

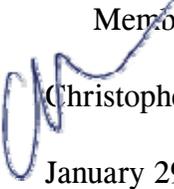


Memorandum

19 West Flagler Street ♦ Suite 220 ♦ Miami, Florida 33130
Phone: (305) 375-1946 ♦ Fax: (305) 579-2656
visit our website at www.miamidadelg.org

To: The Honorable Carlos Alvarez, Mayor, Miami-Dade County

The Honorable Chairman Bruno A. Barreiro and
Members, Board of County Commissioners, Miami-Dade County

From:  Christopher Mazzella, Inspector General

Date: January 29, 2008

Subject: Executive Summary and Transmittal of the OIG's Final Audit Report on the
Department of Business Development's Minority Development Conference
Trust Fund Account, Ref. IG07-30A

Introduction

Attached please find the Office of the Inspector General's (OIG) Final Audit Report on the above-captioned subject. A joint response from the Miami-Dade County (County) Department of Small Business Development Department (SBD) and the County's Finance Department is included in the final report as Appendix A.

The Minority Business Development Conference Trust Fund Account (TFA) was established in 1986 by Miami-Dade Board of County Commissioners (BCC) Resolution No. R-1225-86. The TFA was to be administered by the Director of the Office of Minority Business Development [subsequently the Department of Business Development (DBD)]¹ and supervised by the Finance Department. In 1991, the BCC adopted Resolution R-1364-91, which amended R-1225-86. The amendment expanded the authorized use of monies from the TFA to include expenditures for quarterly business workshops, professional forums and other business related activities.

The purpose of the OIG's audit was to evaluate DBD's management of the TFA and to determine whether receipts and disbursements were appropriately approved and supported. During our audit period (October 1, 2002 through April 30, 2007), TFA conference revenues amounted to \$105,601. During our audit period, DBD spent \$420,390 to support its annual conferences.

¹ On May 3, 2007, the Mayor announced that he was temporarily merging DBD within the Department of Procurement Management (DPM) and renaming it the Small Business Affairs (SBA) Unit. Recently, SBA was reconstituted as the stand-alone Department of Small Business Development (SBD), and it now administers the TFA. Notwithstanding, we will continue to refer to DBD throughout this report, as it was the operating department responsible for the TFA during our audit period.

Summary

There are four (4) findings to this report. The first finding is that \$68,195 of TFA funds were used for employee recognition programs/galas/holiday season Christmas parties. The OIG believes that using County funds for these purposes was clearly inappropriate.

The second finding is that five checks, totaling \$69,500, payable to the same entity/individual, were processed incorrectly and included manual modifications to the payee's name on three occasions. In addition, one of those five checks and five other checks, totaling \$144,500, to the same entity were supported by nothing more than a copy of the agreements between DBD and the named entity. While such agreements may support the authorized expenditure of funds, they do not constitute approval for payment or that the contracted services were, in fact, satisfactorily provided, or that the related expenses were incurred.

The third finding is that we believe TFA's enabling resolutions are outdated. It is with respect to Finding No. 3 that we made our recommendations. The OIG recommended that the TFA's enabling legislation be updated to incorporate current administrative requirements and to require periodic reporting to the BCC. We also recommended that there be an assessment of whether TFA activities support the TFA's authorized mission and, more importantly, whether there remains a need for the TFA to be used to pay for the expenses associated with these programs or whether the expenses can be paid using standard budgetary index accounts. It is the OIG's observation that the overwhelming majority of the expenditures paid from the TFA may be made just as easily through standard check request processes. Other small expenses associated with hosting the conferences, forums, and workshops may be more suited to payment by way of a county purchase-card.

The fourth finding is that DBD used the TFA as a pass-through vehicle to accommodate DERM funding of DBD payments of \$540,000 to specified truckers and, in addition, the TFA was used as a conduit for making responsible wage violation payments.

In their response, SBD and the Finance Department commented on each of the report's four findings by providing some historical perspective and explanatory information about the described conditions. Regarding Finding No. 1, their response states that the funding of the winter employee recognition programs/galas/holiday parties from the TFA ceased after the December 2005 event.

Regarding the issues we raised in Finding No. 2, their response states:

SBD [DBD] and the Finance Department have strengthened internal procedures to ensure that payments to vendors and/or owners such as the

“subject” company are paid in accordance with the established procedures. This will require upfront research utilizing pertinent forms submitted (i.e. W-9) and other available resources (i.e. State website).

With respect to our recommendations associated with Finding No. 3, the County administration’s response to the draft report states:

SBD, [t]he Finance Department and the Office of Strategic Business Management (OSBM) will evaluate whether effective administration of the small business activities continue to necessitate the need of a Trust Fund. Should the need continue, a review of the legislation will be conducted, and a revised Resolution with the amended sources and uses will be submitted.

Lastly, with regard to Finding No. 4, their response acknowledges that there were two errors in posting payments, totaling \$9,554. A third transaction is still unresolved (See Auditee Responses and OIG Rejoinders at page 3). We ask that SBD research this transaction and make an adjusting entry, as appropriate.

