

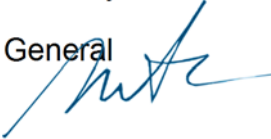


Memorandum



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To: Honorable Mayor Carlos A. Gimenez
Honorable Chairman Jean Monestime
and Members, Board of County Commissioners, Miami-Dade County

From: Mary T. Cagle, Inspector General 

Date: June 23, 2016

Subject: Transmittal and Executive Summary of the OIG's Final Report on the *Audit of Public Works and Waste Management's Application of Internal Charges to PTP Neighborhood Improvement Funds*; Ref. IG15-30

Attached please find the above-captioned final audit report issued by the Office of the Inspector General (OIG). The audit covered People's Transportation Plan (PTP) projects administered by the former Public Works Department (PWD) and former Public Works and Waste Management Department (PWWM). The OIG audit encompassed the County's internal charges (i.e., staff time and applicable overhead) to Public Works' PTP projects for the past seven fiscal years. These internal charges included staff professional services, for example in-house design, engineering, inspections and project management. Internal charges also included an administrative overhead component, in the form of a multiplier, that encompassed employee fringe benefits, retirement contributions (FRS-payments), and paid leave (annual, sick and holiday leave), and an allocation of indirect management and departmental operating costs.

This report, as a draft, was provided to the Public Works Division's successor agency, the Department of Transportation and Public Works Department (DTPW) for comment. The response received from DTPW is attached as Appendix A. Summaries of DTPW's response specific to each observation and finding follows each section throughout the report.

The report contains eight recommendations, and we are pleased to announce that they have all been implemented, addressed or accepted either during the course of the audit, as we identified issues and brought them to management's attention, or through DTPW's response to the draft report. DTPW, in its response, further advises of additional actions currently being undertaken to implement some of the OIG's recommendations. As such, and in accordance with Section 2-1076(d)(2) of the Code of Miami-Dade County, the OIG requests that DTPW provides a status report in 90 days, on or before September 23, 2016, on these outstanding items (see the last page of the report). For reading convenience, a one-page executive summary follows.

Attachment

cc: Edward Marquez, Deputy Mayor / Director, Finance Department
Alina Hudak, Deputy Mayor / Director, Department of Solid Waste Management
Alice Bravo, Director, Department of Transportation and Public Works
Jennifer Moon, Director, Office of Management and Budget
Blanca Padron, Deputy Director, Finance Department
Cathy Jackson, Director, Audit and Management Services Department
Neil Singh, Interim Commission Auditor

EXECUTIVE SUMMARY

This audit involved an examination of what was labeled *Administrative Charges* as shown on an internal PWWM management report. The report, entitled the *PTP Neighborhood Improvements Balance Report (Balance Report)*, showed project charges, including the aforementioned administrative charges, and remaining balances by Commission District for PTP-funded roadway improvement projects. One of our first objectives was to assess the accuracy and propriety of PWWM's calculations and allocation of *Administrative Charges*, as depicted in this internal management report.

The OIG confirmed that costs under the heading *Administrative Charges* were primarily made-up of professional staff time charged to individual PTP-funded projects. For example, professional staff time included architectural, engineering, and design hours; surveyor and inspection services; and project management. Costs under this heading also included the administrative overhead associated with employee time, such as fringe benefits, retirement contributions (FRS-payments), and paid leave (annual, sick and holiday leave), and included an allocation of indirect management and departmental operating costs. The OIG observed that use of the term *Administrative Charges* to cover professional staff time was counterintuitive. Moreover, the aggregated presentation of these charges rendered it susceptible to misinterpretation when distributed to external parties. The department has since revised the *Balance Report* to label and disclose the different components of the project costs.

The OIG's review of staff time charges posted to individual project codes resulted in our taking a more in-depth examination of how and what time was charged and approved. Our audit, in addition to the one observation, noted above pertaining to the term *Administrative Charges*, resulted in three additional audit findings regarding leave costs, posting of hours, and the submission and approval of staff timesheets. We verified that hours worked on a project were, naturally, charged to that project. However, we also noticed that time-off, i.e., leave hours (annual, sick and holiday leave), was also directly charged to projects. In essence, leave was charged against the PTP, and other capital funds, two ways: 1) leave hours were directly charged to projects, and 2) the annualized cost of paid leave was factored into the mathematical formula that set the administrative overhead multiplier, which is then applied to each hour of time charged.

OIG auditors questioned these costs. We determined that for seven fiscal years (FYs 2009 to 2015), there were additional leave charges totaling \$5.27 million that were applied against PTP funds (see Table II on page 13 of the report). When applied to all the various units and capital funding sources of the Public Works Division, this practice—recouping leave costs two ways—resulted in an additional \$14.96 million in questioned costs (see Table III on page 14 of the report).

The Department of Transportation and Public Works (DTPW), in its response, does not dispute that leave hours were recovered two ways; nor does DTPW, in its response, dispute the dollar amount of the excess leave charges. Instead, DTPW contends that there were other eligible charges that were inadvertently left out, and the failure to recoup these otherwise eligible costs “negates” the excess leave charges questioned by the OIG. DTPW contends that there were \$6.8 million of “undercapitalized charges” for the three fiscal years that it recalculated, and if projected to all the years covered by the OIG's audit period, the entire \$14.96 million of questioned costs would be negated. While the OIG acknowledges that there were in all likelihood administrative overhead costs that Public Works could have, but did not recover, we disagree that this negates what we have identified as “questioned costs.” It may result in a determination that there was no net loss to the PTP surtax fund (and other capital funds), but the costs (excess leave charges) are “questioned” based simply on the fact that it was inappropriate for PWWM to recover leave costs two ways. Adding further, DTPW submits that by under-charging the PTP fund (i.e., not recouping all of the department's costs), more money was available to spend on PTP projects. This argument, however, fails to address that while there may be no net loss to the PTP fund, the County's General Fund, made-up the difference.

The report also contains two internal controls-related findings, one pertaining to the timeliness of charges to the various project codes and one pertaining to the timely submission and approval of employee timesheets. DTPW's response, which includes its corrective actions, sufficiently addresses these two findings, and we find them to be resolved. As it relates to the more significant finding involving the full recouping of administrative costs, DTPW states that it is engaging a financial consultant to assist the department in updating DTPW's indirect cost rates and will be implementing written policies and procedures, to include automated IT solutions, associated with the updated billing rates.

Miami-Dade County Office of the Inspector General



FINAL AUDIT REPORT

**Audit of Public Works and Waste Management's Application of
Internal Charges to PTP Neighborhood Improvement Funds**

**IG15-30
June 23, 2016**

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
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I. PURPOSE AND OBJECTIVES

The Office of the Inspector General (OIG) conducted an audit of the Public Works and Waste Management Department's (PWWM)¹ application of *Administrative Charges* to People's Transportation Plan (PTP) construction projects. We initiated our audit pursuant to a June 2015 request from the Miami-Dade County (County) District 11 Commissioner, as well as a contemporaneous request from the PWWM Director.

Our primary objective was to assess the accuracy and propriety of PWWM's calculation and allocation of *Administrative Charges*, as concerns were raised about amounts shown on an internal PWWM document entitled *PTP Neighborhood Improvements Balance* report (*Balance Report*). It was also our goal to offer constructive recommendations to improve relevant PWWM processes and controls. As the *Administrative Charges* similarly affected all Commission Districts, our District 11 project analysis yielded conclusions that are applicable globally.

II. RESULTS SUMMARY

Our analysis yielded one observation relating to the category entitled *Administrative Charges* as presented on the *Balance Report*. Continued audit analysis concerning the make-up of the *Administrative Charges* component and the manner in which PWWM staff charged their hours to individual projects resulted in the three audit findings. The report contains eight recommendations, some of which were made verbally during the course of the audit and were immediately implemented by PWWM.

Our analysis of these charges found that they were comprised of professional and other direct labor costs of PWWM staff assigned to projects. For these employees, this included time worked on projects, as well as their directly charged compensated absences (annual, sick, and holiday leave time), and the direct labor multiplier applied to each direct work and leave hour charged.

Characterizing project-related costs as *Administrative Charges* was counterintuitive, and the aggregated presentation rendered it susceptible to misinterpretation when distributed to external parties, as in some years, amounts reported exceeded 50% of

¹ This audit covers the public works divisions of the Department. For the periods covered by this audit, these divisions were, in earlier years, contained in the Department of Public Works. Later in October 2011, the Department of Public Works merged with the Department of Solid Waste Management to become the Department of Public Works and Waste Management (PWWM). During the course of our audit, these same public works divisions were transferred to the newly established Department of Transportation and Public Works (DTPW). However, for purposes of this report, all references to past activity will use the department name of PWWM. Additionally, this report does refer to DTPW, as this new department will be responsible for the prospective activities to address the OIG's findings and recommendations.

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PTP expenditures for certain BCC Districts. Instead of aggregating these costs, we believe the *Balance Report* should explicitly disclose each component of PWWM's internal charges, including the direct labor multiplier, to promote transparency and accountability. Further, classifying costs that were clearly related to specific PTP-funded capital projects as administrative charges was inconsistent with the definition of "administrative costs" per County Code Section 29-124(h)(iv), which limits them to overhead charges "not readily attributable to any one particular project..."

The OIG's most significant audit finding was that PWWM used two means to recover the costs of employee compensated absences — annual, sick, and holiday leave time. At a minimum, for FYs 2009 through 2015, PWWM employees directly charged their leave time to open projects, and according to the Overhead Rates documents obtained and payroll transaction testing, PWWM also recovered leave costs via the second component of the multiplier, as depicted in OIG Composite Exhibit A (A2 – p3, A3 – p3, A4 – p3, A5 – p3). During this seven-year period, \$5.27 million in leave charges were over-applied to PTP funds. Other restricted funds (e.g. RIF, QNIP, SWU, and GOB) were similarly affected, and including PTP, resulted in total questioned costs of \$14.96 million. In a series of meetings during the course of our audit, PWWM generally acknowledged that recovery of leave costs was excessive, but expressed that the impact of these questioned charges was mitigated by its belief that it had not fully recovered other reimbursable overhead costs.

As a result of our audit, PWWM made direct charged leave time a non-reimbursable activity. This change was made effective for FY 2016. PWWM will rely exclusively on the direct labor multiplier to recover these project costs. These PWWM operating divisions were recently transferred to the County's Department of Transportation and Public Works (DTPW), and are now working toward adjusting the multiplier to achieve sufficient, equitable cost recovery under this new organizational structure. Nonetheless, since there is presently no plan to replace PWS and its interface with FAMIS for timekeeping and cost recovery purposes, DTPW management should immediately develop and begin implementing plans to address the systems processing and control issues identified by this audit.

Additionally, our review of PWS timekeeping data and associated PWWM processes found that existing supervisory and management internal controls were not effective in ensuring timely, accurate collection of project cost information, allocation to correct projects, and attribution to proper funding sources. The lack of documented and enforced policies and procedures also contributed to the practices and conditions we found, diminishing the accuracy and reliability of reported design and construction project expenditures of PTP and similar funds (e.g. RIF, QNIP, SWU, and GOB).

The OIG also determined that in some cases, employees continued charging labor and leave time to projects for years after construction had ended, including at least one

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case where charges were applied for an additional 67 months. A contributing factor was that the design and construction components of each job were assigned separate project numbers, and the design project often was never closed. PWWM responded to our concerns by closing hundreds of old design projects, and revising PWS internal procedures to ensure automatic design project closing upon closure of the companion construction project, thus preventing further inappropriate time charges.

We also noted that employee timesheets, which are the source of PWWM project direct labor charges, were often not timely submitted and/or approved, hindering attribution of internal costs to the correct projects in the County's FAMIS financial system. Further, we found employees who charged excessive leave hours to projects, relative to actual hours worked, and some who booked leave to projects for which they never charged any actual work time, suggesting attribution to the wrong projects. Moreover, time collection delays and project attribution errors likely caused some costs to be unnecessarily absorbed by PWWM's General Fund allocation, rather than by PTP and other similar funding sources. Our review of PWS data for 17 consecutive biweekly pay periods, from October 1, 2014 through May 24, 2015, revealed that 50.3% of PWWM employees required to submit timesheets had at least one delinquency [or 14.85% of required timesheets], including seven individuals who failed to submit even one timesheet.

