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Office of the Inspector General
Miami-Dade County

Memorandum

To: George M. Burgess, County Manager _____

Received by Date

From: Christopher Mazzella
Inspector General

Date: August 20, 2003

Re: OIG Final Audit Report of Contract No. 2561-0/01 for moving and bonded storage of various personal property

Please find attached the Office of the Inspector General's (OIG) Final Audit Report of the County's contract with Dixie Transport, Inc. for moving and bonded storage of various personal property. This contract is exclusively utilized by the Miami-Dade Police Department's Court Services Bureau. At present, the current contract with Dixie Transport is under an extension. The Department of Procurement Management has been working on a set of new specifications for this type of moving and storage service, which has been acknowledged by all parties to be in need of a serious update. The OIG requests to be provided with a copy of the Invitation to Bid for the new contract once the specifications are finalized.

The overwhelming majority of the OIG's draft recommendations have been embraced by the affected parties, and in the case of Recommendation to Finding No. 3, the OIG has modified its original recommendation in light of the responses received.

The OIG appreciates the cooperation and courtesies extended by all DPM and MDPD personnel and Dixie Transport representatives who were involved in our audit of Contract No. 2561-0/01.

cc: Honorable Chairperson Barbara Carey-Shuler, Ed.D.
Honorable Rebeca Sosa, Chair, Procurement Management Policy Subcommittee
Mr. Theodore Lucas, Director, Department of Procurement Management
Mr. Carlos Alvarez, Director, Miami-Dade Police Department
Mr. Steven Blatt, President, Dixie Transport, Inc.

Clerk of the Board (Copy filed)

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I. INTRODUCTION

The Office of the Inspector General (OIG) conducted a review of the moving and bonded storage contract between Miami-Dade County (the County) and Dixie Transport, Inc., Contract No. 2561-0/01. This contract was initiated through the Miami-Dade Police Department's (MDPD) Court Services Bureau (CSB), also known as the Civil Process Bureau. Dixie Transport is responsible for moving and storing property seized by CSB on an as-needed basis.

The OIG's objective was to determine if services provided by Dixie Transport are within the scope of the contract and whether charges for services are accurate and in accordance with the contract agreement. Our findings relate to inaccurately calculated charges and incomplete supporting documentation. Some services performed were outside the scope of the contract, no log or record was maintained on the number of service requests fulfilled by Dixie Transport and services charged were not reviewed by County personnel. OIG auditors reviewed twenty-two (22) case files, which amounted to \$290,655.95. Out of the twenty-two, seventeen (17) invoices, 77% of the sample selected, were not supported by the contract or had improper documentation.

BACKGROUND

The County does not pay Dixie Transport Inc. for the services provided. Instead, Dixie Transport receives its payment from any party that the property is released to or, if the goods are auctioned, from the purchaser of the property at the sheriff's sale.

Dixie Transport's services are initiated once CSB receives a writ of attachment or a writ of execution to seize property. CSB gives Dixie Transport a minimal lead-time of one hour before commencement of the seizure. Once the writ is served and property is seized, CSB completes a Civil Seizure Report or a Property Receipt listing the defendant, the plaintiff and the description of the property seized. The Civil Seizure Report or Property Receipt is signed by a CSB lead officer and a representative of Dixie Transport. The report consists of four copies that are distributed to the court files, CSB, the defendant and Dixie Transport. Dixie Transport stores the property seized until CSB is authorized by the courts to release the property or auction off the property at a sheriff's sale.

When CSB has a writ of execution to satisfy a judgment, a notice of the sheriff's sale is advertised in the Daily Business Review listing the items for sale and the date of sale. A few days before the date of sale, CSB notifies Dixie Transport in writing to provide an invoice with charges up to the expected sale date. Dixie Transport then provides an

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invoice stating itemized amounts for display, handling, and transportation and storage charges for the property as of the date of the seizure. CSB then includes this invoice and amounts as part of the property's sale price. Once a sale occurs, Dixie Transport is authorized to release property upon payment by the buyer.

