

I. INTRODUCTION

Responses received to the OIG's Draft Report are appended. No other changes have been made to this audit other than what is presented in underlined bold italics. In light of the supplemental response received by the Public Health Trust, see Appendix B, the OIG requests to be provided with a status update on that particular issue within 60 days.

Results Summary

In general, Public Health Trust (PHT) policies, procedures, and practices, as they relate to the audited Project Order, were not effective in ensuring that county statutory and administrative guidelines were adhered to and that its contract and project files contained complete, accurate, and current information. Also, Miami-Dade County's Department of Business Development (DBD) did not completely and promptly take the actions necessary to ensure that Arellano complied with County Community Small Business Enterprise (CSBE) ordinance requirements and DBD's own administrative guidelines. Lastly, Arellano Construction Company (Arellano), the prime contractor, did not pay its CSBE trade set aside subcontractors within the required two-day time period, nor did it completely and promptly file required CSBE program forms.

Background

The Office of the Inspector General (OIG) selected for audit the Public Health Trust of Dade County's construction Project No. P-00550, titled "Project 25, West Wing Rehabilitation and Trauma."¹ This project has a total budget of \$550,000, which is to be funded by the Jackson Memorial Foundation (JMF). However, the JMF could only provide funding for three of the project's eleven patient room renovations. Accordingly, the PHT initiated a project to renovate three patient rooms under a Project Order Directive (POD), dated June 4, 2001. Arellano submitted its Project Order Proposal complete with bids, on October 23, 2001.

Arellano's proposal indicated that its construction costs would be \$154,195, plus \$14,519 in overhead costs, for a total of \$168,714. PHT's Director of Construction Services issued Project Order No. P-00550 (PO) to Arellano, on October 24, 2001. This document officially set the work commencement date for this project as October 26, 2001. PHT also established the duration of the project construction period at 90 days, thus the completion date was to be January 24, 2002. As of September 12, 2002, this project's completion is 231 days past due. One of the three rooms is nearly completed. The remaining two rooms have yet to be started.

¹ The PHT was created in 1973 by the Dade County Board of County Commissioners to be an independent governing body charged with operating Jackson Memorial Hospital (JMH), the County's main medical facility. JMH is an accredited, non-profit tertiary care hospital and is the only full-service provider for Miami-Dade County indigent needing medical care. JMH is also the hub for the Jackson Health System, a county-wide network of healthcare services' facilities.

II. FINDINGS AND RECOMMENDATIONS

Public Health Trust (see Report Section IV A)

The PHT's contractor payment processing durations did not meet County Administrative Order (A.O.) 3-22, Section XIV (B)(1) which requires that requisitions containing payments to CSBE trade set-aside subcontractors be paid within 14 days.

Recommendations:

1. The PHT should educate its employees about the importance of complying with A.O. 3-22 provisions and the need for them to adhere to PHT procedures for processing contractor payments promptly.
2. The PHT Construction Services and Accounts Payable supervisors should be more diligent in monitoring their units' activities to ensure that they are performed promptly.
3. The PHT should implement the recommendation from the OIG's earlier issued audit, dated April 2001, on PHT invoice processing and payments that the PHT affix a "CSBE PROMPT PAYMENT" notation to all prime contractor payment applications containing CSBE subcontractor billings.

Please see the PHT's response to this finding and recommendations 1-3 in Appendix A (pages 1-2 of the PHT response).

The PHT did not have complete and accurate information at the time that it reviewed contractor billings for cost-reimbursable items to verify that such items were charged at contractually stipulated rates. Without such information, payment should not have been made and those payments that were made, totaling \$5,124.28, constitute questioned costs.

Recommendation:

4. PHT construction project managers should ensure that contractually required documentation supporting all contractor-billed costs is readily available at the time of invoice review.
5. With respect to the identified questioned costs, the PHT, with the assistance of the County Attorney's Office, should seek to recoup those monies.

These recommendations were initially addressed by the PHT in its initial response to the Draft Audit. (See pages 2-3 of the PHT response). The OIG provided the PHT with additional documentation for it to assess the veracity of this information. PHT submitted a supplemental response, dated December 11, 2002 which is attached as Appendix B.

The PHT does not have complete, reliable information that was prepared during the performance of this project's construction activities, including documentation, which fully explains the causes for the project's 231-day delay (as of September 12, 2002) and the PHT's planned corrective action(s).

Recommendation:

6. The PHT should enforce rigorous documentation standards to ensure that its project files always contain complete, reliable, and up-to-date information about a project's status.

Please see the PHT's response to this finding and recommendation 6 in Appendix A (p. 4 of the PHT response).