Finally, while we did not perform a comprehensive review to assess the integrity of PWWM's information technology (IT) systems or the data contained therein, our audit work and discussions with management raised concerns about the reliability and correct representation of its capital project-related labor charges in PWS and FAMIS. Our limited transaction reconciliation indicated that, in the aggregate, costs of time recorded in PWS — including the direct labor multiplier — are accurately posted in FAMIS, although the PWS-to-FAMIS interface does not preserve the full level of transaction detail in FAMIS needed to reconcile back to the originating PWS entries and ensure cost attribution to correct funding sources. PWWM confirmed that a reconciliation has not been performed in recent years, and there was no documentation indicating when PWS and FAMIS were last reconciled. At the end of FY 2015, PWWM suspended execution of the PWS-to-FAMIS interface, pending their further review of the issues raised by our audit. As a result, no project time charges dated October 1, 2015 or later have yet been recorded in FAMIS. We expect that PWWM and/or DTPW, working in conjunction with OMB and the Finance Department, will reconcile these charges prior to the fiscal year-end.

In summary, our audit identified opportunities for improved oversight and control of PWWM employee timekeeping, cost allocation and recovery, and information systems processing. We have held a series of meetings with key PWWM management and staff to discuss our findings and recommendations, and address their comments and concerns. All meeting participants recognized that strengthening controls over PTP and

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similar funds was necessary to ensure integrity and accountability. We commend PWWM for having already implemented corrective measures, as later described in our report, to its processes that addressed the issues raised by the OIG, during the course of our audit. Moreover, we expect this dialogue to continue as PWWM and its successor — the Department of Transportation and Public Works (DTPW) — develop and implement additional corrective measures.

III. AUDITEE RESPONSE

The OIG provided a copy of this report as a draft to PWWM/DTPW for its discretionary written response. The OIG is in receipt of a response prepared by PWWM's successor agency, DTPW, dated May 27, 2016, and has attached its entire response to this final audit report, as Appendix A.

The 5-page response provides a general overview of DTPW's position—that the OIG identified questioned costs are negated, if you take into consideration that PWWM could have but did not seek reimbursement for the full extent of allowable reimbursable charges. While never directly addressing the OIG's finding that paid leave (annual, sick, and holiday leave time) were charged via two methods: directly charged to projects and charged through an hourly multiplier, DTPW acknowledges that its methodology of determining departmental indirect cost rates is being updated with the assistance of a consultant, and that written policies and procedures—presumably on how and what to charge against capital projects—are being prepared.

The remainder of DTPW's response is formatted to address each of the OIG's observations and findings. DTPW, in its response, does not individually address the OIG's enumerated eight recommendations. In some instances, DTPW's responses make clear that action has or is being taken consistent with our recommendations, and in those instances we presume DTPW's acceptance of our recommendations.

A summary of DTPW's observation and finding-specific responses are set forth at the end of observation/finding's recommendations. The OIG's rejoinders thereto follow each summary.

IV. OIG JURISDICTIONAL AUTHORITY

In accordance with Section 2-1076 of the County Code, the OIG is authorized to investigate 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.

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V. SCOPE AND METHODOLOGY

We reviewed the 24 District 11 PTP-funded projects that had activity between October 1, 2011 and September 30, 2014, as well as some non-PTP-funded projects encountered during our analysis that were similarly affected by Administrative Charges; some projects involved multiple Commission Districts. For the 24 PTP-funded projects, contracted construction costs totaled \$12.3 million, and PWWM staff time charges were another \$2.9 million. Since some of these projects dated back to at least 2007, we expanded the scope of our data review in order to analyze projects in their entirety. We analyzed PTP costs by project, cost type, employee, and Commission District, utilizing information provided by PWWM, including data extracted from the *Public Works System* (PWS) project management software. Other relevant data was obtained from the County's *Financial Accounting Management Information System* (FAMIS).

OIG Auditors also conducted numerous interviews with key current and former PWWM employees, including the Director and other executive staff, as well as with individuals from other County departments involved in PWWM's process, including the Citizens' Independent Transportation Trust (CITT), the Office of Management and Budget (OMB), and the Finance Department.

Specific areas of audit testing and inquiry included:

- Determining the composition of PWWM's *Administrative Charges*
- Assessing the adequacy of reported project cost detail
- Evaluating the propriety of PWWM's in-house project time-charging and cost-recovery practices
- Assessing the proportionality of direct labor multiplier charges in comparison to direct project costs
- Evaluating the timeliness of project closing in PWS
- Assessing the adequacy of internal controls to deter/prevent inappropriate charges against PTP and similar funding sources
- Determining conformance of PTP funds management with requirements set forth in Section 29-124 of the County Code

Although our work initially focused on understanding the nature and composition of the *Administrative Charges* reported on the *Balance Report*, as the audit progressed, we recognized the need to perform a more expansive review to ensure thoroughness

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and proper context. Beyond merely identifying the *Administrative Charges* components, it was also necessary to examine how the information was compiled to assess its completeness and integrity. While we did not perform a comprehensive review to assess the integrity of PWWM's information technology (IT) systems or the data contained therein, we analyzed the compilation and processing of data reported as *Administrative Charges*, and on a sample basis, we analyzed transaction posting to FAMIS fund balances. However, we did not conduct a full financial audit of all PWWM expenditures against PTP and similar funding sources, nor, did we examine the overall sufficiency of PWWM's cost recovery efforts.

VI. TERMS USED IN THIS REPORT

BCC	Board of County Commissioners, Miami-Dade County
CITT	Citizens' Independent Transportation Trust, Miami-Dade County
DTPW	Department of Transportation and Public Works, Miami-Dade County
FAMIS	Financial Accounting Management Information System (Miami-Dade County's automated accounting system)
GOB	General Obligation Bonds
IT	Information Technology
OIG	Office of the Inspector General, Miami-Dade County
OMB	Office of Management and Budget, Miami-Dade County
PTP	People's Transportation Plan
PWS	Public Works System (PWWM's automated project management and accounting system)
PWWM	Public Works and Waste Management Department, Miami-Dade County
QNIP	Quality Neighborhood Improvement Program
RIF	Roadway Improvement Funds
SWU	Stormwater Utility Funds

VII. BACKGROUND

The PTP is funded by a "One-half Cent Charter County Sales Surtax" approved by voters in 2002. Funds collected are to be used for transportation and transportation-related County projects and programs, including free Metromover service; free public transportation for individuals over age 65; Metrorail extension; traffic signalization upgrades; highway, roadway, and neighborhood improvements; and various municipal projects. The CITT oversees the PTP and use of surtax funds; PWWM administers PTP funds for highway/roadway and neighborhood improvements, and related projects.

In January 2004, the Board of County Commissioners (BCC) approved Resolution R-87-04, authorizing a \$167 million PTP allocation for "Neighborhood Improvements" that included \$91.43 million for non-site-specific categories, commonly referred to as

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“Commission District PTP Yearly Allocations.” These funds were available for a variety of projects, including enhancement of roadways, intersections, signals and signage, sidewalks, bikeways, drainage, landscape, and bus stops. Over its 10-year program term, \$9.14 million was allocated annually to the 13 Commission Districts, with each District receiving an individual allocation based on population and roadway lane miles. These Commission District PTP Yearly Allocations, averaging \$703,000, ranged from \$288,000 (District 5) to \$1,205,000 (District 8).

The *Balance Report*, which PWWM implemented as an internal tool to facilitate administration of PTP funds, tracks annual allocations, project expenses, and remaining fund balances by District. All PWWM staff costs for a given project are aggregated and presented as one *Administrative Charges* figure on the *Balance Report*. These *Administrative Charges* included the hourly costs of direct professional services (design, engineering, inspection, etc.), administrative and clerical labor, and direct-charged employee compensated absences (annual, sick, and holiday leave).

Further, to each hour of employee time direct charged, PWWM applied a direct labor multiplier, comprised of three components, to allocate additional costs for what it termed “Fringe Benefits,” “Division Overhead,” and “Department Overhead,” respectively. The three components of this direct labor multiplier are detailed in PWWM’s *Overhead Rates* documents, which are typically published annually. PWWM provided these documents covering fiscal years (FYs) 2006 and 2011 through 2015 (see OIG Composite Exhibit A). *Overhead Rates* documents were unavailable for FYs 2007 through 2010, and none was published for FY 2014, as PWWM explained that the prior year’s rates remained unchanged.

While each of the *Overhead Rates* documents that we obtained correctly defined the first multiplier component (Fringe Benefits) as the costs of employees’ insurance, social security, pension, and longevity bonuses, the presentations of the second (Division Overhead) and third components (Department Overhead) had notable inconsistencies. In FYs 2011 through 2015, these documents describe the second multiplier component as the indirect costs of management and support staff within operating divisions, whose labor costs are not allocated to specific projects. However, the attached mathematical support for this multiplier segment, labeled by PWWM as *Payroll Costs — Attachment 2*, explicitly shows that it is derived exclusively from employee compensated absence costs — annual, sick, and holiday leave time. This is clearly inconsistent with the descriptive verbiage. Similarly, these *Overhead Rates* documents offer what appears to be a correct description of the third multiplier segment, as the costs of Department-wide administrative support. However, the accompanying substantiation, labeled by PWWM as *Department Overhead Administrative — Attachment 3*, states that it also includes the payroll costs of Division Chiefs. The payroll costs of Division chiefs is more appropriately a Division overhead cost — not a

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Department overhead cost. These and other multiplier-related issues are more extensively discussed in Section VIII of this report.

PWWM also applies a consultant-developed methodology to allocate additional non-project Department Overhead costs of the Director's Office, Human Resources, Accounting, Procurement, Fleet Management, Public Information & Outreach, and Budget & Planning to PTP and similar funding sources. These cost allocations are determined at the beginning of each fiscal year, and recovery is effected via biweekly journal entry charges to the fund balances in FAMIS. We did not audit these allocations, which averaged \$377,397 annually for FYs 2012 through 2015.

The costs of biweekly employee timesheet hours entered into PWWM's *Public Works System* (PWS) software and their applied direct labor multipliers are subsequently interfaced with the County's FAMIS legacy accounting system, constituting about 99% of the *Administrative Charges* shown on the *Balance Report*. The other 1% is comprised of miscellaneous indirect charges. PWWM establishes separate project identification numbers for the construction and design components of projects paid from PTP and similar funding sources (e.g. Roadway Improvement Funds (RIF), Quality Neighborhood Improvement Program (QNIP), Storm Water Utility Funds (SWU), and General Obligation Bonds (GOB)). Employees may charge time to the design and/or construction projects, based on job function and work task.

Chapter 29 of the Code of Miami-Dade County (County Code) regulates the use of PTP surtax funds, and defines administrative costs as "overhead expenses which are not readily attributable to any one particular project funded in whole or in part by transit surtax funds." (Section 29-124(h)(iv)) Further, County Code Section 29-124(c) stipulates that a maximum of 5% of surtax proceeds may be spent on "administrative costs, exclusive of project management and oversight for projects funded by the surtax."

VIII. OBSERVATION AND FINDINGS

Observation No. 1 Aggregating the presentation of PWWM's District-level PTP project internal costs as *Administrative Charges* on the *Balance Report* was counterintuitive, and rendered it susceptible to misinterpretation.

As stated in the *Purpose and Objectives* section of this report, the OIG initiated this audit pursuant to requests from the District 11 County Commissioner (Commissioner) and the PWWM Director. The Commissioner expressed concerns that *Administrative Charges* presented on the *Balance Report* in some years appeared excessive, as they exceeded 50% of total District 11 PTP expenditures. Our analysis found that these *Administrative Charges* were actually the aggregated costs of professional and other

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direct labor services of PWWM staff assigned to projects, their directly charged compensated absences (annual, sick, and holiday leave time), and the direct labor multiplier applied to each direct labor and leave hour charged. Professional services included activities such as project design, engineering, inspection, and management.