The OIG requests that the County administration provide us with a follow-up report in 90 days, on or before April 28, 2008. Specifically, we would like the follow-up report to address the continued need for this trust fund account, the authorized uses of funds from this account if it is to continue, supplemental funding through departmental transfers, and periodic reporting of trust fund expenditures. In addition, the OIG requests from the County administration copies of all global reports of trust fund activities that have been submitted to the BCC at any time in the past five years.

cc: George Burgess, County Manager
Susanne M. Torriente, Chief Assistant County Manager
Cynthia Curry, Senior Advisor to the County Manager
Dennis Morales, Chief of Staff, Office of the Mayor
Jennifer Glazer-Moon, Special Assistant/Director, OSBM
Penelope Townsley, Director, Department of Small Business Development
Rachel Baum, Director, Finance Department
Cathy Jackson, Director, Audit and Management Services Department
Charles Anderson, Commission Auditor

Clerk of the Board (copy filed)

**MIAMI-DADE COUNTY
OFFICE OF THE INSPECTOR GENERAL**



FINAL AUDIT REPORT

**Department of Business Development's
*Minority Development Conference Trust Fund Account***

IG07-30A

January 29, 2008

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
FINAL AUDIT REPORT
Department of Business Development's
Minority Development Conference Trust Fund Account

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTION	1
AUDITEE RESPONSES AND OIG REJOINDERS	2
TERMS USED IN THIS REPORT	3
BACKGROUND	4
OIG'S JURISDICTIONAL AUTHORITY	8
OBJECTIVES, SCOPE AND METHODOLOGY	8
FINDINGS AND RECOMMENDATIONS	
FINDING NO. 1 \$68,195 of TFA funds were inappropriately used for employee recognition programs/galas/holiday season Christmas parties.	9
FINDING NO. 2 Five TFA checks were processed incorrectly including modification to the payee's name on three occasions.	11
FINDING NO. 3 TFA's enabling resolutions are outdated.	12
FINDING NO. 4 The TFA was inappropriately used as pass-through vehicle to accommodate DERM funding of DBD payments of \$540,000 to specified truckers, and as a conduit for making responsible wage violation payments (\$11,244) to aggrieved individuals using settlement/penalty deposits (\$75,973) obtained from offending contractors.	13
OIG SCHEDULE 1	15
APPENDIX A Joint Response by the Miami-Dade Department of Small Business Development and the Miami-Dade Finance Department	

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

**Department of Business Development's
Minority Development Conference Trust Fund Account**

INTRODUCTION

The Office of the Inspector General (OIG) conducted an audit of Miami-Dade County Department of Business Development's (DBD) administration of the Minority Development Conference Trust Fund Account (TFA). The purpose of the audit was to evaluate DBD's management of the TFA and to determine whether receipts and disbursements were appropriately approved and supported. Our audit covered the period October 1, 2002 through April 30, 2007.¹

Results Summary

There are four (4) findings to this report. The first finding is that \$68,195 of TFA funds were used for employee recognition programs/galas/holiday season Christmas parties. The OIG believes that using County funds for these purposes was clearly inappropriate.

The second finding is that five checks, totaling \$69,500, payable to the same entity/individual, were processed incorrectly and included manual modifications to the payee's name on three occasions. In addition, one of those five checks and five other checks, totaling \$144,500, to the same entity were supported by nothing more than a copy of the agreements between DBD and the named entity. While such agreements may support the authorized expenditure of funds, they do not constitute approval for payment or that the contracted services were, in fact, satisfactorily provided, or that the related expenses were incurred.

The third finding is that we believe TFA's enabling resolutions are outdated. In addition to amending the enabling resolutions of the TFA, we believe that consideration should be given to requiring periodic reports to the Miami-Dade County Board of County Commissioners (BCC) and should include evaluating whether such activities support the TFA's authorized mission and whether there remains a need for such an account.

The fourth finding is that DBD used the TFA as a pass-through vehicle to accommodate DERM funding of DBD payments of \$540,000 to specified truckers and, in addition,

¹ On May 3, 2007, the Mayor announced that he was temporarily merging DBD within the Department of Procurement Management (DPM) and renaming it the Small Business Affairs (SBA) Unit. Recently, SBA was reconstituted as the stand-alone Department of Small Business Development (SBD), and it now administers the TFA. Notwithstanding, we will continue to refer to DBD throughout this report, as it was the operating department responsible for the TFA during our audit period.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

**Department of Business Development's
Minority Development Conference Trust Fund Account**

the TFA was used as a conduit for making responsible wage violation payments (\$11,244) to aggrieved individuals using settlement/penalty deposits (\$75,973) obtained from offending contractors. This was not an appropriate use of the TFA.

AUDITEE RESPONSES AND OIG REJOINDERS

This report in draft form was provided to the Directors of the Department of Small Business Development and the Finance Department for their comment on our findings. A joint response received from the two departments is included in this Final Report as OIG APPENDIX A. The joint response comments on each of the report's four findings by providing some historical perspective and explanatory information about the described conditions.

Regarding the four identified December events described in Finding No. 1 (Table II), the joint response states that DBD, subsequent to the 2005 event, discontinued funding the end-of-year event from the TFA.

Regarding the issues that we raised in Finding No. 2, the response states:

SBD [DBD] and the Finance Department have strengthened internal procedures to ensure that payments to vendors and/or owner such as the "subject" company are paid in accordance with the established procedures. This will require upfront research utilizing pertinent forms (i.e. W-9) and other available resources (i.e. State website).

In Finding No. 3, the OIG described what it believe to be a need for clearer language and updated references in the TFA's enabling documents. For example, the TFA's enabling resolution has not been updated to reference a newer County administrative order that has supplanted the one specifically referenced in the original TFA and later related resolutions.

Our recommendations, from the draft report, were restricted to Finding No. 3. We recommended that the TFA's enabling legislation be updated to incorporate current administrative requirements and to require periodic reporting to the BCC. We also recommended that there be an assessment of whether TFA activities support the account's authorized mission and, more importantly, whether there remains a need for the TFA to be used to pay for the expenses associated with these programs or whether the expenses can be paid using standard budgetary index accounts. It is the OIG's observation that the overwhelming majority of the expenditures paid from the TFA may

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

**Department of Business Development's
Minority Development Conference Trust Fund Account**

be made just as easily through standard check request processes. Other small expenses associated with hosting the conferences, forums, and workshops are more suited to payment by way of county purchase-card.