The PHT may have inadvertently assumed significant financial exposure that could have resulted from project-related accidents, injuries, and the like because it did not periodically check that Arellano's insurance was in effect and contained the required coverages and coverage amounts while Arellano was performing under the subject PO.

Recommendations:

7. The PHT should assign the responsibility of periodically verifying contractor insurance coverage information during a contract's period of performance to a designated work unit.

Please see the PHT's response to this finding and recommendation 7 in Appendix A (pgs. 4-5 of the PHT response).

The original RFP and contract documents did not contain the correct Wages and Benefits Schedule nor did they contain the standard "Inspector General" provision.

Recommendations:

8. The PHT should educate those of its employees responsible for preparing RFPs about the correct forms required by County ordinances and administrative orders.
9. The PHT should amend its customary construction contract language to include an "Inspector General" provision. A draft of the proposed contract language should be submitted to the OIG for review by the end of calendar year 2002.

Please see the PHT's response to this finding and recommendations 8-9 in Appendix A (p. 5 of the PHT response).

The PHT has not accounted for nor remitted to the OIG, the fee of one-quarter of one percent of this contract amount to pay for the OIG's costs to perform random audits of County and PHT contracts. In addition, the PHT has not accounted for nor remitted to the OIG this fee since September 2000.

Recommendation:

10. The PHT should establish milestones for reviewing its contracts awarded over the past two years to account for the IG fees, remitting to the OIG those amounts, and upgrading its accounting system to automatically handle these tasks in the future. The PHT should include these milestone dates in its response to this audit. (On or before the specified milestone date, the PHT should submit to the OIG, along with its past due remittance, a schedule listing the individual contracts and amounts that are being accounted for by the remittance.)

Please see the PHT's response to this finding and recommendation 10 in Appendix A (p. 6 of the PHT response).

Department of Business Development (see Report Section IV B)

DBD did not follow its procedures in monitoring Arellano's compliance with the County's CSBE program requirements and the Responsible Wages and Benefits Ordinance.

Recommendations:

11. DBD should educate its Compliance Specialists on the importance of performing completely and promptly all aspects of their job responsibilities, especially those related to enforcing County ordinances and administrative orders.
12. DBD should ensure that effective supervisory review takes place to ensure that Compliance Specialists complete fully their work assignments and provide quality service to other county work units and contractors.

Please see the DBD's response to this finding and recommendation 12 in Appendix C (DBD's response p. 1).

A.O. 3-24, Responsible Wages and Benefits for County Construction Contracts, contains language that is internally inconsistent and, also, is inconsistent with the language in County Code Section 2-11.16, which is the statutory basis for this program.

Recommendation:

13. DBD should review the language contained in A.O. 3-24 to check its consistency within itself and with the County Code and revise as necessary.

Please see the DBD's response to this finding and recommendation 13 in Appendix C (DBD's response p. 2).

Arellano Construction Company (see Report Section IV C)

No response was received from Arellano Construction Company. The OIG's advance notification letter is attached as Appendix D).

Arellano did not pay its CSBE subcontractors within the two-day period required by Section 10-33.02(3)(B)(1)(d) of the Code of Miami-Dade County and A.O. 3-22.

Recommendation:

14. Arellano should implement the procedures necessary for it to pay its CSBE subcontractors within the two-day timeframe mandated by both the Code and A.O. 3-22.

Arellano did not promptly file CSBE program required forms.

Recommendation:

15. Arellano should implement the procedures necessary to promptly file CSBE forms.

III. AUDIT SCOPE & OBJECTIVES

The scope of the audit encompasses the period October 26, 2001 through August 15, 2002, which coincides with the effective date of the project order through the date audit fieldwork ended.

The objectives of the OIG's review were:

1. To verify that payments to Arellano were documented and authorized in accordance with contract specifications, PHT policies and procedures, Florida statutes, and Miami-Dade County ordinances and administrative orders.
2. To examine PHT records to determine whether the records completely and accurately reflected Arellano's performance and other information that would be needed by the PHT to assess construction progress and, if necessary, provide a basis for initiating corrective action(s).
3. To evaluate DBD's project oversight activities to determine whether they were performed in accordance with procedures for monitoring Arellano's performance related to its:
 - a. Complete, accurate, and timely submission of required reports of CSBE subcontractor status;
 - b. Payment to its employees according to the County's Responsible Wages and Benefits ordinance; and
 - c. Payments to its CSBE subcontractors according to the County's CSBE ordinance.
4. To analyze Arellano's activities and records to determine whether they complied with contract requirements, as well as County ordinances and administrative orders.

IV. AUDIT RESULTS

A. THE PUBLIC HEALTH TRUST

The PHT's contractor payment processing durations did not meet County Administrative Order (A.O.) 3-22, Section XIV (B)(1) which requires that requisitions containing payments to CSBE trade set-aside subcontractors be paid within 14 days.