Characterizing these professional services project costs as *Administrative Charges*, without further detail or explanation, was counterintuitive and rendered the *Balance Report* susceptible to misinterpretation by those unfamiliar with the information. Further, using the term *Administrative Charges* to describe costs derived from project-specific work seems contrary to County Code Section 29-124(h)(iv), which defines "administrative costs" as "overhead expenses which are not readily attributable to any one particular project funded in whole or in part by transit surtax funds". PWWM must also comply with County Code Section 29-124(c), which states: "The County shall not expend more than five percent of the County's share of surtax proceeds on administrative costs, exclusive of project management and oversight for projects funded by the surtax." Our audit fieldwork and our follow-up discussions with PWWM, Finance and OMB officials, however, could not quantify the totality of PWWM's recoverable departmental costs (non-project-related overhead) that may be allocable to PTP funds and thus, compliance with this 5% cap could not be assessed.

Recommendation

1. PWWM's successor department — DTPW — should revise the *Balance Report* to explicitly disclose all the components of its internal charges to projects, including the direct labor multiplier, to promote clarity, accountability, and transparency. DTPW should also discontinue using the term *Administrative Charges* for project-based costs, to achieve conformance with County Code Section 29-124(h)(iv).

DTPW Response to Observation No. 1

DTPW acknowledges that under the heading *Administrative Charges* both professional and other direct labor staff costs were included. DTPW writes: "The *Balance Report* was revised to adequately label project related costs and was provided to the District 11 office in February 2016."

DTPW also points to two AMS (the Audit and Management Services Department) audits conducted in 2011 (Public Works Department) and 2012 (Transit Department) that conclude that the County is in compliance with the five percent administrative cap.

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OIG Rejoinder to Observation No. 1

By its revising and representing its report of project costs to the District 11 office, the OIG finds that DTPW has embraced and implemented our recommendation.

As it relates to compliance with the five percent cap, we observe that specific to surtax proceeds used by the Public Works Department (2011 audit), AMS wrote:

Public Works was reimbursed \$1.7 million for administrative costs during the audit period... These reimbursements primarily included salary and fringe benefits for personnel in various Divisions, however our review disclosed that the basis for the allocation percentages was not documented or adequately supported. For the County, Ordinance 02-116 limits administrative charges to 5% of Surtax Proceeds, excluding direct project management costs. Thus, County-wide compliance will be determined during the Transit audit.

In its 2012 AMS Transit Department audit report, AMS stated that the audit "analysis disclosed no exceptions" to the five percent cap. This statement refers to a countywide assessment of administrative charges.² While we do not dispute AMS' conclusion, our statement that we could not assess PWWM's compliance is based upon the fact that we could not quantify PWWM's total recoverable departmental costs that may be allocable to PTP funds. Without quantification of this amount, we could not assess PWWM's compliance with the five percent limitation relative to its share of PTP proceeds received.

Finding No. 1 Additional leave charges totaling \$5.27 million were applied against PTP funds, although the labor multiplier already included leave costs.

Having recognized that PWWM employees were directly charging their leave time (annual, sick, and holiday leave) to projects, as stated in Observation No. 1, we questioned the propriety of this practice, given that leave-related payroll costs were also built into the direct labor multiplier. This multiplier was applied to each hour of direct time (both time worked and leave time) charged to PTP and similarly-funded projects. As detailed earlier in the Background section of this audit report, our close examination of the *Overhead Rates* documents revealed inconsistencies between the narrative description of the second multiplier component (Division Overhead) on the first pages of these documents versus the attached corresponding mathematical support (labeled

² Importantly, we observed that the 2012 AMS Transit Department audit report did not provide any specific reference to and/or quantification of either Transit's or Public Works' PTP-related administrative costs.

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Payroll Costs — Attachment 2). We interviewed current and former PWWM management and staff to gain additional context.

We interviewed a former Assistant Director for Administration, who, in a March 1, 2006 memorandum (brought to our attention by PWWM staff), instructed employees to directly charge leave time to projects as a reimbursable activity. (OIG Exhibit B) In our interview, we discussed her memorandum, as well as the *Overhead Rates* documents we obtained from PWWM. In addition to authorizing that leave time be directly charged to individual projects, her memorandum expressed (and she confirmed) that in earlier years PWWM had charged leave time to “administrative” projects, which resulted in these payroll costs being absorbed by the department’s General Fund allocation. She issued her March 2006 memorandum based on her interpretation of U.S. Office of Management and Budget Circular A-87. She interpreted the circular to allow that employee leave time may be charged, as a reimbursable activity, against specific projects. She also mentioned that during her tenure, leave was not recovered via a multiplier, the OIG has been unable to independently verify her statement based on a lack of supporting documentation.

The former Assistant Director further commented that the verbiage describing Division Overhead (the second multiplier component) in the FY 2006 Overhead Rates memorandum she authored, dated March 1, 2006 (OIG Composite Exhibit A (A1 – p1)), did not reference employee leave recovery. Nonetheless, she recognized, when she looked at the *Overhead Rates* documents for years 2009-2015, which the OIG provided to her, that PWWM had continued to use her original terminology in later years even though the same documents clearly disclosed that leave cost recovery was the objective of the second multiplier component. PWWM continued using this wording on the first page of the document, without correcting it when they implemented the multiplier as their leave recovery method.

Employee timekeeping data we obtained from PWWM indicates that leave costs were factored into the multiplier at least as early as the beginning of FY 2009. We cannot opine as to whether the practice was implemented prior to this period. Table I (on the following page) depicts the multiplier rates in effect since the beginning of FY 2009.

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Table I
PWWM Historical Direct Labor Multipliers
October 1, 2008 to Present

Direct Labor Multiplier Component	Multiplier Effective Dates					
	10/01/08 - 10/19/10	10/20/10 - 04/01/12	04/02/12 - 04/04/13	04/05/13 - 09/30/14	10/01/14 - 01/08/15	01/09/15 - present
Fringe Benefits (Insurances/Social Security/ Longevity Pay)	36.49%	36.70%	41.34%	35.99%	35.99%	37.00%
Division Overhead (Annual, Sick, and Holiday Leave)	16.77%	20.30%	18.93%	18.93%	18.93%	16.68%
Dept. Overhead (Indirect Mgmt. & Operating Costs)	<u>0.00%</u>	<u>9.05%</u>	<u>9.45%</u>	<u>16.46%</u>	<u>16.46%</u>	<u>10.42%</u>
Sum of Direct Labor Multiplier Components	<u>53.26%</u>	<u>66.05%</u>	<u>69.72%</u>	<u>71.38%</u>	<u>71.38%</u>	<u>64.10%</u>
Compounded Effective Rate ³	<u>59.38%</u>	<u>76.82%</u>	<u>81.45%</u>	<u>84.12%</u>	<u>n/a</u>	<u>n/a</u>

Source: PWWM Published Overhead Rates and PWS System Tables; terms in parentheses provided by OIG for clarification.

The *Overhead Rates* documents provided by PWWM for FY 2011 through 2015 indicated that the second component of the direct labor multiplier was structured to recover at least 124 hours of annual leave, 70 hours of sick leave, and 104 hours of holiday leave, representing the compensated absences of a typical employee. Further, documentation detailing the composition and calculation of this second multiplier component consistently stated that it was “applied against base salaries and that amount is charged to projects by timesheet hours to recover 100% of gross salaries.” Thus, by building leave time into the multiplier, PWWM anticipated full recovery of all yearly annual, sick and holiday leave costs for project-based employees.

When the cost of paid leave was factored into the direct labor multiplier, PWWM employees should have ceased direct charging their leave time to PTP and similarly-funded projects. The continued application of both forms of leave cost recovery resulted in additional charges, which we consider to be *questioned costs*.⁴ Directly

³ During FYs 2009 through 2014, PWWM compounded its multiplier components, rather than adding them together, when applying them to the cost of an employee’s direct labor hour. Specifically, component one (“Fringe Benefits”) was multiplied by the sum of components two (“Division Overhead”) and three (“Department Overhead”). Similar to compounded interest, this increased the final effective multiplier rate by up to 12.74%, as in FY 2014. Thus, what appeared to be a 71.38% multiplier rate, was actually an 84.12% compounded effective rate. Compounding, which was discontinued in FY 2015, was inconsistent with language contained in the annual *Overhead Rates* memoranda. The effect of this compounding increased our questioned costs (see page 14, Table III) by \$781,278.

⁴ As defined in OMB Circular A-133, not all questioned costs arise from potential fraud or waste, and our audit did not yield such a conclusion. Questioned costs in this case relate to our finding that PWWM’s over-application of leave costs was unnecessary and unreasonable in amount. In other cases, questioned costs may emanate from a potential violation of a provision of law, regulation, contract, grant, or agreement governing the expenditure or use of funds, including a lack of adequate supporting documentation.

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charging employee annual, sick, and holiday leave hours to PTP projects, and the effects of the multiplier, resulted in questioned costs of \$5.27 million for FYs 2009 to 2015, based on data provided by PWWM (see following page Table II). Annual, sick, and holiday leave direct hourly charges were \$3.05 million, and the direct labor multipliers applied to these hours generated another \$2.22 million in excess charges to PTP funds.

Table II
PWWM Direct Leave and Holiday Time Charged to PTP Funds
Questioned Costs for Fiscal Years 2009 through 2015

Fiscal Year	Direct Time Charges	Multiplier Amount	Total
2009	\$338,519	\$201,010	\$539,529
2010	\$516,346	\$306,603	\$822,949
2011	\$654,813	\$494,792	\$1,149,605
2012	\$525,052	\$410,716	\$935,768
2013	\$466,651	\$385,791	\$852,442
2014	\$318,719	\$268,096	\$586,815
2015	<u>\$232,134</u>	<u>\$154,807</u>	<u>\$386,941</u>
	<u>\$3,052,234</u>	<u>\$2,221,815</u>	<u>\$5,274,049</u>

Source: PWWM and PWS

While these direct annual, sick, and holiday leave time charges most heavily affected PTP, other sources of PWWM construction project funding (e.g. RIF, GOB, SWU, QNIP, etc.) were similarly impacted. In total, \$14.96 million in questioned costs were over-applied to all PWWM construction-related funding sources for FYs 2009 to 2015, and averaged \$2.14 million annually (see following page Table III). Moreover, we believe that PWWM should review the leave amounts charged to Federal and/or State government funding sources to ensure full compliance with specified terms and conditions of usage. For example, \$179,434 was directly charged to American Recovery and Reinvestment Act (ARRA) funds for annual, sick, and holiday leave, while \$79,646 and \$18,398 were similarly charged to funds from the Federal Emergency Management Agency (FEMA) and Florida Department of Transportation (FDOT), respectively.

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Table III
Summary of PWWM Direct Leave and Holiday Time
Questioned Costs – All Funding Sources for Fiscal Years 2009 through 2015

Project Funding Source	Direct Time Charges	Multiplier Amount	Total
PTP (People's Transportation Plan)	\$3,052,234	\$2,221,817	\$5,274,051
RIF (Roadway Improvement Fund)	\$1,517,905	\$1,112,712	\$2,630,617
SWU (Stormwater Utility)	\$1,231,125	\$875,921	\$2,107,046
GOB (General Obligation Bonds)	\$752,602	\$506,862	\$1,259,464
Source Not Specified	\$432,011	\$329,570	\$761,581
SEC (Secondary Gas Tax)	\$412,926	\$301,715	\$714,641
QNIP (Quality Neighborhood Improvement Program)	\$286,177	\$199,418	\$485,595
DERM (Dept. of Regulatory & Economic Resources)	\$222,961	\$145,642	\$368,603
WASD (Water & Sewer Dept.)	\$173,538	\$125,260	\$298,798
RICK (Rickenbacker Causeway)	\$134,340	\$94,935	\$229,275
State and Federal Funding Sources			
ARRA (American Recovery & Reinvestment Act)	\$105,950	\$73,484	\$179,434
FEMA (Federal Emergency Mgmt. Agency)	\$46,606	\$33,040	\$79,646
FDOT (Florida Dept. of Transportation)	\$10,788	\$7,610	\$18,398
Others Funding Sources Under \$100,000	<u>\$318,897</u>	<u>\$234,805</u>	<u>\$553,702</u>
	<u>\$8,698,060</u>	<u>\$6,262,791</u>	<u>\$14,960,851</u>
Annual Averages for 7 Years:	<u>\$1,242,580</u>	<u>\$894,684</u>	<u>\$2,137,264</u>

Source: PWWM and PWS

Throughout this audit, the OIG has maintained close communication with PWWM administrators to keep them informed as to our preliminary findings and ensure mutual understanding of the information under examination. During meetings with PWWM, OMB, and Finance Department officials, we shared our analysis of the impact of charging paid leave in two ways. These audit results precipitated a series of meetings subsequent to the end of our original audit fieldwork that involved discussions and information exchanges about PWWM's overall cost allocation models and recovery methods.