The joint response stated that the two departments, in conjunction with the Office of Strategic Business Management (OSBM), would evaluate whether there remains a need for this account and, if so, whether the TFA's enabling legislation should be amended. In addition, their response states that "from time to time a global report of Trust Fund Activities is submitted to the Board."

Lastly, with regard to Finding No. 4, the response acknowledges that two payments totaling \$9,554 were posted inadvertently against the TFA instead of the Compliance Trust Fund. However, the third transaction that the OIG referenced in the amount of \$1,690.40 (check number 15878899) may not be the same transaction mentioned in the response, which was cited in the amount of \$1,694.00. This third transaction still needs correction. Attached to DBD's check request (resulting in check number 1584889) is an in-house memo, dated March 29, 2004, whereon the memo's purpose is stated, "Check Request—Compliance Trust Fund Account." DBD should research this transaction and make an adjusting entry, as appropriate.

The OIG requests that the County administration provide us with a follow-up report in 90 days, on or before April 28, 2008. Specifically, we would like the follow-up report to address the continued need for this trust fund account, the authorized uses of funds from this account if it is to continue, supplemental funding through departmental transfers, and periodic reporting of trust fund expenditures. In addition, the OIG requests from the County administration copies of all global reports of trust fund activities that have been submitted to the BCC at any time in the past five years.

TERMS USED IN THIS REPORT

A.O.	Administrative Order
BCC	Board of County Commissioners
CSBE	Community Small Business Enterprise
DBD	Department of Business Development
DERM	Department of Environmental Resources Management
Finance	Miami-Dade County Finance Department
OIG	Office of the Inspector General
SBA/DPM	Small Business Affairs Unit/Department of Procurement Management
TFA	(Minority Development Conference) Trust Fund Account

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

Department of Business Development's
Minority Development Conference Trust Fund Account

BACKGROUND

TFA Enabling Resolutions

On September 16, 1986, the [Miami-] Dade County Board of County Commissioners (BCC) adopted Resolution No. R-1225-86. This Resolution authorized the establishment of the Minority Business Development Conference Trust Fund:

this Board approves the establishment of the Minority Business Development Conference Trust Fund for the receipt of monies from ticket sales, advertisement proceeds, donations, etc. to be used to defray expenses incurred for the Annual Minority Business Development conference; and authorizes the waiver of A.O. 3-2 for the expenditure of such funds.²

Pursuant to the County Manager's recommendation memorandum attached to the initial enabling resolution: "The Trust Fund Account, administered by the Director of the Office of Minority Business Development and supervised by the Dade County Finance Department, will be established to account for all receipts and disbursements relative to the Minority Business Development Conference."

On December 03, 1991, the BCC adopted Resolution R-1364-91, which amended R-1225-86. The amendment expanded the authorized use of monies from the Trust Fund Account. The 1991 amendment reads, in part, as follows:

that Resolution No. R-1225-86 is hereby amended to expand the authorized uses of monies from the Minority Business Development Conference Trust Fund to include expenditures for quarterly business workshops, professional forums and other business related activities as outlined in the accompanying memorandum, a copy of which is incorporated by reference.

² A.O. 3-2 was superseded on May 6, 2003, and replaced with A.O. 3-38, titled *Master Procurement Administrative Order*. The current version of A.O. 3-38 has been in effect since July 1, 2005. A.O. 3-38 governs the County's processes for the purchase of goods and services, including those purchases that are within the scope and characteristics of the TFA. However, the initial resolution granted the TFA a waiver from County procurement guidelines and this waiver continues in effect, notwithstanding the newer A.O.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

Department of Business Development's
Minority Development Conference Trust Fund Account

The incorporated County Manager's memorandum states:

The Department of Business and Economic Development is desirous of conducting a Minority Business Development Conference, quarterly business workshops, professional forums and other government and private sector initiatives to promote the development of small and minority businesses. Approximately \$30,000 is available from receipts from ticket sales, proceeds from ads, and donations. These receipts will be utilized to help defray costs associated with planning and conducting various training and educational seminars, food, entertainment, and transportation costs.

The County Manager's memorandum reiterated that DBD will administer the TFA and that the Finance Department will supervise its use. As such, DBD processed TFA disbursements through the County's Finance Department following County procedures by attaching some source document to the County's standard *Request for Check* form. The completed form would show the department name, account/budget code, payee name/address/number, and the name of an authorized signer and his/her signature. DBD would then submit the form and attachments to the Finance Department. The Finance Department would process these requests and issue checks for the indicated amounts.

TFA Sources and Uses of Funds (Table 1, page 5)

As originally established, the TFA was to be used to account for revenues and expenditures related to DBD's Annual Minority Business Development Conference. This annual conference is a day-long event, usually occurring in April, and held at a local hotel. During our audit period (October 1, 2002 through April 30, 2007), TFA conference revenues amounted to \$105,601.³ During our audit period, DBD spent \$420,390 to support its annual conferences.⁴

Later, DBD began supplementing the conference revenues (Index Code TFRBDTRIN) with intra-departmental transfers of funds from its operating budget (Index Code

³ These revenues—business sponsorships, purchased advertising in the published conference program, exhibitor space rentals, etc.—are predominantly generated by the annual conference, although some small amounts thereof may be generated by other DBD-sponsored activities.

⁴ The use of funds was determined by examining DBD-provided source documents (e.g., vendor invoices, etc.). OIG auditors reviewed these records and assigned the amounts to the various classifications shown in Table 1.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

**Department of Business Development's
Minority Development Conference Trust Fund Account**

DBEXCSBE). These transfers, individually ranging from \$85,000 to \$150,000, are now the TFA's main source of revenues and they amounted to \$435,000 during our audit period or 80% of TFA revenues, not including DERM and wage-related transfers and interest earnings.