If CSB receives a court order to dissolve the writ or if the serving parties come to an agreement, and/or the judgment is satisfied before the sheriff's sale, then the property is authorized for release from CSB possession. CSB informs Dixie Transport of the release and the serving parties pay Dixie Transport for release of property. CSB is no longer responsible for the property once a release has been issued.

Dixie Transport was awarded this contract for the period of March 1, 1999 through February 28, 2002. The term of the contract was originally thirty-six (36) months with an automatic renewal option for an additional 90 days beyond the contract period. To date, this automatic extension has been used six consecutive times without any amendment to the contract. The current contract period is effective through August 31, 2003. As of August 1, 2003, the Department of Procurement Management (DPM) and the MDPD are still working on finalizing a draft bid proposal. The OIG was given a copy of the draft bid proposal on April 17, 2003.

GOVERNING AUTHORITY

In accordance with Section 2-1076 of the Miami-Dade County Code, the Office of the Inspector General has the authority to review past, present, and proposed County and Public Health Trust programs, contracts, transactions, accounts, records and programs. This includes conducting contract audits, whether or not the contract contains an OIG random audit fee.

II. SUMMARY OF FINDINGS

During our review of several contract transactions, we noted the following:

1. Several invoices and work order amounts were not properly calculated, documented or supported.
2. Overtime hours were not properly calculated as per the contract agreement.
3. Several services provided and paid for were outside the scope of the contract, e.g. rigging crew, tractor-trailer and security services.

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4. CSB does not maintain a service log or record of how often Dixie Transport provides services on behalf of the County.
5. CSB does not review invoices for services provided by Dixie Transport for accuracy or completeness.

SUMMARY RECOMMENDATIONS

Based on our review we have concluded that:

1. Dixie Transport should keep proper and detailed records in order to support all work orders and invoice amounts since these records are authorized to be audited by the County.
2. Overtime hours should reflect the terms of the contract and not CSB's hours.
3. CSB should maintain a log or record of services performed by Dixie Transport in order to determine how often Dixie Transport provides services to the County.
4. CSB should determine whether charges submitted by Dixie Transport are accurate, reasonable, and that amounts charged are properly calculated.
5. CSB should obtain three (3) written price quotes for unique items/services provided that are not within the scope of the contract.

III. AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to:

1. Determine if services provided by Dixie Transport are within the scope of the contract agreement, and
2. Determine whether charges for services are accurate and reasonable as per the contract agreement.

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The scope of our review encompassed the contract agreement and records maintained by CSB, the Clerk of the Courts and Dixie Transport for the four-year period of March 1999 through May 2003. Records include, but are not limited, to writs of attachment, writs of execution, civil seizure reports, notices of sheriff's sales, court correspondence, and invoices for storage fees, work orders and third party charges.

IV. FINDINGS AND RECOMMENDATIONS

Finding No. 1: Several invoices and work order amounts were not properly calculated as per the contract agreement or properly documented or supported.

Work orders with amounts for hourly rate, overtime rate and total hours were not properly calculated or stated. Also, invoices with itemized amounts for transportation, storage, handling and display charges were not properly calculated or supported.

Work orders and invoices are generated by Dixie Transport. The work orders supporting the invoices provide a breakdown of the lump-sum amounts for transportation-related charges listed on the invoices. The work orders are not submitted to CSB or to the parties the property is released to. Work orders include the job description, property location, number of employees, type of equipment used, hourly rate, and start and end time for each job.

The OIG auditors found that numerous work orders were incomplete and, sometimes, reflected a lump sum total for the entire work order, therefore, making it difficult, if not impossible, to determine the actual costs allocated to transportation and labor, as required by the contract. For example, one (1) invoice dated on 8/10/01 was supported by a work order with a lump sum charge of \$5,280 for "moving charges" which include labor and transportation. The work order reflected a start time of 9:00 am, a supervisor, two (2) rigging crews, a tractor-trailer and driver, a truck and one (1) man. This work order did not list the required information such as the individual rate per hour, end time, overtime hours and total hours in order to determine whether the charges were reasonable and accurate. This is a general reflection of Dixie Transport's typical preparation of work orders.