The PHT's handling of Arellano's payment requisitions took between 46 and 73 days to complete. The time span was measured between the dates that the PHT's consultant approved the payment requisition and the date that the PHT mailed the payment to Arellano. The average time was 61 days or more than four times longer than the maximum 14-day time span required under A.O. No. 3-22, *Community Small Business Enterprise (CSBE) Program for the Purchase of Construction Services*.²

TABLE 1

Pay Req No.	Date Architect / Consultant Approves Requisition	Approved by Construction Services Director (CSD)	Received by PHT Accounts Payable (A/P)	Check Mailed	Construction Services Processing Duration	Transmittal Duration Btwn. CSD and A/P	Accounts Payable Processing Duration	Total PHT Processing Duration
2	11/30/01	12/24/01	12/27/01	1/15/02	24	3	19	46
3	12/28/01	2/19/02	2/21/02	3/11/02	53	2	18	73
4	2/4/02	3/4/02	3/8/02	4/9/02	28	4	32	64
Average # of Days Duration					35	3	23	61

The PHT Construction Services Section did not date stamp the face of Arellano's payment requisitions upon their receipt, thus, the OIG auditor could not precisely measure the duration of the period that the PHT actually took to process the application. Nonetheless, even if a reasonable period (e.g., seven days) was imputed to have taken place between the dates that the PHT's consultant approved the applications and the dates that the PHT received them, the total PHT processing durations still far exceeded the 14-day maximum period allowed under A.O. No. 3-22.

The PHT Policy and Procedure Manual, Plant Operations, (P & P 11.6), Section III, Pay Requests, Paragraph 2, states that "the Project Manager and the Architect, within seven (7) days, will either issue Certificate for Payment to the Owner, with a copy to the Contractor for such amount as the Owner's Representative determines properly due or will notify in writing his reasons for withholding a Certificate." For the three contractor payment applications reviewed by the OIG auditor, the Construction Services staff was responsible, on average, for 35 days (57%)

² The project has a CSBE trade set-aside contract measure for electrical and plumbing subcontractors. In order to meet the measure, Arellano entered into written subcontracts with two CSBE firms—Marlin Electrical and PGC Mechanical.

of the average 61 days it took for the PHT to remit payments to Arellano. This period is more than twice as long as the time mandated by A.O. 3-22.

The major portion of the above-mentioned time period occurred between the dates that the PHT Architect/Consultant and the PHT Construction Project Manager each approved the payment applications. On average, these periods accounted for 26 days, or 74% of the average 35 days the Construction Services Section held the payment requisitions for approval.

Another portion of the overall processing period is attributable to activities performed by the PHT's Accounts Payable Section. For the three payments reviewed, the Accounts Payable Section spent an average of 23 days to process and remit payments to Arellano. Thus, payment requisition processing by the PHT Accounts Payable Section also was longer than the 14 days mandated by A.O. 3-22.

Furthermore, the PHT has not as yet implemented a recommendation from the earlier OIG audit "Invoice Payment Processing Audit," issued April 2001 to Miami-Dade County and PHT management. The recommendation was for the PHT to affix a "CSBE PROMPT PAYMENT" notation to all prime contractor payment applications that contained CSBE subcontractor billings. This notation would highlight the fact to PHT staff that the payment application should be processed expeditiously. One more issue deserving PHT management attention is that some Construction Services and Accounts Payable Sections individuals apparently were not aware of the CSBE ordinance and payment requirements.

The PHT's noncompliance with the CSBE Ordinance prompt payment provision defeats one of the major benefits provided under the CSBE program. The Accounts Payable Section of PHT should work with the Construction Services Section to identify where the deficiencies lie in the processing of contractor payments and devise a workable solution to comply with the 14-day payment time frame associated with prime contractors using CSBE subcontractors.

Recommendations:

1. The PHT should educate its employees about the importance of complying with A.O. 3-22 provisions and the need for them to adhere to PHT procedures for processing contractor payments promptly.
2. The PHT Construction Services and Accounts Payable supervisors should be more diligent in monitoring their units' activities to ensure that they are performed promptly.
3. The PHT should implement the recommendation from the OIG's earlier issued audit, dated April 2001, on PHT invoice processing and payments that the PHT affix a "CSBE PROMPT PAYMENT" notation to all prime contractor payment applications containing CSBE subcontractor billings.

The PHT did not have complete and accurate information at the time that it reviewed contractor billings for cost-reimbursable items to verify that such items were charged at contractually stipulated rates. Without such information, payment should not have been made and those payments that were made, totaling \$5,124.28, constitute questioned costs.