As possible justification for the fund transfers, the OIG found an unsigned memorandum, dated December 10, 2002, from the DBD to its budget analyst requesting the transfer of such funds. The memorandum states that several events are being planned for the upcoming year, e.g., annual CSBE conference, CSBE training sessions, management staff retreats, mentor protégée programs etc., and that funds are needed to defray associated costs, including hotel meeting rooms, audio visual equipment, and food and beverages. The memorandum goes on to note that "[f]unds are currently available in the division's index code (DBEXCSBE) but the Department is prohibited from using budget line items to pay for expenses incurred for Food & Beverages consumed at these conferences." The memorandum then requests that funds be transferred to the trust fund index code to defray the associated expenses.

On average, DBD issued 32 TFA checks annually, totaling about \$118,730 per year, ranging from less than \$10 to \$55,000, not including DERM and wage-related transactions. *While not an audit finding, it is our observation that the overwhelming majority of the expenditures paid from the TFA may be made just as easily through standard check request processes. Other small expenses associated with hosting the conferences, forums, and workshops may be more suited to payment by way of county purchase-card. This observation lends to our recommendation that SBD and the Finance Department evaluate the necessity of utilizing a special trust fund for making these types of expenditures.*

TFA Payments to Sediment Haulers

TFA transactions included \$540,000 of deposits and payments, from and on behalf of Miami-Dade County's Department of Environmental Resources Management (DERM), as shown in Table 1 (next page). These transactions resulted from an unrelated BCC Resolution, R-1409-04 (dated November 30, 2004), which sought to expand the CSBE program by adding a construction-related trades category to include material and debris hauling, and, more relevantly, to provide transitional economic assistance to eighteen (18) hauling contractors that had participated in the County's FEMA-funded canal dredging hauling pool.

The BCC adopted this Resolution and "transitional assistance" in the amount of \$540,000 was paid to 18 hauling contractors at \$30,000 each, in February 2005. The

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

Department of Business Development's
Minority Development Conference Trust Fund Account

funds were transferred in from a DERM account (Index Code TFRBDMINBUSC) and TFA checks were written to pay the haulers. (See FINDING No. 4)

TABLE 1 TFA Sources and Uses of Funds for the Period October 1, 2002 – April 30, 2007

Fiscal Years	FY2003	FY2004	FY2005	FY2006	10/1/06 to 4/30/2007	Total
Beginning Balance	\$83,338	\$170,339	\$191,645	\$21,283	\$133,021	\$83,338
FUND SOURCES						
Annual Conf. Sponsorships, etc.	\$8,245 ⁵	\$22,495	\$26,461	\$24,250	\$24,150	\$105,601
DBD Intra-fund Transfers	\$85,000	\$100,000	\$ - 0 -	\$250,000	\$ - 0 -	\$435,000
DERM Funds Transfer In	\$ - 0 -	\$ - 0 -	\$540,000	\$ - 0 -	\$ - 0 -	\$540,000
Wage-related Transfers In	\$50,000	\$25,000	\$ - 0 -	\$ - 0 -	\$973	\$75,973
Interest Earned	\$1,008	\$463	\$1,450	\$1,951	\$6,938	\$11,810
Total Sources	\$144,253	\$147,958	\$567,911	\$276,201	\$32,061	\$1,168,384
FUND USES						
Annual Conf.	\$37,073 ⁴	\$90,369	\$138,456	\$154,492	\$ - 0 -	\$420,390
Employee/Other Events	\$18,415	\$24,974	\$28,620	\$7,161	\$ - 0 -	\$79,170
DERM Payments	\$ - 0 -	\$ - 0 -	\$540,000	\$ - 0 -	\$ - 0 -	\$540,000
Wage-related Payments Out	\$ - 0 -	\$6,063	\$5,181	\$ - 0 -	\$ - 0 -	\$11,244
Misc. Expenditures	\$1,764	\$4,588	\$25,734	\$1,248	\$8,478	\$41,812
Other Adjustments, etc.	\$ - 0 -	\$658	\$282	\$1,562	\$304	\$2,806
Total Uses	\$57,252	\$126,652	\$738,273	\$164,463	\$8,782	\$1,095,422
Ending Balance	\$170,339	\$191,645	\$21,283	\$133,021	\$156,300	\$156,300

Responsible Wage Violation Settlements and Payments

In addition, DBD used the TFA as a conduit for making three (3) responsible wage violation payments (\$11,244) to aggrieved individuals using six (6) settlement/penalty

⁵ Fund sources (revenues) and uses (expenditures) result from 2nd Annual Conference, which occurred on September 25, 2002, or 5 days before fiscal-year end. As a result, these amounts are not the total for the conference, but only those accounted for after October 1, 2002, which is the start date of the new fiscal year and, additionally, the beginning of our audit period.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

**Department of Business Development's
Minority Development Conference Trust Fund Account**

deposits (\$75,973) obtained from offending contractors. (See FINDING No. 4) As noted earlier, we do not consider such use of the TFA to be appropriate.

OIG JURISDICTIONAL AUTHORITY

In accordance with Section 2-1076 of the Code of Miami-Dade County, the Inspector General has the authority to make investigations of county affairs and the power to review past, present and proposed County and Public Health Trust programs, accounts, records, contracts and transactions. The Inspector General has the power to analyze the need for, and the reasonableness of, proposed change orders. The Inspector General is authorized to conduct any reviews, audits, inspections, investigations or analyses relating to departments, offices, boards, activities, programs and agencies of the County and the Public Health Trust.