County administrators believe that although leave costs may have been over-applied due to two methods of recovery (via direct charges and the multiplier), in the aggregate, capital funds were not overcharged because PWWM did not fully recover its other reimbursable overhead costs. It is the OIG's position that all cost recoveries must be equitable, transparent, properly substantiated, and charged to the correct funding sources. PWMM's alleged incomplete recovery of its reimbursable overhead costs does not justify it charging employee leave time in two ways.

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The OIG's discussions with County administrators led to more comprehensive discussions regarding PWWM's overall administrative and overhead cost structure, funding gaps, general fund subsidies, and the need to develop and implement an equitable recovery methodology. To date, PWWM has not provided complete, detailed information about its true costs. Absent this data, we cannot opine as to whether PWWM fully recovered its total overhead costs. However, it is clear that PWWM over-applied leave charges to capital funds, which was inappropriate. Thus, we have classified these over-applied leave charges as questioned costs.

After bringing this matter to PWWM's attention, they immediately discontinued the practice of directly charging leave time to capital projects by making leave a non-reimbursable activity. PWWM stated that they would rely exclusively on the multiplier to recover these costs. Having been recently transferred to the County's Department of Transportation and Public Works (DTPW), these public works divisions are now working to establish a multiplier that will achieve sufficient, equitable cost recovery under this new organizational structure. Since there is no current proposal to replace PWS and its interface with FAMIS for timekeeping and cost recovery purposes, DTPW management should immediately develop and begin implementing plans to address the systems processing and control issues identified by this audit.

Recommendations

2. While PWWM agreed to discontinue direct annual, sick, and holiday leave time charges against PTP and similar funds for FY 2016, and recover these costs solely via the direct labor multiplier, we also recommend that PWWM and/or DTPW implement written policies and procedures to ensure that all employees acknowledge and comply with this revised timekeeping policy.
3. PWWM and/or DTPW should confer with County OMB and Finance Department officials to resolve the historical direct leave time overcharges to PTP and similar funds disclosed by our audit. Particular attention should also be paid to projects funded by Federal and State monies.
4. DTPW should continue working with County OMB and Finance Department officials to identify a more effective, long-term funding model for the public works divisions, including developing a multiplier that adequately accommodates all costs of internal services provided to design and construction projects. All employee payroll costs, including compensated employee absences, should be included in the multiplier. Further, in the interest of transparency, DTPW documentation should fully disclose the composition and application of any direct labor multiplier it chooses to utilize in recovering costs.

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DTPW Response to Finding No. 1

DTPW's response to this finding is really stated in two parts. The first (which the OIG for reading convenience is referencing as Part A) pertains to a PWS-to-FAMIS reconciliation that resulted in purported discrepancies in OIG Table II. The second (Part B) is the contention that the OIG's questioned costs are negated because there were "additional eligible charges that were not charged to projects." A summary of these two sub-responses and the OIG's rejoinder thereto follows.

DTPW Response to Finding No. 1 – Part A

DTPW writes, "Detailed information was extracted from the PWS and reconciled to FAMIS, the County's general ledger, for each fiscal year selected, at the transaction detail level by funding source. A comparison of the reconciled PTP fund charges, to Table II PTP charges of the draft audit report, revealed discrepancies in the information contained in Table II of the report. It seems the table reported charges under PTP that were not supported by the reconciliation to FAMIS. Therefore, the \$5.27 million of *questioned costs* were not all applied to PTP funds."

OIG Rejoinder to Finding No. 1 – Part A

DTPW does not quantify the discrepancy, nor does it provide any new authoritative, auditable data to support this statement. In the course of the audit, concerns were raised by PWWM staff that there are occasions where the charges, once reconciled to FAMIS, do not always post to the correct index code. OIG Auditors met with PWWM staff to show the amounts that we quantified as being direct leave charges (annual, sick, and holiday leave hours) that posted to PTP projects. Working with PWWM personnel, our methodology was refined so that our quantification of the amount was as accurate as we could make it. As a result of this work, our identified charges (direct leave time plus associated multiplier) was adjusted downward to the \$5.274 million for FY 2009 through 2015, which is shown in our report.

Moreover, we acknowledge that PWWM personnel repeatedly told us that some unidentified exceptions and processing circumstances would further alter our results, over and above the adjustments already made. However, these other factors were not so specific that either PWWM or the OIG could quantify their effect. Even if leave time was erroneously charged to PTP—as opposed to another capital funding source—the totality of leave charges as depicted in OIG Table III would not be affected.

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DTPW Response to Finding No. 1 – Part B

The majority of DTPW's response presents its argument that there was actually an "undercapitalization of funds, meaning there were additional eligible charges that were inadvertently not charged to projects." PWWM, in part, explains that this was because its overhead rates were not properly applied, i.e., the multiplier could have been higher. The response then goes on to demonstrate that when these rates are recalculated for fiscal years 2012 through 2014, an additional \$6.8 million could have been recouped as reimbursement. [This \$6.8 million equals the collective total for all funds that is depicted in the table provided by DTPW in its response, see page 4 of 5 of Appendix A. For PTP surtax funds alone, the "undercapitalization" is \$2,140,709.] DTPW states: "Due to the timing and intricacy of the above analysis, fiscal years 2009 - 2011 were not recalculated; however, management believes that the outcome would be similar if the same methodology was applied, and would result in the recapture of additional capital overhead costs to negate the \$14.9 million of *questioned costs* listed in Table III of the draft audit report, which also included Federal and State grants."

Moreover, because of this "undercapitalization" more capital money (i.e., PTP surtax funds) was freed-up to be spent on capital projects "than would otherwise would have been made available."

DTPW states that it is "currently in the process of procuring the services of a consultant to update DTPW's indirect cost rates for current and future years to ensure the adequate recovery of administrative overhead costs in accordance with OMB CFR 200.416. Based on this, DTPW will prepare associated written policies and procedures and automated systems, to develop a long term funding model."

OIG Rejoinder to Finding No. 1 – Part B

DTPW does not dispute, in its response, the OIG's finding that Public Works used two methods to recover its leave costs; nor does it dispute the amount of excess recovery. PWWM management, once presented with this information, immediately ceased its practice.

The OIG acknowledges that there were likely "additional eligible charges that were inadvertently not charged"; but the data referred to was not available to the OIG during the audit. We do not dispute DTPW's contention that some of the OIG's \$14.96 million of questioned costs could be offset by the revised data. However, our classifying the dual charging of leave time as *questioned costs* is not merely erased just because there may be no actual loss. We classified these costs as *questioned costs* based simply on the fact that it was inappropriate for PWWM to recover these costs two ways.

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Based on DTPW's recalculations (in response to the OIG's audit finding), it now contends that PWWM's public works divisions were shortchanged by an average of \$2.278 million per year, for the three fiscal years 2012 through 2014. DTPW states that due to this "undercapitalization" of costs, PWWM had more funds available to invest in its projects. While PWWM may have had more capital funds, e.g., PTP surtax funds, to spend because of its inadequate cost recovery practices, PWWM also required annual year-end infusions of County general funds to cover its costs. The OIG contends that the failure to fully recover eligible costs does not justify double charging leave. The OIG is satisfied that PWWM, once notified by the OIG of this practice, immediately stopped direct charging employee compensated absences to its projects.

It is now up to DTPW to implement new cost recovery practices that will minimize future year-end infusions of general funds. We are encouraged by DTWP's proactive efforts to update its entire indirect costs rates, develop written policies and procedures, and implement enhanced information technology protocols. As such, we deem DTPW's response addresses and/or accepts OIG recommendations 2 - 4.

Finding No. 2 Design projects were not timely closed, allowing continued attribution of labor charges for significant periods of time after construction completion.

It has been PWWM's practice to establish separate project numbers for the design and construction components of each job, however, our audit revealed that controls were inadequate to ensure that design projects were closed concurrent with construction completion. Some design projects remained open for years after corresponding construction project completion and closure, including at least one that continued accumulating time charges for 67 months. This enabled PWWM employees to continue charging time, including annual, sick, and holiday leave, to these design projects long after construction work had ended, and in some cases, charge projects in which they had never participated. While supervisory review of timesheets should have offered some measure of preventive control, it was ineffective. As of September 21, 2015, PWWM confirmed that all construction work had been completed for 392 of 636 related open design project numbers, leaving them susceptible to accumulating additional labor charges. As a result of the audit, PWWM had closed all but 29 design projects by October 5, 2015.

PWWM should optimize its use of available PWS functionality for reviewing employee time charges to identify potential incorrect project attribution. PWS can present labor charges on a per-project basis, but this report (*Project Reimbursements – Divisional Task Summary*) has not been regularly used by supervisors and managers. Nonetheless, PWWM has implemented changes in response to this finding, as PWS has been modified to automatically close design projects concurrently with their

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companion construction projects. This will prohibit employees from charging additional time to completed projects.

Recommendation

5. As indicated, PWWM responded to our audit finding by revising the PWS system to automatically close design projects when their associated construction projects are closed. Nonetheless, more diligent supervisory review of time submitted for approval is also necessary to strengthen the effectiveness of timekeeping process controls.

DTPW Response to Finding No. 2

In addition to implementing the aforementioned automatic IT controls (i.e., closure of design projects), DTPW writes that “PWS now validates the project completion date and does not allow staff to enter time past the project completion date, without an override at the Assistant Director level.” DTPW further provides that “applicable staff were verbally counselled and re-trained on how to properly fill out and approve timesheets.”

OIG Rejoinder to Finding No. 2

None required. DTPW’s subsequent actions sufficiently address our recommendation.

Finding No. 3 Employee timesheets were often not timely submitted and/or approved by supervisors.

While prompt employee submission and supervisory approval of PWWM labor charged against PTP and similar projects is critical to ensure accurate capture and attribution of internal costs, staff timesheets were often neither timely completed nor approved. Some employees had not submitted timesheets for months, and we also noted lengthy supervisory approval delays. Some supervisors may also have had limited time to review staff timesheets due to excessive spans of control, which in at least one case, required approving the time of 35 subordinates, and may have contributed to the delays we noted. There were also concerns about the accuracy of extremely tardy timesheets. Further, if not submitted and/or not approved via PWS before fiscal year-end, timesheets cannot be interfaced with FAMIS, precluding PWWM reimbursement from applicable revenue sources (PTP, GOB, RIF, QNIP, etc.). As a result, PWWM’s General Fund allocation may unnecessarily absorb these costs.

A *Timesheets Not Submitted* report generated from PWS and provided by PWWM, showed that from October 1, 2014 through May 24, 2015, 148 employees had not

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submitted 742 biweekly timesheets, including seven individuals who had not reported time for all 17 biweekly periods presented on the report (Table IV). These delinquent submissions involved 50.3% of the 294 employees required to submit biweekly timesheets [or 14.85% of required timesheets]. Although the report is automatically generated twice monthly, and emailed to all PWWM managers, supervisors, and listed employees, the problem persisted until we brought the matter to the Department's attention. PWWM took immediate action to ensure prompt timesheet submittal and approval, and subsequent review of more recent timekeeping reports showed significantly improved compliance. PWWM also identified at least 32 employees who should not have been charging time to PTP and similar projects, and has reduced the number required to complete timesheets from 294 to 262; we understand that further reductions are being considered.