The OIG auditor reviewed three “Contractor Payment Request” forms submitted to the PHT in order to determine whether sufficient documentation was attached, which supports the requisitioned amounts. Additionally, the OIG auditor verified that authorized PHT personnel (i.e., construction project manager, architect/ engineer, construction administrator, etc.) approved the payment requisitions for payment.

The OIG auditor reviewed contractor invoices, subcontractor billings, lien releases, and other attached documentation. All reviewed requisitions were improperly approved for payment, as some of the required documentation was incomplete and/or missing.

Lack of Supporting Documentation for Hourly Labor Rates Billed

The three Arellano payment requisitions reviewed contained nine invoices for self-performed work, including supervisory costs.³ Arellano’s invoices, however, only showed the number of hours worked. They did not indicate the employees’ trade-level classifications and their hourly wage and benefits rates. Thus, there was no way to check the mathematical accuracy of the invoiced amounts or to verify that Arellano was paying the correct wages and benefits to its employees. PHT files did not contain information regarding the contractual rates or the correct version of the County’s Wage and Benefit Schedule.

Upon request by the OIG, Arellano provided the OIG auditor with an “adjusted pay rates” schedule showing worker name, trade classification, hourly rates, weekly work periods, and total weekly worker wages. The schedule, however, did not show the workers trade “level”, such journeyman, foreman, apprentice and other descriptions necessary to determine an appropriate wage rate. For supervisory personnel, the information provided to the auditor was so incomplete that both Arellano’s Controller and its President could not explain how Arellano calculated its billing rate for this classification. Notwithstanding, the OIG auditor verified that the rates for non-supervisory workers were equal to or greater than the wages published in the County’s 3rd Quarter, 1999 *Wage and Benefit Schedule*.

Under the subject contract, Arellano must report monthly how it calculated its labor, rentals, and materials’ costs applicable to the work performed. This information should be reported on the contractually specified *Labor Burden Calculation Summaries Form*, which should be included with the payment requisitions. Arellano’s report was lacking a complete and accurate listing of the work hours and pay rates. As a result, the PHT did not (could not) verify whether Arellano’s labor costs were correct, and as such, should not have authorized said payment.

³ Under the contract, the prime contractor is allowed to do self-performed work and be reimbursed under the Cost Plus method.

For general labor costs, the OIG auditor found nine invoices from Stride Contractors, Inc. (a subcontractor) that were submitted as part of Arellano's payment requisition that were paid without adequate supporting documentation. These nine invoices total \$2,614.26. For supervisory labor costs, the OIG auditor found two invoices submitted by Arellano that were paid by the PHT without adequate supporting documentation, totaling \$2,510.02. In sum, the OIG auditor identified \$5,124.28 in questioned costs that should not have been paid by the PHT.

Recommendations:

4. PHT construction project managers should ensure that contractually required documentation supporting all contractor-billed costs is readily available at the time of invoice review.
5. With respect to the identified questioned costs, the PHT, with the assistance of the County Attorney's Office, should seek to recoup those monies.

Other Audit Steps

Partial Release of Liens and Subcontractor/Supplier Partial Releases of Claim

Payment Requisition Nos. 2 through 4 all included the appropriate Conditional Partial Release of Liens from the subcontractors for the previous requisitions. Also, the OIG auditor reviewed the "Subcontractor/Supplier Releases of Claim" forms that were attached to the PHT-approved pay requisitions to verify that the CSBE subcontractors were paid all amounts due from Arellano, under prior Contractor Payment Requisitions. During the OIG auditor's onsite visit to Arellano Construction Company on July 17, 2002, the OIG auditor reviewed payment vouchers, the "Subcontractors/ Supplier's Release of Claim" forms, and copies of cancelled checks from Arellano to its CSBE subcontractors. **No exceptions were noted with regards to the amounts paid or adequacy of supporting documentation.** However, Arellano's turn-around timeframes for paying its CSBE subcontractors exceeded the 2-day payment requirement mandated by Administrative Ordinance 3-22. (See Finding 9)

Review of Project Order Modifications – POMs (Contract Change Orders)

The OIG reviewed POM No. 1, which was the only one issued during the audit period, October 26, 2001 through May 31, 2002, to verify that it was properly approved prior to the payment of the requisition and the described modifications were not previously included in the project's original scope of work. **No exceptions were noted.**

The PHT does not have complete, reliable information that was prepared during the performance of this project's construction activities, including documentation, which fully explains the causes for the project's 231-day delay (as of September 12, 2002) and the PHT's planned corrective action(s).

As of September 12, 2002, project completion is past due by 231 days. The Project Order (PO), effective October 26, 2001, authorized Arellano to commence work as of this date and established the time of completion for the project at 90 calendar days. The project should have been completed no later than January 24, 2002.