Although most of the work orders include charges for a rigging crew and tractor trailers, these items are not stated within the terms of the contract, which makes it even more imperative that Dixie Transport maintain an accurate breakdown of these charges. This condition is further discussed in Finding No. 2. On several occasions, Dixie Transport could not provide any support for the rates/hours that were charged or

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provide a valid explanation as to why these work orders were incomplete, thereby not supporting the invoice.

Options for Storage, Handling and Display Charges

Several charges for storage, handling and display charges were not properly calculated or stated. The contract states options for storage, handling and display charges at \$0.11 per cubic foot, however, several invoices showed these charges calculated in square feet and fixed dollar amounts. These conditions are further discussed below.

Cubic ft. vs. square ft.: Several invoices had square feet amounts stated for storage, handling and display charges. Dixie Transport stated to OIG auditors that the square footage was used for the height of the unused storage space between the property and the warehouse ceiling, since most property cannot have additional items stored or stacked above them. To calculate the use of the excess space, Dixie Transport multiplies the \$0.11 per cubic foot rate in the contract by 10 feet high for a total amount of \$1.10 per square foot. The \$1.10 per square foot is then multiplied by the square feet (length and width) occupied by the property. The formula for cubic feet is *length X width X height*, while the formula for square feet is *length X width*, as per Online Conversion, www.onlineconversion.com. For example, one invoice dated 6/3/1999 stated storage for June at “130 sq. ft. @ \$1.10 per sq. ft. = \$143.00.” If the length of the property is 13 feet and the width is 10 feet, then the charges in cubic feet would be 10 x 13 x 10 x \$.11 cubic foot. The final amounts would still result in the \$143 charged on the invoice. However, using the terminology “square feet” could be misinterpreted by individuals unfamiliar with the square foot / cubic foot calculations.

The OIG auditors noted that some items were also stored on shelves (pallets) while some were laid out on the warehouse floor with nothing stored above. Dixie Transport stated that they also use the same height of 10 feet when calculating charges for property on the floor versus property on the shelves. The OIG believes that there could be a risk of overcharging when items are stacked above each other. Depending on where the property is stored, the calculated amount should either reflect the height of the space from the floor to the shelves or from the shelves to the ceiling. In the example noted above, if the invoice had property stored only on the floor and stored above were property for another party and the shelves were 5 feet from the floor, then the charges for the example above would be calculated as 13 x 10 x 5 x \$.11 cubic foot. This amount would then be \$71.50, which is half of the amount of \$143 stated.

The OIG auditors did not verify actual storage capacity on any invoices since Dixie Transport does not prepare an invoice until either a notice of a sheriff’s sale or after a notice to release seized property.

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Cubic ft. vs. fixed dollar amounts: The OIG auditors noted that Dixie Transport sometimes charges fixed dollars (\$16 per day) for storage, handling and display charges instead of the cubic foot rates stated in the contract. For example, one (1) invoice dated 9/11/00 stated "Storage 11 days @ \$16.00 per day." This condition is further discussed in Finding No. 3. Per conversation with Dixie Transport, these amounts reflect 3rd party charges that are passed on to the defendant's cost. Dixie Transport was unable to provide supporting documentation for some of these charges (receipts, invoices, etc).

Recommendation:

Dixie Transport should maintain accurate, detailed and complete records in order to support all work order and invoice amounts. If there are charges or services not noted in the contract, then Dixie should provide a detailed list for these charges. For third party charges, Dixie Transport should attach a copy of the invoice or receipt to the work order and maintain a copy for its own records. In addition, CSB should also review these 3rd party charges to ascertain that amounts are reasonable. Invoices should also correctly state cubic feet usage per contract terms.

Finding No. 2: Overtime hours should reflect the terms of the contract and not the Court Service Bureau hours.