The Inspector General may, on a random basis, perform audits, inspections and reviews of all County contracts. The Inspector General shall have the power to audit, investigate, monitor, oversee, inspect and review the operations, activities and performance and procurement process including, but not limited to, project design, establishment of bid specifications, bid submittals, activities of the contractor and its officers, agents and employees, lobbyists, and of County staff and elected officials in order to ensure compliance with contract specifications and detect corruption and fraud.

The Inspector General shall have the power to review and investigate any citizen's complaints regarding County or Public Health Trust projects, programs, contracts or transactions. The Inspector General may exercise any of the powers contained in Section 2-1076, upon his or her own initiative.

The Inspector General shall have the power to require reports from the Mayor, County Commissioners, County Manager, County agencies and instrumentalities, County officers and employees and the Public Health Trust and its officers and employees regarding any matter within the jurisdiction of the Inspector General.

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our audit was to evaluate the management of the TFA and to determine whether receipts and disbursements were appropriately approved and supported. Our audit period was from October 1, 2002 through April 30, 2007. Our review consisted of analyzing reports and records obtained from both the County's Finance Department

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

**Department of Business Development's
Minority Development Conference Trust Fund Account**

(Finance) and DBD. We reviewed all the relevant BCC resolutions and their attached documentation. We met with and interviewed both Finance and DBD personnel, and examined documentation within their departments' custody and control.

Of the Finance Department's documentation, our sampled transactions included: individual transactions valued at \$10,000 or more; all other individual transactions to individuals/entities identified in our first selection; disbursements to two DBD employees; and disbursements to other individuals aggregating \$7,500 or more. In total, we reviewed 91 out of 271 transactions or 34% of all transactions, representing 97.12% of fund sources and 89.45% of fund uses, during the 4½ year audit period.

Within the custody and control of DBD, we analyzed the original supporting documentation of TFA transactions. Correspondingly, we examined the DBD-prepared check requests with attached support at Finance.

Subsequent to our sample selection and review, we prepared a schedule showing all of the various expenditure items and matched them to their related program activities with the help of DBD staff. The process relied on our review of check request supporting documentation, DBD internal reports and spreadsheets, and inquiry with operating personnel. Hence, in the aggregate, we observed almost 100% of the TFA's transactions during the audit period.

FINDINGS AND RECOMMENDATIONS

FINDING NO. 1 \$68,195 of TFA funds were inappropriately used for employee recognition programs/galas/holiday season Christmas parties.

As part of this audit, OIG auditors matched TFA expenditures to a specific DBD-sponsored function/event. This review was in addition to the more detailed testing applied to our 91 sample items. The OIG reviewed 100% of the listed transactions and matched the expenditures to eleven specific events, including five annual CSBE conferences, two other banquet dinner/receptions, and four holiday parties. When it was not immediately evident by way of our documentation review, we questioned DBD personnel, who were most often capable of assisting our matching of an expense transaction to an event.

We determined that TFA funds totaling \$68,195 were used to pay for the four holiday parties—evening events that were year-end banquet dinner receptions and parties not associated with DBD's annual conference, quarterly business workshops, or

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

**Department of Business Development's
Minority Development Conference Trust Fund Account**

professional forums to promote the development of small and minority businesses. In other words, these evening events were not consistent with the TFA's enabling resolution and later 1991 amendment.

We would further argue that beyond being inconsistent with the purpose of the TFA, these uses of funds were a categorical misuse of public funds. Public funds should not be used for departmental holiday parties.

Table II TFA Uses for Employee Recognition Programs/Galas/Holiday Season Christmas Parties And Other Banquets

Event Days / Dates	Event Descriptions *	Amounts	Expenditure Descriptions
Saturday 12/14/02	Annual employee recognition banquet/ holiday season Christmas party	\$18,415	Banquet dinner/reception for 150 guests at the Hyatt Regency (\$7,825), music/ entertainer (\$5,000), guest room (1), awards, etc.
Saturday 12/20/03	2003 employee and Advisory Board recognition program	\$18,684	Banquet dinner/reception for 134 guests at the Hyatt Regency (\$5,896), music/ entertainer (\$7,500), guest rooms (4), bartender fee, awards, etc.
Saturday 12/18/04	2004 employee appreciation banquet	\$23,935	Banquet dinner/reception for 205 guests at the Hyatt Regency (\$9,073), music/entertainer (\$6,500), guest room (1), awards, etc.
Saturday 12/10/05	2005 employee recognition program/ gala	\$7,161	Banquet dinner/reception for 60 guests at Airport Hilton (\$3,142), music/entertainer (\$1,500), awards, etc.
	Total	\$68,195	

* Event descriptions are as described on the DBD-prepared *Request for Check* forms and/or as shown on the vendor invoices and documentation attached thereto.

NOTE: There were two other banquet dinner/receptions—one in June 2004 and one in October 2004—with \$10,975 of identified expenditures.⁶ The June 2004 event is associated with a graduation ceremony for DBD's Mentor-Protégé Program. The October 2004 event is unidentified.

⁶ Holiday party totals \$68,195 plus other banquet totals \$10,975 equal \$79,170, which is the amount shown in Table 1, as associated with **Employee/Other Events**.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

Department of Business Development's
Minority Development Conference Trust Fund Account

FINDING NO. 2 Five TFA checks were processed incorrectly including modification to the payee's name on three occasions.

A consultant who owns the Florida corporation—Joy Productions, Inc.—that rendered entertainment and marketing services to DBD, was paid a combined total of \$168,500 during the 4½ year audit period. Even though the various agreements were between the corporation and DBD, five consecutive checks issued between December 10, 2002 and March 15, 2005, totaling \$69,500 were made payable to the entity's owner/principal, as an individual and not to the incorporated entity. (See OIG Schedule 1.) On three of those occasions, the owner/principal's name was handwritten on the invoice next to the corporate entity's name. We note that Joy Productions, Inc. was a registered Florida corporation beginning in October 2002. We found no records in either DBD or Finance Department files explaining why these checks were made payable to the individual and not to the named corporate entity.