As of September 12, 2002, this project had not been completed with two of the three patient rooms not yet started. The one room that has been worked on is near completion, with only the punch list items remaining to be finished. The punch list was prepared on February 11, 2002. There were 15 outstanding items that needed to be resolved by Arellano before the Architect of Record, Bermello, Ajamil & Partners (Bermello), would issue a letter of acceptance.

The PHT Construction Services staff cited "numerous delays" that caused the project completion date to be delayed, such as use of the wrong materials for the room wall coverings, additional request for fabric valances as window treatments, electrical outlets requiring relocation, as some were not installed in the correct location in the patient room, etc. However, these situations were not documented completely by Construction Services staff.

Additionally, it was explained to the OIG auditor that during project construction, a Hill Rom unit⁴ was delivered by the manufacturer with "missing components." The missing component was a wall diagram, which is to be used by the contractor to ensure the correct installation of the unit. Instead, the Hill Rom unit was installed in the patient room without this wall diagram. As a result, the unit was not functioning properly because of incorrect wiring. A new wall panel had to be ordered to correct the unit's installation.

Notwithstanding the problematic construction issues, the PHT's poor planning at the onset of the project may be at fault for most of the delay. The PHT started this project without first ensuring the availability of the two other rooms for renovation, on a timely basis. The PHT Construction Services staff informed the OIG auditor that the patient room renovation project would not be completed until these two rooms are unoccupied. Additionally, the OIG auditor confirmed with PHT management that there were no project order modifications extending the contract completion date.

In conclusion, the various explanations provided by PHT for the extensive project completion delay, while they may be factual, are also unverifiable by way of an examination of the documentation contained in PHT's project files. The lack of complete, accurate project documentation is an unacceptable condition for any PHT construction project, whether delayed or not.

⁴ The Hill Rom unit is critical medical equipment which is installed on a wall panel in all hospital patient rooms and has multifunctional uses, such as dispensing oxygen to the hospital patient, allows the patient to intercom medical staff, controls the room lighting, etc.

Recommendation:

6. The PHT should enforce rigorous documentation standards to ensure that its project files always contain complete, reliable, and up-to-date information about a project's status.

The PHT may have inadvertently assumed significant financial exposure that could have resulted from project-related accidents, injuries, and the like because it did not periodically check that Arellano's insurance was in effect and contained the required coverages and coverage amounts while Arellano was performing under the subject PO.

Section 6.01, "Insurance," of the General Conditions of the MCMC-99 requires that Arellano maintain various insurance coverages throughout the duration of the contract. Specifically, Arellano is required to maintain workmen's compensation insurance, automobile liability insurance coverage, completed value builders risk insurance, and property damage liability insurance.

The Director of PHT Construction Services stated that the PHT obtains all necessary proof of insurance coverage requirements during the contract award process. (In this case, it would be 2000 when Arellano was awarded MCMC-99). At that time, PHT's Risk Management Department verifies that a contractor's insurance coverage meets contract specifications. Notwithstanding, the insurance certificates maintained as part of PHT's file, shows that the Arellano did not have proof of coverage for Automobile Liability Insurance, as required per MCMC-99, Section 6, *Insurance*.

PHT's Construction Services Section, General Accounting, and Risk Management Departments did not periodically verify that Arellano's insurance coverage was current and that it maintained the required coverage amounts. Individuals from these groups stated that it was not one of their job responsibilities to make periodic checks verifying a contractor's insurance coverage. Without this verification, there is the risk that the PHT may be using contractors that are uninsured or underinsured, possibly causing the PHT to be liable for monetary damages.

Notwithstanding, OIG auditors verified that Arellano maintained the contractually required coverages and coverage amounts during the two following calendar years 2001 and 2002 by obtaining from Arellano copies of is certificates of insurance for those years. In addition, OIG auditors verified that, for all three calendar years of the contract period (i.e., 2000 – 2002), all insurance companies listed on the certificates of insurance met the management and financial strength requirements set forth in Section 6 of MCMC-99.⁵ **No exceptions were noted.**

⁵ The auditors used insurance company information obtained from the A.M. Best website. A.M. Best is widely used as a source of insurance industry information. Best's Ratings are the established standard for insurance company financial performance and are relied upon by insurers, regulators, financial institutions, investors and consumers as an indicator of strength and stability.

Recommendation:

7. The PHT should assign the responsibility of periodically verifying contractor insurance coverage information during a contract's period of performance to a designated work unit.

The original RFP and contract documents did not contain the correct Wages and Benefits Schedule nor did they contain the standard "Inspector General" provision.

