scheduled to work special events by the PSU than were charged by the Corporate Events Office.

Audit recommendations made by the OIG included the reevaluation of overtime policies and practices; filling PSU staff vacancies; reallocating staff resources to reduce overtime; scheduling Saturdays as a regular day for duty; ceasing the practice of payroll attendance records being completed and approved for oneself; ensuring that overtime approvals are made in accordance with County and departmental guidelines; implementing that PSU supervisors fill out Park Officer *Unit's Activity Sheets*; requesting that Corporate Events charge private event sponsors a rate that fully reimburses the Park and Recreation Department for its costs; requiring that the Corporate Events Office track all notifications and confirmations for security staffing at events; establishment of an off-duty system to staff events (similar to the Miami-Dade Police Department's program, which includes set rates for the type of off-duty position to be staffed); requiring that Corporate Events set a number of officers required to staff an event based on event size; requesting that the PSU Unit ceases setting up special events; requiring that salary calculations on all reimbursement requests are reviewed for accuracy and that reimbursements are tracked; and finally, recommending that the Employee Relations Department review all County departments' handling of employees currently under "acting" designations.

CAA - MEALS ON WHEELS

This OIG audit determined that Miami-Dade County's Community Action Agency (CAA) was not administering the Commission District 11 Meals-on-Wheels (MOW) program in a manner that ensured: (1) that program expenditures contained proper documentation and (2) that deliveries were made on a timely and reasonable basis.

There were 415 meals valued at over \$1,200 that were "missing" and whose absence indicated poor record-keeping at best, but may also represent lost funds or wasteful spending. The missing meals represented 20% of the total meals purchased for the period of August 1, 2003 through October 31, 2003. In addition, CAA meal deliveries were found to be irregular in their frequency and often consisted of large quantities of meals delivered at one time to the individual clients. For example, CAA delivery records showed that two clients received 20 meals each in a two-day period and then no meals over the next 30-day period. In another example, CAA delivery records showed that two clients received 30 meals over a two-week period and then no meals over the next 30-day period.

CAA stated that, *"there appears to be some inconsistencies in logging protocol relating to deliveries, storage of meals, redelivery of meals and discarded meals."* In its response to the OIG audit, CAA submitted a listing of corrective actions "to ensure accountability." CAA informed the OIG that it implemented these new procedures on December 1, 2003. In addition, CAA discontinued meal deliveries to the District 11 MOW recipients, and a temporary agreement was made with Construction Catering to deliver meals on Tuesdays, Wednesdays and Thursdays.

In its response, the County Manager stated that, "Although several mitigating factors contributed to the manner in which this program was administered, CAA fully accepts the findings of the OIG report." As a result of the audit's findings, certain disciplinary actions were

also taken. Also, the Meals on Wheel program has been placed on Management Watch and the CAA Quality Assurance Unit conducted an internal audit of the entire Elderly Programs Division.

JMH COLLECTION AGENCY CONTRACTS

The OIG reviewed the collection services contracts between the Public Health Trust of Miami-Dade County (PHT), Broward Adjustment Services, Inc. (BAS), Paralign Revenue Management, Inc. (a.k.a. Paralign-Argent) and Asset Management Outsourcing, Inc. (AMO). These three vendors provided professional services to Jackson Memorial Hospital (JMH) in connection with the billing and collection of patient accounts.

The audit objective was to determine whether the correct commission rates were applied by the collection agencies against the patient account balances recovered. The contingency commission fees received by the collection agencies were based on various contract rates applied to recovered account balances. The rates varied according to the patient's financial classification (e.g., self pay, non-resident, etc.), with the exception of Medicaid accounts. Medicaid accounts, in addition to an established

rate, had a fee cap that was applied to the commission amount.

Specifically, the review of the collection services contract disclosed four areas that required management's immediate attention:

- 1) **JMH's** outsourcing of out-of-state Medicaid accounts to the collection agencies resulted in JMH paying unnecessary commission fees. OIG analysis indicated that the number of days between the patient's discharge and account placement with the collection agency averaged 22 days; JMH received payment within an average of 202 days of the account being placed with the collection agency. Furthermore, these types of medical services were pre-arranged and pre-authorized by governmental entities, thereby substantially decreasing the risk that JMH would not be compensated. The OIG found that the referral of these accounts was unnecessary and the PHT would save money by collecting these accounts in-house.
- 2) **The** commission rates charged for out-of-state Medicaid accounts were incorrectly applied to transferred account balances for the sample of accounts analyzed, thereby substantially increasing the fees paid to the collection agencies.
- 3) **BAS** "unbundled" out-of-state Medicaid accounts and then applied a commission fee to each portion of the total account, resulting in overpayments of approximately \$421,048 for the accounts analyzed. It must be noted that this disturbing pattern is based on the 14 accounts reviewed, and it is anticipated that the overpayments resulting from this practice will be significantly greater.
- 4) **The** financial classification did not match the collection agency's rate for approximately \$152,449 in commission fees charged for the sample of accounts analyzed.

The OIG found that the placement of out-of-state Medicaid accounts for collection with these private agencies resulted in the wasteful paying of unnecessarily high commission fees. The large balance out-of-state Medicaid accounts typically were from patients for pre-arranged special medical services, such as organ transplants. These pre-arranged services also entailed prior Medicaid authorization, and thus the OIG questioned why these accounts were placed with an outside agency for collection. JMH concurred with the OIG's assessment; as a result it has shifted its billing on the out-of-state Medicaid accounts to an in-house process.

Furthermore, the OIG questioned the collection agencies' application of the fee rate for these out-of-state Medicaid accounts. The OIG's contention was that although each state's Medicaid program may have differences in the regulation of commission fees, the contract entered into between JMH and its vendors is the one that, nevertheless, prevails. Therefore, the presence or lack of any state regulation does not operate to allow collection agency vendors to collect fees restricted by the contract's fee cap for certain types of accounts. While JMH disagreed with the OIG and concurred with the vendors' interpretation, we are fairly certain that the shift to in-house collecting on these accounts will result in substantial future savings, albeit not recognizing what the OIG has identified as overpayments. The OIG reaffirmed its initial recommendation to collect these overpayments, which we believe represents a substantial monetary amount.

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