Notwithstanding, it was this individual's vendor number that DBD used when requesting that payments be made and it was this number that was also handwritten on the vendor invoices along with the owner/principal's name. Later, in an e-mail dated March 22, 2005, the Finance Department informed DBD that Joy Productions, Inc. was a registered Florida corporation and, as such, checks could not be made payable to the owner/principal, as an individual. Finance instructed DBD to submit the necessary paperwork so that Joy Productions could be entered into the County's vendor file. DBD did so and the next payment (check), dated March 24, 2005, was made to Joy Productions. All later payments were made to Joy Productions. DBD issued five more checks, totaling \$99,000, to Joy Productions between March 24, 2005 and April 11, 2006.⁷

We noted the following issues in connection with the first 10 checks:

1. Five checks totaling \$69,500 were paid to and in the name of the owner/principal, instead of the named entity—Joy Productions, Inc.—that was shown on the written contract/letter agreement with DBD.
2. Three of the invoices associated with the above checks, totaling \$17,500, had the owner/principal's name handwritten on the invoice. This individual's name, corporate title or ownership interest was not indicated as such elsewhere on the

⁷ An 11th check for \$51,100 (dated April 12, 2007) to Joy Productions was returned to DBD (and voided by Finance) after DBD determined that Joy Productions would not be providing services for the 6th Annual CSBE Conference, which was scheduled to be held on April 27, 2007.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

Department of Business Development's
Minority Development Conference Trust Fund Account

- invoice or attached documentation. Neither DBD nor Finance Department files contained completed County *Request for Check* forms. For the two other checks, DBD completed County *Request for Check* forms indicating that the checks should be made payable to the owner/principal, as an individual.
3. Six of the 10 payments did not have documentation that would clearly indicate services were rendered. Supporting documentation for five of these checks consisted of a copy of the agreement between DBD and Joy Productions. These agreements may support the authorized expenditure of funds but they do not constitute approval for payment that the contracted services were, in fact, satisfactorily provided or that the related expenses were incurred. While the contract did not call for an invoice or other certification that services were rendered prior to payments, good business practice would require evidence of delivery of services or the incurrence of agreed upon expenditures before the processing of payments. Support for the sixth check, totaling \$1,500, was an invoice, for entertainment for the 2005 Employee Recognition event.
 4. A likely reason why support documentation is missing is because DBD prepaid these costs. The payments were deposits for services to be rendered. These prepayments are not a recommended practice. DBD's prepayments ranged from two/three days to over ten days before the contracted services were required.

FINDING NO. 3 TFA's enabling resolutions are outdated.

We note a need for clearer language and updated references in the TFA's enabling documents (Resolutions and Amendments), as to what constitutes allowable sources and uses of funds. For example, Administrative Order 3-2, which was referenced in the original 1986 enabling resolution, was repealed May 6, 2003, along with A.O. 3-4 and 3-16 and replaced with the A.O. 3-38, titled *Master Procurement Administrative Order*. The current A.O. 3-38 has been in effect since then and most recently revised, as of July 1, 2005. The superseded A.O. 3-2 governed routine and emergency purchases of goods and services, including the various responsibilities for bids, contract awards, and bid waivers. A.O. 3-38 governs much the same aspects of the County's processes for the purchase of goods and services, including those purchases that are within the scope and characteristics of the TFA. However, the TFA's enabling documentation has not been updated to reference the newer A.O. 3-38. Accordingly, in light of the establishing of a new department—the Department of Small Business Development—the OIG believes that it would be a good time for “housekeeping” the TFA's enabling resolutions.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

Department of Business Development's
Minority Development Conference Trust Fund Account

Additionally, the OIG believes that consideration should be given to amending the language of the enabling resolution(s) to require that the current, and any future TFA administrators periodically report the operational and financial activities of the TFA to the BCC. Such reporting should contain sufficient detail so that Commissioners will have the opportunity to determine whether such activities support the TFA's authorized mission and, more importantly, to evaluate whether there remains a need for such an account and whether such annual programs can be organized and carried out utilizing standard budgetary index accounts.

Again, we note the County administration's response on this specific recommendation (see Appendix A), and we look forward to receiving the results of their assessment in the OIG-requested 90-day follow-up report.

FINDING NO. 4 The TFA was inappropriately used as pass-through vehicle to accommodate DERM funding of DBD payments of \$540,000 to specified truckers, and as a conduit for making responsible wage violation payments (\$11,244) to aggrieved individuals using settlement/penalty deposits (\$75,973) obtained from offending contractors.

As described earlier in this report, the BCC adopted a resolution to provide some financial assistance to 18 hauling contractors that had participated in the County's FEMA-funded canal dredging hauling pool. Each trucker was paid \$30,000 each, in February 2005. Total payments were \$540,000.

This pass-through financial accommodation should not have been processed through the TFA. Both the enabling Resolution and its amendment stated that the TFA was for revenues and expenses related to DBD's annual conference or provide business workshops, professional forums, and training. Nowhere in either the original Resolution (R-1225-86) or its amendment (R-1364-91) do we find any authorization to use the TFA as a conduit for such payments. We note that we found no other negative or adverse issues with the handling of these transactions (or with the below described transactions).

In addition, DBD occasionally used the TFA as conduit for handling responsible wage violation settlements and payments. In total, DBD placed \$75,973 of settlements (6) into the TFA and made \$11,244 of payments (3) from the TFA. This leaves \$64,279 (\$75,973 - \$11,244) of undistributed responsible wage violation related funds, i.e., "unclaimed wages" settlement amounts in the TFA. We note that this amount makes up approximately 41% of the TFA's balance, as of April 30, 2007. The current TFA

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

**Department of Business Development's
*Minority Development Conference Trust Fund Account***

Administrator should remove these funds from the TFA after reviewing its records to determine the accuracy of the stated amounts and their correct disposition.