Wages and Benefits Schedule

The PHT used incorrect versions of the Wages and Benefits Schedule on two separate occasions during this contract performance period. The Request for Proposals (RFP) for the Miscellaneous Construction Management Contract (MCMC-99) was issued on December 13, 1999 and incorrectly included the Wages and Benefits Schedule for the 4th Quarter of the calendar year 1999. The RFP should have included the Wages and Benefits Schedule for the 3rd Quarter of the calendar year 1999. PHT management stated that the assembly of the RFP and its attachments, which included the Wages and Benefits Schedule, occurred prior to the current management's tenure and any explanations at this time would be speculations of what happened in 1999.

Additionally, the Project Order issued to Arellano on October 26, 2001 included an incorrect version of the Wages and Benefits Schedule. The PHT Construction Project Manager stated that since the Project Order was issued to Arellano on October 26, 2001, PHT staff must have decided that the applicable schedule to be used for this project was the one corresponding to the 4th Quarter of the year 2001. The correct version of the schedule that should have been used was the one for the 3rd Quarter, 1999.

OIG Contract Provision

The subject contract does not contain the OIG standard contract provision that describes the OIG fee and goes on in some detail describing the OIG's oversight responsibilities and its rights to access all county and contractor records related to contract performance. Section 2-1076(c)(6) of the Code of Miami-Dade County states that "the Inspector General may, on a random basis, perform audits on all County contracts . . . The cost of random audits shall be incorporated into the contract price of all contracts and shall be one quarter (1/4) of one (1) percent of the contract price."

Recommendations:

8. The PHT should educate those of its employees responsible for preparing RFPs about the correct forms required by County ordinances and administrative orders.
9. The PHT should amend its customary construction contract language to include an "Inspector General" provision. A draft of the proposed contract language should be submitted to the OIG for review by the end of calendar year 2002.

The PHT has not accounted for nor remitted to the OIG, the fee of one-quarter of one percent of this contract amount to pay for the OIG's costs to perform random audits of County and PHT contracts. In addition, the PHT has not accounted for nor remitted to the OIG this fee since September 2000.

The PHT has not deducted the Inspector General random audit fee (IG Fee) from the payment requisitions paid to Arellano, as required by Miami-Dade County Code §2-1076(c)(6). In addition, the PHT Accounts Payable Manager informed the OIG auditor that the last time the IG fee, from all impacted PHT contracts, was remitted to the Office of the Inspector General (OIG) occurred in September 2000. IG fees in the amount of \$219,053.80 were collected during the period April 2000 through August 2000 and remitted on September 29, 2000.

The Accounts Payable Manager stated that the IG fee is currently calculated manually, as the PHT's accounting system does not allow for this process to occur automatically. This individual also stated that the next schedule assessment would take place sometime in September 2002, after the PHT fiscal year is closed.

In addition, both the Controller and the Accounts Payable Manager stated that they are working with the PHT Management Information System Department to implement a system of codes that would enable the current accounting system to flag and initiate assessment of the IG fee automatically on any payment subject to the IG fee. The IG fees collected by the PHT would then be remitted on a quarterly basis to the OIG revenue accounts maintained by the County's Finance Department.

The Accounts Payable Manager provided the OIG auditor with copies of the last two check payments for OIG fees issued by the PHT. The two check amounts totaled \$325,107.59. The fees paid were collected for the period November 1999 through August 2000. The OIG auditor independently verified that the PHT remitted the IG fees by reviewing the County's on-line records maintained in its "Financial and Accounting Management Information System." However, the PHT could not provide details of how these amounts were calculated, thus the OIG auditor could not verify that the amounts were complete and accurately stated.

Recommendation:

10. The PHT should establish milestones for reviewing its contracts awarded over the past two years to account for the IG fees, remitting to the OIG those amounts, and upgrading its accounting system to automatically handle these tasks in the future. PHT should include these milestone dates in its response to this audit. (On or before the specified milestone date, the PHT should submit to the OIG, along with its past due remittance, a schedule listing the individual contracts and amounts that are being accounted for by the remittance.)

B. DEPARTMENT OF BUSINESS DEVELOPMENT

DBD did not follow its procedures in monitoring Arellano's compliance with the County's CSBE program requirements and the Responsible Wages and Benefits Ordinance.

Schedule of Participation (SOP) form not used to report CSBEs performing trade set aside work.

According to the CSBE Participation Provisions, Form DBD 301, the Schedule of Participation (SOP), is to be used by Arellano for reporting the names and participation amounts of the CSBE subcontractors performing the trade set-aside work for a given project. However, this form was not used for this contract.

Instead, DBD Form 304 entitled "Set-Aside List of Subcontractors (SLOS)," was used by PHT and DBD to report the CSBE subcontractors performing the trade set-aside work for this project. This form, however, is to be used only for *contract* set-asides, per the CSBE Ordinance, *not trade set-asides*.⁶ The OIG could not verify that this form, even if it was the incorrect form, was completed because DBD staff explained that these forms are routinely purged from the files. The only document naming the CSBE subcontractors that were performing the trade set-aside work is the Project Order Proposal dated October 23, 2001.