Table IV
Distribution of Biweekly Timesheets Not Submitted
October 1, 2014 through May 24, 2015

Consecutive Biweekly Periods Not Submitted	Employee Count	% of Employees	Number of Late Submitted Timesheets	Total Number of Required Timesheets	% Late Timesheets
17	7	2.4%	119	119	2.38%
16	4	1.4%	64	68	1.28%
15	2	0.7%	30	34	0.60%
14	2	0.7%	28	34	0.56%
11 to 13	5	1.7%	61	85	1.22%
8 to 10	13	4.4%	116	221	2.32%
5 to 7	26	8.8%	161	442	3.22%
2 to 4	40	13.6%	114	680	2.28%
1	49	16.7%	49	833	0.98%
Subtotal	148	50.3%	<u>742</u>	2516	<u>14.85%</u>
0	<u>146</u>	<u>49.7%</u>		<u>2482</u>	
Total	<u>294</u>	<u>100.0%</u>		<u>4998</u>	

Source: PWWM - *Timesheets Not Submitted Reports* ⁵

Finally, we found instances where PWWM supervisors routinely approved annual, sick, and holiday leave time charges to projects for employees who had not recorded any hours of work, or worked considerably fewer hours than the leave time charged.

⁵ For the reasons stated in the OIG's Rejoinder, this table has not been revised to reflect DTPW's reclassification of several individuals who are no longer required to submit timesheets or those whose time is not ultimately charged to a PTP or other capital funding sources. This table, however, was modified since issuance of the draft report to include two additional columns that depict the total number of timesheets, at issue for the audited period, and the percentage of those that were late.

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This suggests that the time may have been attributed to the wrong work orders (which are linked to projects). Nonetheless, while the dollar amounts involved were relatively modest, this was a further indication that PWWM's timekeeping process requires more effective controls.

Recommendations

6. As indicated, PWWM has mandated timely submission and approval of employee timesheets, and has implemented a corresponding enforcement policy.
7. Prospectively, DTPW should limit supervisory spans of control to promote accurate, timely submission and approval of timesheets.
8. Prospectively, DTPW should strengthen timekeeping oversight and controls to ensure that all direct time charged is applied to the correct work order, project, and funding source.

DTPW Response to Finding No. 3

DTPW acknowledges that the late submission and/or late approval of employee timesheets has been an issue that has required management's attention. DTPW states that "it agrees with the premise behind this finding," and as such has addressed the problems identified by the OIG.

First, during the audit when the condition of untimeliness was brought to PWWM management's attention, "a memorandum was circulated to all applicable PWWM staff requiring that time be entered and approved in PWS on a biweekly basis, subject to a corresponding enforcement policy." Second, DTPW in its response to the draft report states, "the span of control relative to timesheets has been modified in order to improve the timeliness of approval, as well as their accuracy." Third, DTPW also writes, "beginning on June 1, 2016, a monthly report will be generated and sent to each Section Supervisor to review and finalize charges to projects and make any necessary adjustments."

Next, DTPW claims that the OIG data supporting Table IV is incorrect. [*After the issuance of the draft report, there were information exchanges between PWWM/DTPW and the OIG pertaining to the data contained in Table IV. After the OIG provided PWWM/DTPW with our supporting documentation, DTPW then provided the OIG with a supplemental spreadsheet that either removes and/or reclassifies several individuals from the data set, thus reducing the number of individuals whose timesheets were attributed as being late.*] Last, DTPW thinks the OIG is unfair in its finding that those

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employee timesheets that were late by only one bi-weekly period were, in fact, "late." DTPW states that there are many reasons, including a supervisor being on leave or limited computer access, attributing to a two-week delay.

OIG Rejoinder to Finding No. 3

The OIG finds that the corrective action taken by PWWM (during the course of the audit to address timeliness) and the two additional actions implemented by DTPW (that address span of control and the accuracy of time charges to the correct work order etc.) are sufficiently responsive to the our three recommendations for this finding.

As it relates to the data provided by the PWS system, the OIG reiterates that this data is supplied by the department from the department's own reporting database—PWS—and is only for the period of October 1, 2014 to May 24, 2015. It is important to note that the *Timesheets Not Submitted* reports are a snapshot of the data, as of the report's run date (in this case, June 5, 2015). The *Timesheets Not Submitted* reports clearly show the names of the individual who—according to the department's database—are required to submit timesheets. If there are individuals on the list—who should not be—it is up to their supervisors to have them removed from the list.

For example, DTPW in its supplemental response states that certain individuals are no longer employed by the department, are on extended family medical leave, or hold the position of Assistant to the Deputy Director and are therefore not required to submit timesheets. The OIG acknowledged these conditions in our original write-up on this finding where we stated that PWWM during the course of the audit identified several individuals who were not required to complete timesheets. Again, this goes to the OIG's statement about the need for supervisors to not only approve timesheets timely but to also review them for accuracy.

DTPW, in its supplemental spreadsheet, also categorized several individuals where their "time is charged to a GF operating index code which is later reimbursed; not Capital project related." The timesheets for these individuals were thereafter removed from DTPW's recalculation of late timesheets. The OIG is not in agreement with this re-characterization. While these individuals' time may ultimately not be charged against PTP funds is not the issue. The condition is still the same—timesheets (wherever the charge may land) are not being timely submitted and/or approved.

Last, pertaining to the percentage of timesheets that were only late by one biweekly pay period, the OIG reemphasizes that we are summarizing the department's data as reported by PWS. We believe our data presentation to be fair and complete.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
OIG FINAL AUDIT REPORT
*Audit of Public Works and Waste Management's Application of
Internal Charges to PTP Neighborhood Improvement Funds*

IX. CONCLUSION

The OIG recognizes that the public works divisions have gone through extensive organization changes since 2011, including the merging of departments, and multiple changes in department directors. Its most recent change this year to merge with the Transit Department to form the Department of Transportation and Public Works, provides an opportunity for management to re-evaluate the Division's business processes, including its cost structure. It also provides an opportunity to review past practices and determine the soundness of prior decisions and their continued applicability today. These are all positive consequences.

While it was not our original intent to audit beyond the accuracy and propriety of *Administrative Charges* as reflected in the *Balance Report*, OIG auditors had to understand how staff time was charged to PTP projects. This led us to question a past practice that had been going on for years, but could no longer be explained or supported. When OIG auditors brought this to PWWM's attention, this past practice—direct charging of leave time to capital projects—was stopped.

The OIG is grateful that throughout this audit process, there has been an open dialogue and that we have been able to bring to management's attention conditions warranting immediate action. We are also pleased that PWWM was—and now, DTPW has been—very receptive to our recommendations. The OIG, through audits, inspections and reviews, may be providing independent oversight, but it takes management to act on our findings and recommendations to effect positive change. We are very appreciative of the corrective measures that PWWM has already implemented, as well as with DTPW's stated commitment to continue implementing additional corrective measures related to process oversight, cost allocation and recovery, and IT systems' enhancements.

In light of the DTPW's response stating that it will be engaging a consultant to prepare an updated indirect costs model and is preparing written policies and procedures associated with the charging of capital funding sources, the OIG respectfully requests a status report in 90 days, on or before September 23, 2016, to update us on the progress of these two measures.

The OIG would like to thank PWWM and other County personnel for making themselves and their records available to us in a timely manner and for the courtesies extended to the OIG during the course of this review.

Miami-Dade County Office of the Inspector General



FINAL AUDIT REPORT

Appendix A

Department of Transportation and Public Work's Response

**Audit of Public Works and Waste Management's Application of
Internal Charges to PTP Neighborhood Improvement Funds**

IG15-30

Memorandum



Date: May 27, 2016

To: Mary T. Cagle, Inspector General
Office of the Inspector General

From: *ANB* Alice N. Bravo, P.E., Director
Department of Transportation and Public Works

Subject: Response to OIG Draft Audit Report IG15-30

2016 MAY 27 PM 1:30
MDC-OFFICE OF THE INSPECTOR GENERAL

I would like to thank you for the opportunity to respond to the subject draft audit report related to the then Public Works and Waste Management Department's (PWWM) application of Administrative Charges to People's Transportation Plan (PTP) construction projects. I was encouraged by discussions held during numerous meetings between PWWM, the Office of Inspector General (OIG), and other County Departments, and am pleased to note that the draft audit report does not show any findings demonstrating misuse of funds.

The draft audit report makes findings and recommendations regarding information included in a document titled *Balance Report*. It should be noted that the *Balance Report* was an internal spreadsheet used by staff for general project information and not meant for reliance outside of the Department. Additionally, finding No. 1 of the draft audit report identifies time charged to PTP projects as *questioned costs*. County staff's analysis of fiscal years 2012-2014 revealed that there was an actual undercapitalization of charges to PTP and similar funding sources, leading to the conclusion that for the draft audit report period, the undercapitalization would negate any *questioned costs* identified in the draft audit report, under Table III. While our findings indicated that additional overhead charges could have been applied to these funding sources, it also shows that more capital funding was invested in project costs than would otherwise have been available due to the undercapitalization. Furthermore, staff identified inconsistencies with charges also labeled in the draft audit report as *questioned costs* under Table II, and found that some charges were erroneously classified as funded by PTP. Moving forward, the Department of Transportation and Public Works (DTPW) is currently in the process of procuring the services of a consultant to update DTPW's indirect cost rates for current and future years, and DTPW will prepare associated written policies and procedures which will include automated IT solutions.

DTPW is in agreement that the correlation between design and construction projects in the Public Works System (PWS), and the prompt submittal/approval of timesheets needed enhancements, as evidenced by the immediate action taken to improve these processes. It is important to note that although certain accounting practices needed updating over time, PWWM and now DTPW have successfully completed over \$769 million of Public Works capital projects, between fiscal years 2009-2015, including over \$283 million funded by PTP during this period.

As referenced below, findings that required action have already been addressed or are in the process of being addressed. DTPW is working with the Information Technology Department (ITD) to improve and enhance controls aimed at improving accountability. In response to the draft audit report, some of the information utilized by OIG staff to arrive at the findings has been refined and calculated based on DTPW staff's knowledge of the Department's operations, in addition to corrections made to reports queried from the PWS. The following section of this memorandum will respond to comments, statements, and conclusions included in the draft audit report, using the recalculated data.

Response to Draft Audit Findings and Observations

OIG Observation No. 1 – Aggregating the presentation of PWWM's District-level PTP project internal costs as *Administrative Charges* on the *Balance Report* was counterintuitive, and rendered it susceptible to misinterpretation.

OIG Recommendation

1. PWWM's successor department – DTPW – should revise the *Balance Report* to explicitly disclose all the components of its internal charges to projects, including the direct labor multiplier, to promote clarity, accountability, and transparency. DTPW should also discontinue using the term *Administrative Charges* for project-based costs, to achieve conformance with County Code Section 29-124(h)(iv).

Response – At the request of District 11 staff, the Commissioner's office was provided with an internal tracking document referred to in the draft audit report as the *Balance Report* as it included project limits and scope, and overall expenditure amounts. When submitting the report, PWWM staff explained that as noted on the document, expenditures labeled as *Administrative Charges* were comprised of professional and other direct labor costs of PWWM staff assigned to projects, as later confirmed by the draft audit report. The *Balance Report* was revised to adequately label project related costs and was provided to the District 11 office in February 2016. It should be noted that the *Balance Report* was an internal spreadsheet used by staff for general project information and not meant for reliance outside of the Department; and contrary to a mislabeled title, did not account for administrative costs.

The draft audit report states that compliance with the five (5) percent cap on administrative costs, as allowed by County Code Section 29-124(c), could not be assessed. It should be noted that five (5) percent of the County's share of Surtax as allowed by County Code Section 29-124(c), for fiscal years 2012-2014, amounted to \$8.1 million, \$8.6 million, and \$9.1 million respectively. In fiscal years 2011 and 2012, PWWM and Miami-Dade Transit were audited by Audit and Management Services (AMS) for the period of fiscal years 2003 through 2011, and the report found the County was in compliance with the County Code where administrative costs averaged three (3) percent of total surtax proceeds received by the County. DTPW staff will work with the Office of the Citizen's Independent Transportation Trust to annually monitor and document County's compliance with this section of the Code.

OIG Finding No. 1 – Additional leave charges totaling \$5.27 million were applied against PTP funds, although the labor multiplier already included leave costs.

OIG Recommendation

2. While PWWM agreed to discontinue direct Annual, Sick, and Holiday Leave time charges against PTP and similar funds for FY 2016, and recover these costs solely via the direct labor multiplier, we also recommend that PWWM and/or DTPW implement written policies and procedures to ensure that all employees acknowledge and comply with this revised timekeeping policy.
3. PWWM and/or DTPW should confer with County OMB and Finance Department officials to resolve the historical direct Leave time overcharges to PTP and similar funds disclosed by our audit. Particular attention should also be paid to projects funded by Federal and State monies.

