

# **EXECUTIVE SUMMARY**

## **Lack of Disadvantaged Business Enterprise Participation on the Miami-Dade Aviation Department's Duty Free Concession Agreement**

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In 1995, Miami-Dade County entered into an Agreement with Miami Airport Duty Free Joint Venture to operate the Duty and Tax Free Concession at Miami International Airport. The Agreement, administered by the Miami-Dade Aviation Department (MDAD), was for an initial five (5) years with five (5) one (1) year options-to-renew (this was later changed to a straight ten (10) year term). The Duty Free Concession Agreement included a total of thirty-four percent (34%) participation by four Disadvantaged Business Enterprises (DBEs) as joint venture partners.

The Office of the Inspector General (OIG) reviewed the Duty Free Concession Agreement (Duty Free Agreement) and has found Miami Airport Duty Free Joint Venture (MADFJV) to be in violation of several contractual provisions requiring real, meaningful and commercially useful participation by the DBE joint venture partners. The lack of real and meaningful participation by the DBEs on the Duty Free Agreement not only violates the provisions of the Agreement and the mandates and expectations of the County and the Board of County Commissioners, but it also discredits the DBE program at Miami International Airport.

Further, the OIG concludes that MDAD staff has failed to properly monitor and accurately report DBE participation in the Duty Free Agreement as required by the Board of County Commissioners and other regulations.

For the period from December 1, 1995 through November 30, 2001, over \$14.6 million in revenues have been allocated by MADFJV to the DBE joint venture partners. These revenues do not include deductions for repayment of interest on the DBEs' loan from the joint venture general partner, financing, depreciation, management fees, and other expenses, etc. Revenue allocation is what MADFJV has reported to the County pertaining to DBE participation on the Duty Free Agreement. However, the OIG determined that the DBE joint venture partners have

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<sup>1</sup> MADFJV's proposal included providing thirty-four percent (34%) participation on the Agreement by Disadvantaged Business Enterprises (DBEs) as joint venture partners which was made part of the Duty Free Agreement. The DBE joint venture partners in the MADFJV are:

1. Century Duty Free, Inc. (owned by Mr. Sergio Pino) with a 14% capital interest;
2. Bayside Company Store (now Miami To Go, owned by Ms. Carole Ann Taylor) with a 12% capital interest;
3. Media Consultants, Inc. (originally owned by Mr. Jorge De Cardenas; now owned by Mr. Luis De Cardenas) with a 4% capital interest;
4. Ms. Maria J. Argudin (individually) with a 4% capital interest.

not performed the specific, detailed functions that were outlined in the Duty Free Agreement and the associated Joint Venture Agreement that was approved by the Board of County Commissioners (BCC).

The OIG addressed the following four issues:

1. **Issue:** What did the BCC want and expect regarding the participation of DBEs in the Duty Free Agreement?

**Finding:** The BCC clearly and **repeatedly** stated that it wanted the DBE participation to be **real, meaningful, significant, substantive, and legitimate**. The BCC directed, for instance, that “there needed to be a firm commitment, not a want or a maybe; it needs to be true participation and not just window dressing; there must be a firm commitment on the involvement of the DBE firms.” The OIG has compiled a composite videotape of the numerous hearings conducted by the BCC. This composite videotape depicts numerous instances in which clear directions for active DBE participation were documented. (Exhibit 11)

2. **Issue:** What did County documents require regarding the participation of DBEs in the Duty Free Agreement?

**Finding:** There are sections of the County documents that specify the requirements for DBE participation in the Duty Free Agreement. For example, Addendum No. 1 amended the RFQ by adding a paragraph “...which emphasizes the portion of the Federal Aviation Administration regulations **to the effect that DBE participation must be meaningful and perform a commercially useful function.**” (Exhibit 2) (Emphasis added). This Addendum also stated in part: “**Proposers are also advised that the County will make careful scrutiny of any DBE participation in this contract to make certain that it meets the County’s desire, and the FAA Regulation’s directive, that DBE participation be meaningful and perform a commercially useful function.**” (Exhibit 3) (Emphasis added).

Articles 14.04 and 14.05 of the Duty Free Agreement also dealt with DBE requirements and the need for compliance with DBE requirements. (See Exhibit 4)

3. **Issue:** What did MADFJV state in their documents submitted to the County, and in their presentations to the BCC, regarding the participation of the DBE joint venture partners in the Duty Free Agreement?

**Finding:** MADFJV clearly specified the role of the DBE joint venture partners, and their respective owners, in documents submitted to the County. Exhibit A of the Joint Venture Agreement listed specific functions and responsibilities for each of the DBE joint venture partners and their owners (See Exhibit 5). Exhibit B of the Joint Venture Agreement listed specific training that would be provided to the DBE joint venture partners and noted that at the end of the training period, a participant will have the option of running one of the duty free stores at MIA (See Exhibit 6). Similar representations were made in the Statement of Qualifications submitted to the County (See Exhibits 7A-7D).

4. **Issue:** What has actually occurred from 1995 to the present regarding the participation of the DBE joint venture partners in the Duty Free Agreement?

**Finding:** The proposal submitted by MADFJV to the County listed specific functions that the DBE joint venture partners and their owners would perform under the Duty Free Agreement (See Exhibits 5, 7A-7D). The DBE joint venture partners' primary participation has been attending the quarterly meetings and providing verbal input at those meetings. No other evidence demonstrates that any other participation, as contemplated by the Agreement, has occurred. The training that was supposed to be provided to all of the DBE joint venture partners (See Exhibit 6, 7A, 7B) has also not been provided.

The OIG concludes that the MADFJV violated the provisions of the Duty Free Agreement because it failed to provide for real and meaningful DBE participation. Further, MDAD failed to properly monitor and administrate the Agreement. In short, the DBE participation goals program for this Agreement have not been achieved by MADFJV, the joint venture firm, which, in essence, won the duty free concession rights at Miami International Airport, in large part, by promising substantial and real DBE participation in the operation of the duty free concessions.