DBD's use of the TFA as conduit for funds relating to these types of settlements, penalties and payments was clearly inappropriate and not authorized by the existing enabling resolutions. DBD has an unclaimed wages account (606TBD 606230) to handle these transactions.

The OIG appreciates and thanks DBD/SBA and Finance Department staff for their courtesousness and cooperation extended to the OIG during the course of this audit.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

Department of Business Development's *Minority Development Conference Trust Fund Account*

OIG SCHEDULE 1

Transaction Date	Check Payee	Amount	Purpose	Comments	Deficiency Type
12/10/2002	Jimmie H. Horne	\$5,000.00	Annual employee recognition banquet and holiday season Christmas party; 12/14/2002 event date	Entertainment. Letter agreement between DBD and Joy Productions signed by J. Horne	1, 3
12/16/2003	Jimmie H. Horne	\$7,500.00	2003 Employee & Advisory Board Recognition Program; 12/20/2003 event date	Entertainment. Joy Productions invoice; J. Horne's name manually placed on invoice.	1, 2
4/13/2004	Jimmie H. Horne	\$3,500.00	3rd Annual CSBE Conference; 4/16/2004 event date	Entertainment for networking reception. Joy Productions invoice; J. Horne's name manually placed on invoice.	1, 2
12/7/2004	Jimmie H. Horne	\$6,500.00	2004 Employee and Small Business Advisory Board Recognition Gala; 12/18/2004 event date	Entertainment. Joy Productions invoice; J. Horne's name manually placed on invoice.	1, 2
3/15/2005	Jimmie H. Horne	\$47,000.00	4th Annual CSBE Conference; event date 4/1/2005	1st installment payment—entertainment, radio promotion and other marketing services (total contract \$68,000). DBD & Joy Productions agreement/ proposal and marketing plan signed by J. Horne.	1, 3
3/24/2005	Joy Productions	\$10,500.00	4th Annual CSBE Conference; event date 4/1/2005	2nd installment payment—entertainment, radio promotion and other marketing services (total contract \$68,000)	3
3/29/2005	Joy Productions	\$10,500.00	4th Annual CSBE Conference; event date 4/1/2005	final installment payment—entertainment, radio promotion and other marketing services (total contract \$68,000)	3
12/6/2005	Joy Productions	\$1,500.00	2005 Employee Recognition Program/Gala; event date 12/10/2005	entertainment	

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

Department of Business Development's *Minority Development Conference Trust Fund Account*

OIG SCHEDULE 1

Transaction Date	Check Payee	Amount	Purpose	Comments	Deficiency Type
3/21/2006	Joy Productions	\$55,000.00	5th Annual CSBE Conference; event date 4/21/2006	1st installment payment for event marketing, including radio and printed media, create and produce informational 1000 CDs, photography, coordinate entertainment; total cost \$76,500	3
4/11/2006	Joy Productions	\$21,500.00	5th Annual CSBE Conference; event date 4/21/2006	2nd installment payment for event marketing, including radio and printed media, create and produce informational 1000 CDs, photography, coordinate entertainment; total cost \$76,500	3
	Total	\$168,500.00			
4/12/207	Joy Productions	\$51,100.00	6th Annual CSBE Conference; event date 4/27/07	event marketing, including radio and printed media, create and produce informational CD/DVDs, photography, coordinate entertainment; on 4/19/07 DBD returned check and Finance cancelled it after DBD decided that Joy Productions would no longer be providing services for the conference	

**MIAMI-DADE COUNTY
OFFICE OF THE INSPECTOR GENERAL**



OIG APPENDIX A

**Joint Response by the Miami-Dade County
Department of Small Business Development
and the Miami-Dade Finance Department**

FINAL AUDIT REPORT

**Department of Business Development's
*Minority Development Conference Trust Fund Account***

IG07-30A

Memorandum



Date: January 9, 2008

To: Christopher Mazzella
Inspector General

From: Penelope Townsley, Director
Department of Small Business Development

Rachel Baum
Finance Director

Subject: Response to Draft Audit Report Department of Business Development's Minority Development Conference Trust Fund Account

2008 JAN 11 AM 9:17
MID-DADE COUNTY
INSPECTOR GENERAL

The Department of Small Business Development (SBD) and the Finance Department have jointly reviewed the draft audit report issued by the Office of the Inspector General (OIG) regarding the administration and financial aspects of SBD's Minority Conference Trust Fund. We appreciate the opportunity to provide a response to the OIG.

The following is a recap of the findings, recommendations and our responses:

FINDING NO. 1 \$68,195 of TFA funds were inappropriately used for employee recognition programs/galas/holiday season Christmas parties.

Management's Response

Subsequent to the 2005 event and prior to the onset of the audit, the Department of Small Business Development (formerly, the Department of Business Development - DBD) took measures to discontinue "sponsorship receipts" funding end-of-year employee recognition/appreciation and Community Small Business Enterprise (CSBE) and Minority & Women Advisory Board events from the Minority Conference Trust Fund Account (TFA).

The audit report also noted an unidentified October 2004 event. The unidentified event was the CSBEs graduation ceremony for the Construction Management Training Course. This event was facilitated by Turner Construction with the Department of Business Development, Miami-Dade Community College and The Florida Regional Minority Council (FRMC) as community partners. The noted expenditure represented the portion of the total cost supported by DBD.

FINDING NO. 2 Five (5) TFA checks were processed incorrectly including modification to the payee's name on three occasions.