4. DTPW should continue working with County OMB and Finance Department officials to identify a more effective, long-term funding model for the public works divisions, including developing a multiplier that adequately accommodates all costs of internal services provided to design and construction projects. All employee payroll costs, including compensated employee absences, should be included in the multiplier. Further, in the interest of transparency, DTPW documentation should fully disclose the composition and application of any direct labor multiplier it chooses to utilize in recovering costs.

Response – The methodology used by PWWM to charge capital projects was not clearly documented, and the overhead rates were not always applied or properly labeled. In order to analyze the allocation of charges to the capital projects, staff used a multiplier to charge leave, and updated and applied all the overhead rates (county, departmental and divisional) to the direct and overtime salaries. Additionally, the formulas were revised to eliminate the compounding of rates. Fiscal years 2012 to 2014 were selected to apply this new methodology. Based on this methodology, it was determined that there was an undercapitalization of funds, meaning there were additional eligible charges that were inadvertently not charged to projects. In order to validate this statement staff recalculated reimbursable project costs for DTPW's affected Divisions processed through the PWS for the design and construction of capital projects (Right-of-Way, Highway Engineering, Traffic Signals and Signs, Construction, and Traffic Engineering).

Detailed information was extracted from the PWS and reconciled to FAMIS, the County's general ledger, for each fiscal year selected, at the transaction detail level by funding source. A comparison of the reconciled PTP fund charges, to Table II PTP charges of the draft audit report, revealed discrepancies in the information contained in Table II of the report. It seems the table reported charges under PTP that were not supported by the reconciliation to FAMIS. Therefore, the \$5.27 million of *questioned costs* were not all applied to PTP funds.

The County's Finance Department, with assistance of DTPW and the Department of Solid Waste Management, recalculated fringe benefit rates, based on actual costs for the year (including leave multiplier), division overhead rates, and department overhead rates, based on a County consultant's methodology, as well as the County overhead rates for fiscal year 2012-2014.

Based on the above methodology, there was an under capitalization of charges in the total amount of \$6.8 million for fiscal years 2012-2014. Due to the timing and intricacy of the above analysis, fiscal years 2009-2011 were not recalculated; however, management believes that the outcome would be similar if the same methodology was applied, and would result in the recapture of additional capital overhead costs to negate the \$14.9 million of *questioned costs* listed in Table III of the draft audit report, which also included Federal and State grants. While our findings indicated additional overhead charges could have been applied to these funding sources, it also shows that more capital funding was invested in project costs than would otherwise have been available.

The following table summarizes the analysis leading to the undercapitalized charges of \$6.8 million by funding source.

Category	FY 2012-2014		
	PWS Original Calculation Total	PWS Recalculated Total (1)	Under Capitalization
PTP (PEOPLE'S TRANSPORTATION PLAN) Total	\$ 22,559,002	\$ 24,699,711	\$ 2,140,709
RIF (Roadway Improvement Fund) Total	12,168,738	13,518,766	1,350,027
SWU (STORMWATER UTILITY) Total	9,791,649	10,857,696	1,066,046
GOB (GENERAL OBLIGATION BOND) Total	4,135,904	4,601,642	465,738
SEC (SECONDARY GAS TAX) Total	6,022,870	6,539,720	516,850
RICK (RICKENBACKER CAUSEWAY) Total	3,102,224	3,572,529	470,305
STATE & FEDERAL FUNDING SOURCES Total	2,486,507	2,951,292	464,784
QNIP (QUALITY NEIGHBORHOOD IMPROVEMENT PROGRAM) Total	616,839	661,338	44,499
DERM (Regulatory & Economic Resources Department) Total	245,555	303,724	58,169
Other Funding Sources Total (less than \$100,000)	1,638,575	1,895,348	256,773
Total	\$ 62,767,863	\$ 69,601,765	\$ 6,833,902

(1) Exclusive of direct leave

DTPW is currently in the process of procuring the services of a consultant to update DTPW indirect cost rates for current and future years to ensure the adequate recovery of administrative overhead costs in accordance with OMB CFR 200.416. Based on this, DTPW will prepare associated written policies and procedures and automated IT solutions, to develop a long term funding model.

OIG Finding No. 2 – Design projects were not timely closed, allowing continued attribution of labor charges for significant periods of time after construction completion.

OIG Recommendation

- As indicated, PWWM responded to our audit finding by revising the PWS system to automatically close design projects when their associated construction projects are closed. Nonetheless, more diligent supervisory review of time submitted for approval is also necessary to strengthen the effectiveness of timekeeping process controls.

Response – DTPW recognizes that the functionality of the PWS needed improvements relative to the relationship between design and construction projects. As provided to OIG staff on October 5, 2015, automatic IT controls were implemented to ensure that design projects are closed concurrently with the completion of construction. Through the implementation of this process, the PWS now validates the project completion date and does not allow staff to enter time past the project's completion date, without an override at the Assistant Director level. As part of these measures, applicable staff were verbally counselled and re-trained on how to properly fill out and approve timesheets.

OIG Finding No. 3 – Employee timesheets were often not timely submitted and/or approved by supervisors.

OIG Recommendation

6. As indicated, PWWM has mandated timely submission and approval of employee timesheets, and has implemented a corresponding enforcement policy.
7. Prospectively, DTPW should limit supervisory spans of control to promote accurate, timely submission and approval of timesheets.
8. Prospectively, DTPW should strengthen timekeeping oversight and controls to ensure that all direct time charged is applied to the correct work order, project, and funding source.

Response – DTPW agrees with the premise behind this finding as it relates to timely submittal/approval of timesheets, and a reasonable span of control. As referenced in the draft audit report, on September 22, 2015, a memorandum was circulated to all applicable PWWM staff requiring that time be entered and approved in the PWS on a biweekly basis, subject to a corresponding enforcement policy. As part of issuing this memorandum, senior staff responsible for the timely approval of timesheets were appropriately counseled. Furthermore, the span of control relative to timesheets has been modified in order to improve the timeliness of approval, as well as their accuracy. The responsibility of timesheet approval is now delegated to immediate section supervisors in lieu of the Division Chief. Finally, beginning on June 1, 2016, a monthly report will be generated and sent to each Section Supervisor to review and finalize all charges to projects and make any necessary adjustments.

DTPW recognizes that no amount of late timesheet submittal/approval is acceptable. However, in reviewing the draft audit report's data for this finding, staff found that more than half of the timesheets cited in the draft audit report were incorrectly listed as being late. Finally, the instance with the highest percentage of employees determined by OIG staff to have late timesheets was for those who were late by one (1) biweekly period. This can be attributed to any number of reasons, including an employee or supervisor being on leave, or assigned to a jobsite with limited or no computer access.

Conclusion

I trust that the final report will accurately reflect that DTPW has not exceeded the five (5) percent administrative cap for PTP funds, and is in compliance with this County Code provision. Additionally, we request that the final audit report reflect our efforts to implement measures to improve oversight of timekeeping, cost allocation and recovery, and information system processing. The focus must remain on recognizing and supporting DTPW's successful management of the Public Works functions of its PTP program, which has successfully completed over \$362 million in projects since its inception. I thank you again for the opportunity to address the report, and would also like to thank your staff for their collaboration and the collegial approach exhibited throughout the audit period.

C: Edward Marquez, Finance Director / Deputy Mayor
Alina T. Hudak, Deputy Mayor / Director, Solid Waste Management
Blanca Padron, Deputy Finance Director, Finance Department
Aneisha Daniel, Assistant Director, Solid Waste Management
Robert Villar, Assistant Director, DTPW

Miami-Dade County

Office of the Inspector General



FINAL AUDIT REPORT

Composite Exhibit A

PWD FY2005-2006 Fringe/ Overhead Rate Memo (A1, 2 pages)
PWD FY2010-2011 Fringe/ Overhead Rate Memo (A2, 5 pages)
PWD FY2011-2012 Fringe/ Overhead Rate Memo (A3, 4 pages)
PWWM FY2012-2013 Fringe/ Overhead Rate Memo (A4, 4 pages)
PWWM FY2014-2015 Fringe/ Overhead Rate Memo (A5, 4 pages)
(19 total pages)

**Audit of Public Works and Waste Management's Application of
Internal Charges to PTP Neighborhood Improvement Funds
IG15-30**

Memorandum



Date: March 1, 2006

To: PWD Division Chiefs

From: *Ines Beecher*
Ines Beecher, Assistant Director for Administration
Public Works Department

Subject: FY 05-06 Overhead Rates

Listed below are the current class rates in effect to be utilized in this fiscal year for all reimbursable projects. Explanations for the rates have been included for your information.

Overhead Rates FY 2005-06

CLASS	DESCRIPTION	PERCENTAGE	APPLICABLE TO
12	Fringe Benefits	37.66	Projects funded by QNIP, Road Impact Fee, Secondary Gas Tax, Capital Outlay Reserve, Local Option Gas Tax, Peoples Transportation Plan, and Building Better Communities
	Division Overhead	15.98	
	Department Overhead	EOY calculation by OMB	

CLASS	DESCRIPTION	PERCENTAGE	APPLICABLE TO
13	Fringe Benefits	37.66	State and Federal Grants
	Division Overhead	15.98	
	Department Overhead	EOY calculation by OMB	
	County Overhead	16.96	

- The aforementioned class rates should be applied through the Public Works System (PWS) when entering employee timesheets against specific projects (direct salaries). This will allow for reimbursement from the project's funding source to the employee's actual budgeted index code.
- The previous overhead class rates of 10 and 11 have been eliminated. Additionally, payroll costs (leave calculation) have been reprogrammed into the PWS to be calculated within each timesheet.
- Fringe Benefits are provided through the County Budget Manual and the FY 2005-06 Budget Ordinance.
- Division Overhead includes all indirect costs (e.g. Division management & clerical salaries, supplies, insurance) within each direct service that completes a timesheet (ROW, Highway Engineering, Construction and Traffic Engineering) and is used to support each Division's primary activities.
- Department Overhead is made up of those functional areas which provide administrative support to the entire Department including Director's Office, Personnel and Central Services, Technology Services, Finance, and Management & Budget. Department Overhead expenses will be reimbursed to the administrative support divisions at the end of the fiscal year.

Fringe Benefits Section:

SUBJECT	DESCRIPTION	PERCENTAGE	NOTES
01010	FICA	6.20	
01011	Retirement	7.39	
01110	Group Health Insurance	17.78	(A)
01111	Group Life Insurance	.3024	
01113	MICA	1.45	
01115	Worker's Compensation	2.02	(B)
01116	Unemployment Insurance	.04	(C)
00125	Longevity Pay	1.31	(D)
23210	General Liability Insurance	1.17	(E)
	Total Fringes percentage	37.66	

Average salary per employee is calculated at \$33,153,082 (FY 05-06 total salaries in the operating funds + salary reimbursements) ÷ 802 (number employees) = \$41,338

(A) Annual health insurance cost per employee ÷ Average annual salary per employee

$$7,350 \div \$41,338 = 17.78\%$$

(B) Worker's compensation cost ÷ Number of budgeted employees

$$\$670,700 \div 802 = \$836.28 \text{ (rate per employee)}$$

$$\$836.28 \div \$41,338 = 2.02\%$$

(C) Unemployment insurance cost ÷ Number of budgeted employees

$$\$14,500 \div 802 = \$18.08 \text{ (rate per employee)}$$

$$\$18.08 \div \$41,338 = .04\%$$

(D) Longevity Pay ÷ Base salaries (Actual FY 04-05)

$$\$350,917 \div \$26,779,833 = 1.31\%$$

(E) General Liability Annual Cost ÷ Budgeted Positions

$$\$387,215 \div 802 = \$482.81 \text{ (rate per employee)}$$

Rate per employee ÷ Average annual salary

$$\$482.81 \div \$41,338 = 1.17\%$$

Should you have any questions, please feel free to contact me.

