



Memorandum



Miami-Dade County Office of the Inspector General
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To: The Honorable Carlos A. Gimenez, Mayor, Miami-Dade County
The Honorable Audrey Edmonson, Chairwoman
and Members, Board of County Commissioners, Miami-Dade County

From: Mary T. Cagle, Inspector General

Date: June 21, 2019

Subject: OIG Audit of MDAD Permittees – Ref. IG18-0002-A

For your information, attached please find an Office of the Inspector General (OIG) memorandum notifying the Miami-Dade Aviation Department (MDAD) that our audit of permittees is now closed. As you may recall, the OIG's audit was initiated in response to calls by the Board of County Commissioners to enhance revenue accountability in the operations of Miami International Airport.

The attached memorandum summarizes our audit work and some of the accomplishments achieved. Please do not hesitate to contact me if you have any questions.

Attachment

cc: Lester Sola, Director, MDAD
Cathy Jackson, Director, Audit and Management Services Department
Yinka Majekodunmi, Commission Auditor




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To: Lester Sola, Director, Miami-Dade Aviation Department

From: Mary T. Cagle, Inspector General 

Date: June 21, 2019

Subject: Acknowledgment of MDAD's Second Progress Report and Close-out of the OIG's MDAD Permits Phase 3: Unpermitted Vendors Remediation Monitoring; Ref: IG18-0002-A

As you may recall, in April 2018, the Office of the Inspector General (OIG) notified the Miami-Dade Aviation Department (MDAD), that we would be initiating a third phase to our on-going audit of MDAD's permittee processes. The audit, which was initiated in 2015 in response to Board of County Commissioners' directives aimed at increasing revenue accountability, focused on the operation and internal controls of the permit process as a whole. The OIG's audit has consisted of three phases. Final audit reports were issued in Phases 1 and 2 of the audit. Phase 3 has primarily involved monitoring MDAD's efforts to obtain compliance from its tenants in the identification of unpermitted vendors, collecting unremitted revenues, and getting those unpermitted vendors actually permitted.

Since the initiation of our audit, there has been significant improvement in MDAD's operation. In our Phase 1 audit report, issued in September 2016, we reported that the permit application, extension, and renewal processes are a continuous and repetitive activity, and that a staff of one individual to attend to that activity was not sufficient. MDAD addressed this condition with the addition of two temporary employees, which were later formalized into full-time permanent positions.

In Phase 1, we also reported that the annual Tenant/Vendor Letter (*Letter*) had not been sent to MDAD's tenants since 2011. The *Letter* is an important tool for MDAD Properties to verify, through third parties (tenants), the clients and customers of the permittees. Furthermore, the *Letter* aids MDAD Properties in identifying new business relationships between tenants and their vendors/permittees that may otherwise go unnoticed and result in a loss of revenue to MDAD. MDAD addressed this condition by immediately resuming the issuance of the *Letter* to all airport tenants in August 2016.

The Phase 2 audit report, issued in October 2017, covered permittee monthly and annual gross revenue reporting to determine whether permittees were submitting their gross revenue reports timely, and whether they were reporting gross revenue to MDAD Finance from the same clients previously disclosed to MDAD Properties. Our audit revealed that not all permittees had been accurately submitting the identity of their customers to both MDAD Finance and MDAD Properties. Of the ten permittees selected for review, one permittee reported to both divisions accurately, while eight permittees had reported gross

revenues to MDAD Finance for more customers than were disclosed in their permit agreements. The final permittee in the sample significantly underreported its gross revenues (by over \$1 million) by reporting revenues from only one of its two customers.¹ MDAD eventually collected \$72,354 in unpaid opportunity fees from this permittee. However, MDAD failed to assess late fees, penalties or interest as prescribed in the tenant's permit agreement. In response to our recommendations, MDAD later assessed the permittee a \$21,788 penalty.

Additionally, in response to another OIG recommendation, MDAD implemented an anti-fraud protocol that establishes a formal process for handling misrepresentation of reported gross revenues. This protocol requires detailed information regarding the incident, and determines whether if penalties, fees or other sanctions should be assessed. It further requires a joint consensus from the heads of Finance, Real Estate and Professional Compliance Divisions with final approval from the Director or his designee regarding the final determination.

Finally, as recommended in our Phase 2 audit report, MDAD updated the *Letter* to not only identify the names of the tenant's service providers, but to also include the total amounts paid to them in the last 12-month period. This revised *Letter* was sent out to all MDAD's tenants in August 2017.

In April 2018, the OIG initiated Phase 3 of the MDAD Permits audit. Phase 3 focused on MDAD's on-going efforts to obtain compliance from its tenants regarding the aforementioned *Letter*, and its progress in securing permits and collecting revenues from unpermitted vendors. Phase 3 was a direct result of prior work accomplished during Phases 1 and 2. At the OIG's request, MDAD provided progress reports in October 2018 and March 2019.

In its October 2018 progress update, MDAD advised the OIG of actions it had taken in securing information from airport tenants that had not responded to the August 2017 *Letter*. These actions included re-issuing the *Letter* in May 2018 and in July 2018 to vendors that previously failed to respond, as well as instituting a non-response fee.² MDAD further advised that the annual *Letter* would be sent out again in November 2018 to all MDAD tenants. Since this work was on-going, the OIG requested that MDAD provide us with a second progress update.

In March 2019, MDAD provided its second progress update and advised the OIG that on December 13, 2018, the annual *Letter* was sent to all 192 active tenants on aviation properties. As of February 28, 2019, 88 tenants had not responded. From the responses

¹ This discovery was made prior to the OIG testing. What we found was that MDAD staff made this discovery and questioned the permittee on its failure to disclose its customer and to remit the proper fees.

² As noted in MDAD's October 2018 progress report to the OIG: "After the August 2017 mailing, we did not receive responses from 167 tenants (85%), therefore on May 25, 2018 we remitted an additional 171 Tenant/Vendor Letters. We achieved a significant increase in responses, reducing our non-response statistic to 56%. We again remitted another Letter on July 26, 2018 to the remaining 94 unresponsive tenants and received 23 additional responses."

received, MDAD identified a total of 117 vendors requiring a permit or eviction. Of these, 40 vendors had applied for permits, and 12 had been approved. Additionally, MDAD had invoiced outstanding opportunity fees of \$651,949 from unpermitted vendors operating on airport property. This amount included \$60,307 in delinquency fees. As of March 11, 2019, \$217,485 had been collected. In April 2019, the OIG requested MDAD's supporting records to verify these numbers and the amounts noted therein. Supplemental documentation, provided in May 2019, was reviewed and all figures were supported.

We are pleased with MDAD's implementation of our recommendations as well as its ongoing efforts in identifying and remediating unpermitted vendors, collecting outstanding fees, and implementing process improvements to better monitor vendor and tenant activities. The *Letter* is vital in controlling accessibility to the airport premises, and it should be used as a continuous and on-going control.

Accordingly, the OIG is closing its Phase 3 monitoring, as well as the overall audit of MDAD permit processes. The OIG will continue to provide independent oversight of MDAD's operations, including its revenue generating activities and may deem it necessary to review such activities in the future. We would like to thank MDAD staff for their cooperation and the courtesies extended to us throughout this audit.

cc: Arlyn Rull, Chief of Staff, MDAD
Robert Warren, Assistant Director for Concessions Business Development, MDAD
Evelyn Campos, Division Director of Professional Compliance, MDAD