Issue 1: *Five checks totaling \$69,500 were paid to and in the name of the owner/principal, instead of the named entity – Joy Productions, Inc. – that was shown on the written contract/letter agreement with DBD.*

Issue 2: *Three of the invoices associated with the above checks, totaling \$17,500, had the owner/principal's name handwritten on the invoice. This individual's name, corporate title or ownership interest was not indicated as such elsewhere on the invoice or attached documentation. Neither DBD nor Finance Department files contained completed County Request for Checks forms. For the two other checks, DBD completed County Request for Check forms indicating that the checks should be made payable to the owner/principal, as an individual.*

Management's Response

Initially, this vendor was established in the County's general ledger (FAMIS) as a sole proprietor/individual vendor by DBD. On the three (3) occasions noted, as well as during other events, the payee provided services as an individual entertainer; thus, payment was processed directly utilizing the social security number. Subsequently, in 2005, this vendor/entity submitted an agreement (signed by the DBD Director) to provide both marketing and entertainment services for the department's annual conference as Joy Productions, Inc. Therefore, subsequent payments were made to Joy Production a registered vendor with the State of Florida.

SBD and the Finance Department have strengthened internal procedures to ensure that payments to vendors and/or owners such as the "subject" company are paid in accordance with established procedures. This will require upfront research utilizing pertinent forms submitted (i.e. W-9) and other available resources (i.e. State website).

Issue 3: *Six of the 10 payments did not have documentation that would clearly indicate services were rendered. Supporting documentation for five of these checks consisted of a copy of the agreement between DBD and Joy Productions. These agreements may support the authorized expenditure of funds but they do not constitute approval for payment that the contracted services were, in fact, satisfactorily provided or that the related expenses were incurred. While the contract did not call for an invoice or other certification that services were rendered prior to payments, good business practice would require evidence of delivery of services or the incurrence of agreed upon expenditures before the processing of payments. Support for the sixth check, totaling \$1,500, was an invoice, for entertainment for the 2005 Employee Recognition event.*

Issue 4: *A likely reason why support documentation is missing is because DBD prepaid these costs. The payments were deposits for services to be rendered. These prepayments are not a recommended practice. DBD's prepayments ranged from two/three days to over ten days before the contracted services were required.*

Management's Response

It is customary and standard industry practice to pay entertainers/guest speakers a deposit to reserve services for future events, with final payment on the day services are delivered or shortly thereafter. For said payment, DBD provided the Finance Department with a copy of the signed contractual agreement outlining the terms for services to be rendered, along with the authorized check request. Based on the contractual agreement, authorization by the Directors and the guiding language within the TFA resolution, payments were disbursed accordingly.

Internal procedures have been established that will require separate invoicing by the vendor for each phase of a contractual agreement, prior to disbursement of funds.

FINDING NO. 3 TFA's enabling resolutions are outdated.

Management's Response

SBD, The Finance Department and the Office of Strategic Business Management (OSMB) will evaluate whether effective administration of the small business activities continue to necessitate the need of a Trust Fund. Should the need continue, a review of the legislation will be conducted, and a revised Resolution with the amended sources and uses will be submitted.

As to the recommendation that the TFA language incorporate a provision that periodic reports be submitted to the Board reporting the financial and operational activities of the TFA, it should be noted

that from time to time a global report of Trust Fund activities is submitted to the Board. Individual reports for the numerous trust funds that are in existence may not be an efficient mode of reporting these activities.

FINDING NO. 4 The TFA was inappropriately used as a pass-through vehicle to accommodate DERM funding of DBD payments of \$540,000 to specified truckers, and as conduit for making responsible wage violation payments (\$11,244) to aggrieved individuals using settlement/penalty deposits (\$75,973) obtained from offending contractors.

Management's Response

In response to the Department of Environment Resource Management (DERM) funding of payments to specified truckers, all of the small businesses paid were minority contractors that fit the broad profile of business related activities specified in the amended TFA Resolution (R-1364-91). A management decision was made to utilize the TFA to expedite BCC approved payments to the haulers. DBD's partnership with the Public Works Department to provide technical assistance to the specified group of haulers and prepare them for the Land Clearing and Grubbing Licensing Certification leading to CSBE certification eligibility and increased contracting opportunities, supported the decision to utilize the TFA as an appropriate conduit for final payments. Enhanced policies and procedures, along with updated TFA legislation will eliminate future use of the TFA as pass-through vehicle.

The OIG report comments on using the TFA to process three (3) responsible wage violations payments totaling \$11,244; however, two (2) payments totaling \$9,554.00 were inadvertently processed from the TFA when indeed the intent and check request submitted for processing specifies the responsible wages trust fund. These two (2) mispostings have been corrected. The third item in the amount of \$1,694.00 was correctly processed from the TFA funded by contributions.

The Minority Conference Trust Fund, which the audit report references as TFA has not been used as a conduit for making responsible wage violations payments to aggrieved employees. These payments are currently and have consistently been placed in the Compliance Trust Fund Account that was established on November 28, 2000 by Resolution No. R-1246-00. This fund is the repository of all monies for unclaimed wages owed to employees for improper compensation on County projects. The employer responsible for paying the wage debt remits these monies to the County and funds are deposited into the Compliance Trust Fund. When aggrieved employees are located, appropriate payments are disbursed from the Trust Fund. The balance in this account continually fluctuates in accordance with the number of violation payments received and number of wage payments disbursed to aggrieved employees. Wages that remain unclaimed for greater than a year are remitted to the State of Florida - Unclaimed Property Division. The procedures governing this Trust Fund are not ambiguous and are consistently complied with.

Settlement and penalty deposit funds have not been used for any unclaimed wages payments. These funds totaling \$95,000 remain unexpended and have been transferred to SBD's Special Revenue Operations fund under a separate index code (SBR070001).