Memorandum



Date: November 3, 2010

To: PWD Division Chiefs

From: *Ruth E. Rodriguez*
Ruth E. Rodriguez, Finance Division Chief
Public Works Department

Subject: FY2010-2011 Overhead Rates

Listed below are the current class rates in effect to be utilized in this fiscal year for all reimbursable projects.

Overhead Rates

CLASS	DESCRIPTION	PERCENTAGE	APPLICABLE TO
12	Fringe Benefits	36.70%	Projects funded by QNIP, Road Impact Fee, Secondary Gas Tax, Capital Outlay Reserve, Local Option Gas Tax, People's Transportation Plan, and Building Better Communities
	Division Overhead	20.30%	
	Department Overhead (Functional areas providing admin. Support)	9.05%	

CLASS	DESCRIPTION	PERCENTAGE	APPLICABLE TO
13	Fringe Benefits	36.70%	State and Federal Grants
	Division Overhead	20.30%	
	Department Overhead	9.05%	
	County Overhead	EOY calculation by OSMB 27.96%	

- The aforementioned class rates should be applied to the Public Works System (PWS) when entering employee timesheets against specific projects (direct salaries). This will allow for reimbursement from the project's funding source to the employee's actual budgeted index code.
- Fringe Benefits components are provided through the County FY2010-11 Operating Budget Submission Manual and the FY 2010-11 OSBM provided assumptions.
- Division Overhead includes all indirect costs (e.g. Division management & clerical salaries) within each direct service that completes a timesheet (ROW, Highway Engineering, Construction, Traffic Engineering and Traffic Signals and Signs) and is used to support each Division's primary activities.
- Department Overhead is made up of those functional areas which provide administrative support to the entire Department including Director's Office, Personnel and Central Services, Technology Services, Finance, and Management & Budget. Department Overhead expenses will be reimbursed to the administrative support divisions at the end of the fiscal year.
- 5% employee contribution to health insurance is not included in the PWD fringe calculation.

**PUBLIC WORKS DEPARTMENT
FRINGE BENEFITS 2010-2011**

ATTACHMENT 1

Number Budgeted Positions:	888		
01010	F.I.C.A.		6.20%
01113	M.I.C.A.		1.45%
01011	Florida Retirement System		10.79%
01110	Group Health Insurance	(a)	13.91%
01111	Group Life Insurance		0.29%
01115	Worker's Compensation	(b)	2.35%
01116	Unemployment Insurance	(c)	0.07%
00125	Longevity Bonus	(d)	1.02%
23210	General Liability Insurance	(e)	0.62%

This rate to be applied against base salaries. 36.70%

Total Salaries	<u>\$45,649,781</u>	=	\$51,407
	888		

(a) Annual per employee Group Health Insurance

<u>Average annual salary per employee</u>			
<u>\$7,150</u>	=	0.139085005	or
\$51,407			13.91%

(b) Worker's Compensation Annual Costs

<u>Number Budgeted Positions</u>			
<u>\$1,071,700</u>	=	\$1,207	(rate/per employee)
888			
<u>Rate per employee</u>	\$1,207	0.023476564	or
Average annual salary	\$51,407		2.35%

(c) Unemployment Insurance Annual Cost

<u>Number Budgeted Positions</u>			
<u>\$30,811</u>	=	\$34.70	(rate/per employee)
888			
<u>Rate per employee</u>	\$34.70	0.000674943	or
Average annual salary	\$51,407		0.07%

(d) Total Longevity Pay

<u>\$466,801</u>	=	0.010225701	or
Total Base Salaries	\$45,649,781		1.02%

(e) General Liability Annual Cost

<u>Number Budget Positions</u>			
<u>\$284,700</u>	=	\$321	(rate/per employee)
888			
<u>Rate per employee</u>	\$321	0.006236613	or
Average annual salary	\$51,407		0.62%

**PUBLIC WORKS DEPARTMENT
PAYROLL COSTS**

ATTACHMENT 2

Payroll costs represents those hours not worked by employees but for which compensation is received by the employees.

<u>County policy provides the following:</u>			<u>Hours Applied</u>	
00125	Longevity	40 hours average annually	20	estimated
00150	Sick Leave	96 hours average annually	67	estimated
00151	Holidays	104 hours annually	104	
00152	Annual Leave	80 hours average annually	143	estimated
	Administrative Leave	17 hours average annually	17	
			351	

Formula: Annual paid hours 2,080 minus 351 hours = 1,729 on-duty hours.

$$\frac{2,080}{1,729} = 1.203007519 \quad \text{or} \quad 20.30\% \text{ Payroll Cost}$$

20.30% is applied against base salaries and that amount is charged to project by timesheet hours to recover 100% of gross salaries.

**PUBLIC WORKS DEPARTMENT
DEPARTMENT OVERHEAD ADMINISTRATIVE**

ATTACHMENT 3

60.01	Director's Office		\$1,017,643
60.02	Finance Division		\$501,980
60.03	Personnel & Central Services Division		\$496,934
60.14	PW Management & Budget		\$159,202
60.19	Computer Division		\$740,599
	Plus: All Other Divisions' Chiefs		\$1,214,374
	Less: Capital Appropriations		<u>\$0</u>
	Department Overhead		<u><u>\$4,130,732</u></u>
Total Salaries Public Works Department:		=	<u><u>\$45,649,781</u></u>
Department Overhead Rate:			
	<u>\$4,130,732</u>	=	0.090487437
	\$45,649,781		or
			9.05%

**PUBLIC WORKS DEPARTMENT
COUNTY OVERHEAD**

Per Metropolitan Dade County Budget Manual for Fiscal Year 2009-2010
the Indirect Cost or rate for the Public Works Department is **27.96%**

**PUBLIC WORKS DEPARTMENT
ATTACHMENTS 1, 2 & 3 SUMMARY
FY 10-11 AMOUNTS**

Class		
10	36.70%	Fringe Benefits
11	57.00%	Fringe Benefits + Payroll Cost
12	66.05%	Fringe Benefits + Payroll Cost + Department Overhead
13	94.01%	Fringe Benefits + Payroll Cost + Department Overhead + County Overhead

Memorandum



Date: November 9, 2011
To: PWD Division Chiefs
From: Ruth Rodriguez, Finance Division Chief
 Public Works Department
Subject: Overhead Rates FY 2011-2012

Listed below are the current class rates in effect to be utilized in this fiscal year for all reimbursable projects. Explanations for the rates have been included for your information.

Overhead Rates

CLASS	DESCRIPTION	PERCENTAGE	APPLICABLE TO
12	Fringe Benefits	41.34%	Projects funded by QNIP, Road Impact Fee, Secondary Gas Tax, Capital Outlay Reserve, Local Option Gas Tax, Peoples Transportation Plan, and Building Better Communities
	Division Overhead	18.933%	
	Department Overhead (Functional areas providing admin. Support)	9.45%	

CLASS	DESCRIPTION	PERCENTAGE	APPLICABLE TO
13	Fringe Benefits	41.34%	State and Federal Grants
	Division Overhead	18.93%	
	Department Overhead	9.45%	
	County Overhead	EOY calculation by OSMB 18.73%	

- The aforementioned class rates should be applied to the Public Works System (PWS) when entering employee timesheets against specific projects (direct salaries). This will allow for reimbursement from the project's funding source to employee's actual budgeted index code.
- Fringe Benefits components are provided through the County Budget Manual and the FY 2011-2012 OSBM provided assumptions.
- Division Overhead includes all indirect costs (e.g. Division management & clerical salaries) within each direct service that completes a timesheet (ROW, Highway Engineering, Construction, Traffic Engineering and Traffic Signals and Signs) and is used to support each Division's primary activities.
- Department Overhead is made up of those functional areas which provide administrative support to The entire Department including Director's Office, Personnel and Central Services, Technology Services, Finance, and Management & Budget. Department Overhead expenses will be reimbursed to the administrative support divisions at the end of the fiscal year.
- 10% employee contribution to health insurance is not included in the PWD fringe calculation.

**PUBLIC WORKS DEPARTMENT
FRINGE BENEFITS 2011-2012**

ATTACHMENT 1

Number Budgeted Positions:		793	
01010	F.I.C.A.		6.20%
01113	M.I.C.A.	Overtime Fringe:	20.29%
01011	Florida Retirement System		12.64%
01110	Group Health Insurance	(a)	16.32%
01111	Group Life Insurance		0.204%
01115	Worker's Compensation	(b)	3.44%
01116	Unemployment Insurance	(c)	0.09%
00125	Longevity Bonus	(d)	0.00%
23210	General Liability Insurance	(e)	1.00%

This rate to be applied against base salaries. 41.34%

Total Salaries	<u>\$39,602,931</u>	=	\$49,941
	793		

(a) Annual per employee Group Health Insurance

<u>Average annual salary per employee</u>			
<u>\$8,150</u>	=	0.163193729	or
\$49,941			16.32%

(b) Worker's Compensation Annual Costs

<u>Number Budgeted Positions</u>			
<u>\$1,360,600</u>	=	\$1,716	(rate/per employee)
793			
<u>Rate per employee</u>	\$1,716	0.034356043	or
Average annual salary	\$49,941		3.44%

(c) Unemployment Insurance Annual Cost

<u>Number Budgeted Positions</u>			
<u>\$35,977</u>	=	\$45.37	(rate/per employee)
793			
<u>Rate per employee</u>	\$45.37	0.000908443	or
Average annual salary	\$49,941		0.09%

(d) Total Longevity Pay

<u>\$0</u>	=	0	or
Total Base Salaries	\$39,602,931		0.00%

(e) General Liability Annual Cost

<u>Number Budget Positions</u>			
<u>\$397,800</u>	=	\$502	(rate/per employee)
793			
<u>Rate per employee</u>	\$502	0.010044711	or
Average annual salary	\$49,941		1.00%

**PUBLIC WORKS DEPARTMENT
PAYROLL COSTS**

ATTACHMENT 2

Payroll costs represents those hours not worked by employees but for which compensation is received by the employees.

County policy provides the following:			Hours Applied		
00125	Longevity	40 hours average annually	0	estimated	
00150	Sick Leave	96 hours average annually	70	estimated	
00151	Holidays	104 hours annually	104		
00152	Annual Leave	80 hours average annually	124	estimated	
	Administrative Leave	17 hours average annually	17		
			314		
Formula: Annual paid hours 2,080 minus 331 hours = 1,749 on-duty hours.					
	<u>2,080</u>	=	1.189251001	or	18.93% Payroll Cost
	1,749				
20.30% is applied against base salaries and that amount is charged to project by timesheet hours to recover 100% of gross salaries.					

**PUBLIC WORKS DEPARTMENT
DEPARTMENT OVERHEAD ADMINISTRATIVE**

ATTACHMENT 3

60.01	Director's Office		\$815,969
60.02	Finance Division		\$546,799
60.03	Personnel & Central Services Division		\$479,019
60.14	PW Management & Budget		\$139,691
60.19	Computer Division		\$732,973
	Plus: All Other Divisions' Chiefs		\$1,026,792
	Less: Capital Appropriations		\$0
	Department Overhead		<u>\$3,741,243</u>
Total Salaries Public Works Department:		=	<u>\$39,602,931</u>
Department Overhead Rate:			
	<u>\$3,741,243</u>	=	0.094468841 or 9.45%
	\$39,602,931		

**PUBLIC WORKS DEPARTMENT
COUNTY OVERHEAD**

Per Metropolitan Dade County Budget Manual for Fiscal Year 2009-2010
the Indirect Cost or rate for the Public Works Department is **18.73%**

**PUBLIC WORKS DEPARTMENT
ATTACHMENTS 1, 2 & 3 SUMMARY
FY 10-11 AMOUNTS**

Class		
10	41.34%	Fringe Benefits
11	60.27%	Fringe Benefits + Payroll Cost
12	69.72%	Fringe Benefits + Payroll Cost + Department Overhead
13	88.45%	Fringe Benefits + Payroll Cost + Department Overhead + County Overhead

Memorandum



Date: January 8, 2012
To: PWD Division Chiefs
From: Public Works and Waste Management Department
Subject: Overhead Rates FY 2012-2013

Listed below are the current class rates in effect to be utilized in this fiscal year for all reimbursable projects. Explanations for the rates have been included for your information.