No MUR reviews performed by DBD during the contract period of performance.

There is no evidence that DBD performed any reviews of Arellano's Monthly Utilization Reports (MURs) to independently verify the payment information submitted on the MURs and Arellano's progress in meeting the trade-set aside participation amounts.

No follow up on MURs submitted late by Arellano.

For the eight-month reporting period reviewed of October 1, 2001 to May 31, 2002, Arellano submitted late all eight MURs to DBD. Although DBD did not indicate the receipt date on any of the eight MURs, Arellano signed the first six of the eight MURs *past* the 10th day of the following month (i.e., the due date). Of these six that were dated after the due date, the average number of days late was four. Moreover, Arellano notarized all eight MURs past the 10th day of the following month. Of the late dated notarizations, they were, on average, notarized 7 days after the due date. While, the date that the MURs were actually submitted to DBD cannot be determined, it is reasonable to assume that if they were signed and notarized past the due date, they were also submitted late. DBD, however, failed to follow up on this situation.

⁶ County construction contracts, which are categorized as "contract set-asides" under the CSBE program, are for bidding solely among CSBEs. By contrast, construction trade set-asides contracts are those for which an entire specialty trade (electrical, plumbing, etc.) is to be performed by certified CSBE subcontractors.

No verification that CSBE subcontractors were receiving payment in accordance with A.O. 3-22

There is no evidence in DBD files that it had taken steps to confirm that the CSBE subcontractors were receiving payment in accordance with A.O. 3-22. This would include verifying both that PHT was processing payment applications containing CSBE subcontractor amounts within 14 days and that Arellano was remitting to these subs such amounts within two days after receiving payments from the County.

No follow up with alleged Responsible Wages Ordinance violation.

FMA Construction, a subcontractor to Arellano for this project, may have been in noncompliance with the "Responsible Wages and Benefits Ordinance" (Ord. 90-143, see A.O. 3-24). A DBD Compliance Specialist noted in the Project Activity Log that during a November 20, 2001 interview conducted at the PHT project worksite, an employee of FMA Construction stated that his job classification was Drywall and his pay rate was \$15.00 an hour. The Employee Interview Form shows that this employee used tools to perform his job and that he had at least 5 years of experience. According to the County's *Wages and Benefits Schedule* for 3rd Quarter of Year 1999,⁷ the pay rate for a Drywall Journeyman using tools was \$16.70, or \$1.70 more per hour than what the employee had stated in the interview. The OIG was unable to confirm what rate was paid because there is no FMA certified payroll for the period.

Also, not only did DBD use an incorrect version of the *Wages and Benefits Schedule* for this project but also the Compliance Specialist noted the incorrect pay rate in the Employee Interview Form. The subject employee stated that he used tools to perform his job. The pay rate for employees performing drywall work using tools is higher. Furthermore, the DBD Compliance Specialist checked the "Violation Box" when completing the Employee Interview form. However, there was no documented follow up on this matter by the DBD Compliance Specialist, such as a letter of non-compliance to the contractor and/or subcontractor and the PHT, or a note in the Project Activity Log that the prime contractor and/or subcontractor was contacted about this possible violation.

Recommendations:

11. DBD should educate its Compliance Specialists on the importance of performing completely and promptly all aspects of their job responsibilities, especially those related to enforcing County ordinances and administrative orders.
12. DBD should ensure that effective supervisory review takes place to ensure that Compliance Specialists complete fully their work assignments and provide quality service to other county work units and contractors.

⁷ The appropriate Wages and Benefits Schedule to use in this project is the one corresponding to the 3rd Quarter of the year 1999. See No. Audit Result 1 above for explanation.

A.O. 3-24, Responsible Wages and Benefits for County Construction Contracts, contains language that is internally inconsistent and, also, is inconsistent with the language in County Code Section 2-11.16, which is the statutory basis for this program.

County Code Section 2-11.16 states that “in ascertaining the [wage] rate to be paid, the minimum standard shall be the combined overall dollar amount . . . for such [job] classification under contracts in effect as of the end of the quarter next preceding the quarter in which the proposed bid is expected to be advertised.”

The language in County Code Section 2-11.16 is similar to that used in the A.O. 3-24 section addressing *Procedures for Determining Overall Hourly Wage Rates and Classification of Employees*. In contrast, another section of A.O. 3-22, which addresses *Responsibility of Departments Leasing County-Owned Land for Construction of Privately Funded Improvements Thereon*, states in Paragraph A., Section 2., that “the wage rates shall be determined by the applicable quarter in effect at the time the construction contract is entered into.” According to a County Attorney’s Office representative, Code Section 2-11.16, is the authoritative source for determining which wages and benefits schedule should be used.