Overhead Rates

CLASS	DESCRIPTION	PERCENTAGE	APPLICABLE TO
12	Fringe Benefits	35.99%	Projects funded by QNIP, Road Impact Fee, Secondary Gas Tax, Capital Outlay Reserve, Local Option Gas Tax, Peoples Transportation Plan, and Building Better Communities
	Division Overhead	18.93%	
	Department Overhead (Functional areas providing admin. Support)	16.46%	

CLASS	DESCRIPTION	PERCENTAGE	APPLICABLE TO
13	Fringe Benefits	35.83%	State and Federal Grants
	Division Overhead	18.93%	
	Department Overhead	16.46%	
	County Overhead	EOY calculation by OSMB 18.73%	

- The aforementioned class rates should be applied to the Public Works System (PWS) when entering employee timesheets against specific projects (direct salaries). This will allow for reimbursement from the project's funding source to employee's actual budgeted index code.
- Fringe Benefits components are provided through the County Budget Manual and the FY 2012-2013 OSBM provided assumptions.
- Division Overhead includes all indirect costs (e.g. Division management & clerical salaries) within each direct service that completes a timesheet (ROW, Highway Engineering, Construction, Traffic Engineering and Traffic Signals and Signs) and is used to support each Division's primary activities.
- Department Overhead is made up of those functional areas which provide administrative support to The entire Department including Director's Office, Personnel and Central Services, Technology Services, Finance, and Management & Budget. Department Overhead expenses will be reimbursed to the administrative support divisions at the end of the fiscal year.
- 5% employee contribution to health insurance is not included in the PWD fringe calculation.

**PUBLIC WORKS DEPARTMENT
FRINGE BENEFITS 2012-2013**

ATTACHMENT 1

Number Budgeted Positions:		1732	
01010	F.I.C.A.		6.20%
01113	M.I.C.A.	Overtime Fringe:	14.23%
01011	Florida Retirement System		6.58%
01110	Group Health Insurance	(a)	15.93%
01111	Group Life Insurance		0.204%
01115	Worker's Compensation	(b)	3.67%
01116	Unemployment Insurance	(c)	0.19%
00125	Longevity Bonus	(d)	1.16%
23210	General Liability Insurance	(e)	0.60%
This rate to be applied against base salaries.			<u>35.99%</u>
Total Salaries		<u>\$88,061,000</u>	= \$50,844
		1732	
(a) Annual per employee Group Health Insurance			
Average annual salary per employee			
<u>\$8,100</u>	=	0.159312295	or 15.93%
<u>\$50,844</u>			
(b) Worker's Compensation Annual Costs			
Number Budgeted Positions			
<u>\$3,232,600</u>	=	\$1,866 (rate/per employee)	
<u>1732</u>			
Rate per employee	\$1,866	0.036708645	or 3.67%
Average annual salary	\$50,844		
(c) Unemployment Insurance Annual Cost			
Number Budgeted Positions			
<u>\$169,689</u>	=	\$97.97 (rate/per employee)	
<u>1732</u>			
Rate per employee	\$97.97	0.001926948	or 0.19%
Average annual salary	\$50,844		
(d) Total Longevity Pay			
<u>\$1,019,000</u>		0.011571524	or 1.16%
Total Base Salaries	\$88,061,000		
(e) General Liability Annual Cost			
Number Budget Positions			
<u>\$529,900</u>	=	\$306 (rate/per employee)	
<u>1732</u>			
Rate per employee	\$306	0.00601742	or 0.60%
Average annual salary	\$50,844		

**PUBLIC WORKS DEPARTMENT
PAYROLL COSTS**

ATTACHMENT 2

Payroll costs represents those hours not worked by employees but for which compensation is received by the employees.

<u>County policy provides the following:</u>			<u>Hours Applied</u>		
00125	Longevity	40 hours average annually	17	estimated	
00150	Sick Leave	96 hours average annually	70	estimated	
00151	Holidays	104 hours annually	104		
00152	Annual Leave	80 hours average annually	124	estimated	
	Administrative Leave	17 hours average annually	17		
			331		
Formula: Annual paid hours 2,080 minus 331 hours = 1,749 on-duty hours.					
	<u>2,080</u>	=	1.189251001	or	18.93% Payroll Cost
	1,749				
18.93% is applied against base salaries and that amount is charged to project by timesheet hours to recover 100% of gross salaries.					

\$88,061,000 0.021800396 8002800 \$174,464.21

**PUBLIC WORKS DEPARTMENT
DEPARTMENT OVERHEAD ADMINISTRATIVE**

ATTACHMENT 3

Director's Office		\$936,500	
Finance Division		\$3,984,300	
Personnel & Central Services Division		\$2,096,200	
PW Management & Budget		\$1,919,765	
Computer Division		\$4,082,300	
Plus: All Other Divisions' Chiefs		\$1,479,790	
Less: Capital Appropriations		\$0	
		<u> </u>	
Department Overhead		<u><u>\$14,498,855</u></u>	
Total Salaries Public Works Department:	=	<u><u>\$88,061,000</u></u>	
Department Overhead Rate:			
		<u>\$14,498,855</u>	
	=	0.164645583	or
		<u>\$88,061,000</u>	16.46%

**PUBLIC WORKS DEPARTMENT
COUNTY OVERHEAD**

Per Miami Dade County Budget Manual for Fiscal Year 2012-2013
the Indirect Cost or rate for the Public Works Department is **18.73%**

Date: January 8, 2015
To: PWD Division Chiefs
From: Public Works -Management & Budget
Subject: Overhead Rates FY 2014-2015

Listed below are the current class rates in effect to be utilized in this fiscal year for all reimbursable projects. Explanations for the rates have been included for your information.

Overhead Rates

CLASS	DESCRIPTION	PERCENTAGE	APPLICABLE TO
12	Fringe Benefits	37.00%	Projects funded by QNIP, Road Impact Fee, Secondary Gas Tax, Capital Outlay Reserve, Local Option Gas Tax, People's Transportation Plan, and Building Better Communities
	Division Overhead	16.68%	
	Department Overhead (Functional areas providing admin. Support)	10.42%	

CLASS	DESCRIPTION	PERCENTAGE	APPLICABLE TO
13	Fringe Benefits	37.00%	State and Federal Grants
	Division Overhead	16.68%	
	Department Overhead	10.42%	
	County Overhead	EOY calculation by OMB 22.30%	

- The aforementioned class rates should be applied to the Public Works System (PWS) when entering employee timesheets against specific projects (direct salaries). This will allow for reimbursement from the project's funding source to employee's actual budgeted index code.
- Fringe Benefits components are provided through the County Budget Manual and the FY 2014-2015 OMB provided assumptions.
- Division Overhead includes all indirect costs (e.g. Division management & clerical salaries) within each direct service that completes a timesheet (ROW, Highway Engineering, Construction, Traffic Engineering and Traffic Signals and Signs) and is used to support each Division's primary activities.
- Department Overhead is made up of those functional areas which provide administrative support to the entire Department including Director's Office, Human Resources, Management & Budget and Information Services. Department Overhead expenses will be reimbursed to the administrative support divisions at the end of the fiscal year.

**PUBLIC WORKS DEPARTMENT
FRINGE BENEFITS 2014-2015**

ATTACHMENT 1

Number Budgeted Positions:		1,709		
01010	F.I.C.A.			6.20%
01113	M.I.C.A.	Overtime Fringe:	14.60%	1.45%
01011	Florida Retirement System			6.95%
01110	Group Health Insurance	(a)		16.49%
01111	Group Life Insurance			0.008%
01115	Worker's Compensation	(b)		4.06%
01116	Unemployment Insurance	(c)		0.06%
00125	Longevity Bonus	(d)		1.01%
23210	General Liability Insurance	(e)		0.77%
This rate to be applied against base salaries.				37.00%
Total Salaries		<u>\$82,030,063</u>	=	\$47,999
		1,709		
(a) Annual per employee Group Health Insurance				
<u>Average annual salary per employee</u>				
	<u>\$7,916</u>	=	0.164920562	or 16.49%
	\$47,999			
(b) Worker's Compensation Annual Costs				
<u>Number Budgeted Positions</u>				
	<u>\$3,329,600</u>	=	\$1,948 (rate/per employee)	
	1709			
	<u>Rate per employee</u>	\$1,948	0.040589997	or 4.06%
	Average annual salary	\$47,999		
(c) Unemployment Insurance Annual Cost				
<u>Number Budgeted Positions</u>				
	<u>\$48,341</u>	=	\$28.29 (rate/per employee)	
	1709			
	<u>Rate per employee</u>	\$28.29	0.000589303	or 0.06%
	Average annual salary	\$47,999		
(d) Total Longevity Pay				
	<u>\$831,019</u>		0.010130662	or 1.01%
	Total Base Salaries	\$82,030,063		
(e) General Liability Annual Cost				
<u>Number Budget Positions</u>				
	<u>\$629,193</u>	=	\$368 (rate/per employee)	
	1709			
	<u>Rate per employee</u>	\$368	0.007670277	or 0.77%
	Average annual salary	\$47,999		

**PUBLIC WORKS DEPARTMENT
PAYROLL COSTS**

ATTACHMENT 2

Payroll costs represents those hours not worked by employees but for which compensation is received by the employees.

<u>County policy provides the following:</u>			<u>Hours Applied</u>		
00125	Longevity	40 hours average annually	0	estimated	
00150	Sick Leave	96 hours average annually	70	estimated	
00151	Holidays	104 hours annually	104		
00152	Annual Leave	80 hours average annually	124	estimated	
	Administrative Leave	17 hours average annually	0		
			297		
<p>Formula: Annual paid hours 2,080 minus 297 hours = 1,783 on-duty hours.</p>					
	$\frac{2,080}{1,783}$	=	1.166750553	or	16.68% Payroll Cost
<p>16.68% is applied against base salaries and that amount is charged to project by timesheet hours to recover 100% of gross salaries.</p>					

**PUBLIC WORKS DEPARTMENT
DEPARTMENT OVERHEAD ADMINISTRATIVE**

ATTACHMENT 3

PUBLIC WORKS-DIRECTOR'S OFFICE	\$38,078	
FINANCE & ACCOUNTING		
HUMAN RESOURCES	\$411,925	
PUBLIC WORKS -MANAGEMENT & BUDGET	\$8,564,128	
INFORMATION SERVICES	\$1,577	
Plus: All Other Divisions' Chiefs	\$1,490,217	
Less: Capital Appropriations	\$0	
	<u> </u>	
Department Overhead	<u>\$10,505,925</u>	
Total Personnel Services Public Works Department:	<u>\$100,818,928</u>	
Department Overhead Rate:		
<u>\$10,505,925</u>	=	0.104205877
\$100,818,928		or
		10.42%

**PUBLIC WORKS DEPARTMENT
COUNTY OVERHEAD**

Per Miami Dade County Budget Manual for Fiscal Year 2014-2015
the Indirect Cost or rate for the Public Works Department is **22.30%**

Miami-Dade County Office of the Inspector General



FINAL AUDIT REPORT

Exhibit B

Timesheet Procedures Directive

Dated March 1, 2006

(1 page)


**Audit of Public Works and Waste Management's Application of
Internal Charges to PTP Neighborhood Improvement Funds
IG15-30**

Memorandum

MIAMI-DADE
COUNTY

Date: March 1, 2006

To: Distribution

From: 
Ines Beecher, Assistant Director for Administration
Public Works Department

Subject: Timesheet Procedures

Effective March 1, 2006, the following timesheet procedure is now in effect:

All administrative project numbers will be closed and only task codes will be utilized for input into the timesheets. Our current process does not allow for leave to be reimbursed to the various projects currently being charged in the Department. This means that the Department's operating funds have always absorbed the leave costs.

However, the United States Office of Management and Budget Circular A-87 considers leave a reimbursable activity. After consultation with the Finance Controller and various other County Departments on this circular, it was agreed that leave would be a reimbursable activity.

Example: Ms. Ines Beecher is currently working on three projects and is going on vacation. Instead of utilizing project number "Annual", Annual Leave, she will utilize the task code 9901 Annual Leave under each of her three projects, dividing her annual leave accordingly.

Should you have any questions concerning this matter, feel free to contact me at 305-375-5867.

DISTRIBUTION: PWD Assistant Directors
PWD Division Chiefs