Recommendation:

13. DBD should review the language contained in A.O. 3-24 to check its consistency within itself and with the County Code and revise as necessary.

C. ARELLANO CONSTRUCTION COMPANY, INC.

Arellano did not pay its CSBE subcontractors within the two-day period required by Section 10-33.02(3)(B)(1)(d) of the Code of Miami-Dade County and A.O. 3-22.

Arellano did not pay its CSBE subcontractors within the A.O. 3-22 required two-day timeframe for contracts with CSBE trade set-asides. The OIG auditor conducted an on-site review at Arellano’s office of supporting records and documents to verify the amounts paid and the actual dates of payments to the CSBE subcontractors. Additionally, the OIG auditor directly contacted the two CSBE subcontractors to independently confirm the dates and payment amounts received from Arellano. **No exceptions were noted with regards to the amounts paid or adequacy of supporting documentation.** However, Arellano took between four to seven business days to issue payments to the CSBE subcontractors. Thus, Arellano did not expedite payments to the CSBE subcontractors within the requisite two-day timeframe, as required by the CSBE Prompt Payment Ordinance.

TABLE 2

DESCRIPTION			PAYMENT AMOUNTS			PAYMENT DATES		
Prime Contractor Requisition No.	CSBE Subcontractor	Type of Service	Per Requisition	Less Retainage (10% of Requisition amount)	Net Amount Disbursed to CSBE by Prime Contractor	Received by Prime Contractor from PHT	Received by CSBE from Prime Contractor	(1) Prime Contractor Receipt Date vs. Date Disbursed to CSBE
2	Marlin Electrical Contractor	Electrical	\$9,839.00	\$983.90	\$ 8,855.10	1/16/02	1/25/02	7
3	PGC Mechanical Inc.	Plumbing	\$3,095.00	\$309.50	\$2,785.50	3/18/02	3/22/02	4
4	PGC Mechanical Inc.	Plumbing	\$2,100.00	\$210.00	\$1,890.00	4/10/02	4/19/02	7
Totals			\$15,034.00	\$1,503.40	\$13,530.60	Average No. of Days		6

(1) The OIG auditor excluded the two weekends days, Saturday and Sunday, in this analysis.

Arellano stated that it believed it was in compliance with the A.O. and that its payments to the CSBE subcontractors were made “within the two (2) days requirement.” When presented with the facts, however, Arellano offered no explanation of the late payments.

Based on inquiries with DBD personnel and review of the supporting documentation in the project files maintained by DBD staff, there was no evidence that the two-day payment timeframe mandated by Miami-Dade Code Section 10-33.02(3)(B)(1)(d) was addressed by DBD with Arellano. During the pre-construction meetings, which Arellano was required to attend and DBD staff also participated, there was no notation in DBD’s Project Activity Log that this issue was ever discussed with Arellano.

Recommendation:

- Arellano should implement the procedures necessary for it to pay its CSBE subcontractors within the two-day timeframe mandated by both the Code and A.O. 3-22.

Arellano did not promptly file CSBE program required forms.

As previously reported, Arellano did not promptly file CSBE program required forms. For the eight-month reporting period between October 1, 2001 and May 31, 2002, Arellano submitted late all eight MURs to DBD. Arellano signed the first six of the eight MURs past the 10th day of the following month (i.e., the due date). Of these six that were dated after the due date, the average number of days late was four. Moreover, Arellano notarized all eight MURs past the 10th day of the following month. Of the late dated notarizations, they were, on average, notarized 7 days after the due date.

The CSBE ordinance, "Post Award Compliance and Monitoring" section, requires prime contractors to submit a *Monthly CSBE Utilization Report* by the 10th day of every month to DBD certifying the amounts that it has paid to its CSBE subcontractors. Failure to comply with the reporting requirements may result in the imposition of contractual sanctions or administrative penalties by the County.

Recommendation:

15. Arellano should implement the procedures necessary to promptly file CSBE forms.

The OIG appreciates the cooperation and courtesies extended by all PHT and DBD personnel and Arellano Construction Company representatives who were involved in our audit of Project P-00550.

APPENDIX

- A. OIG advance notification letter to the Public Health Trust (PHT).
PHT response attached.**
- B. OIG supplemental letter to the PHT dated November 19, 2002.
PHT's supplemental response attached.**
- C. OIG advance notification letter to the Department of Business Development (DBD).
Extension of time granted. DBD response attached.**
- D. OIG advance notification letter to Arellano Construction Company.
No response was received.**