Some work orders and invoices had various times stated for overtime (after 3:45 pm, after 4:00 pm, etc.). The OIG auditors discussed this issue with personnel from Dixie Transport and CSB. The OIG auditors were informed that Dixie's overtime charges reflect the same overtime hours worked by CSB, however, the "Contract Award Sheet" states:

"Base Price - Regular Time (8:00 a.m. thru 5:00 p.m.)
Monday thru Friday excluding Holidays"

Furthermore, Section 2.34 of the contract states:

"This allowance [overtime rate] shall only be provided in those instances where expressly authorized by a representative of the County prior to commencement of the overtime work. Further, overtime work shall not be allowed during the normal work day."

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The OIG noted that there was no subsequent addendum to the contract regarding overtime hours.

OIG auditors selected a sample of twenty-two (22) case files from Dixie Transport. Nine (9) of these case files were supported with a work order. From these nine, four work orders were partially supported with calculated amounts. The other five work order amounts could not be determined because they were incomplete in that individual rates per hour and start and end times were not properly stated. As shown in the table below, the OIG auditors recalculated the moving and transportation charges for those four invoices and work orders, according to the overtime start time in the contract agreement, and noted that \$188 in excess overtime payments were received by Dixie Transport with regard to the audited sample.

Job Date (per Work Order)	Invoice Amount	Moving & Transportation Charges Paid (per Invoice)	Moving & Transportation Charges (per OIG calculations)	Excess Overtime payment
6/3/99	\$2,134.70	\$1,725.00	\$1,659.00	\$66.00
4/17/00	\$1,693.75	\$1,114.50	\$1,037.50	\$77.00
4/6/01	\$1,963.75	\$815.00	\$790.00	\$25.00
7/12/01	\$134,906.69	\$440.00	\$420.00	\$20.00
Total	\$140,698.89	\$4,094.50	\$3,906.50	\$188.00

Recommendation:

The overtime hours noted on work orders should accurately reflect the terms of the contract. As stated in the contract, an authorization from the County is necessary. Dixie Transport should abide by the contract stated base price hours of 8:00 am thru 5:00 pm. Should overtime hours be required, CSB as the administrator of the contract must expressly authorize it.

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Finding No. 3: Several services provided were outside the scope of the contract agreement.

The OIG noted that the contract agreement is ineffective at pricing certain services provided by Dixie Transport. The contract's technical specifications describe two types of hauling: regular hauling and heavy hauling. [Section 3.2 (A) and (B)].

Regular hauling is defined as: "Transportation and storage of all kinds of small goods (e.g. household or business inventory), wrapping and safe keeping of breakable items."

Heavy hauling is defined as: "any job not able to be performed by a man or men using equipment such as hand trucks, dollies or similar equipment, which would normally be considered standard for a residential or commercial move."

The contract's base bid prices, however, are for "one (1) man and one (1) van" and additional rates apply for each additional man and van. This baseline of one man and one van applies to both regular and heavy hauling. The contract also provides for options, however, some of the services currently provided by Dixie Transport, including rigging crews, tractor-trailers and the moving and storing of airplanes and boats, is simply not contemplated by the pricing structure of the current contract. The contract does not address these services.

Also, some of the properties seized are large items that cannot be stored at Dixie's warehouse and are stored at off-site locations such as airport hangers and boatyards. For example, one invoice from Dixie Transport for the seizure of an airplane stated charges for security, insurance, levy, parking and towing. Some of these charges were supported by 3rd party invoices; however some amounts could not be substantiated. Due to the unique nature of some of these charges, the OIG was unable to determine whether they were reasonable or adequate.

Neither Dixie Transport nor CSB is required to obtain price quotes from other companies for unique items/services that are outside the scope of the contract. Per conversation with personnel from Dixie Transport, a written price quote is not given to CSB because there is a minimal period of time from when service is requested by CSB to when Dixie Transport performs the service.

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Recommendation:

It is not unreasonable to expect that there may be times when unique services are required; however, it is DPM's responsibility to ensure that the contract reflects as accurately as possible the current services performed by Dixie Transport. The OIG also realizes that not every type of property seized or services performed by Dixie Transport is foreseeable and will be stated in the contract, but the contract should provide some basis of understanding on how these unique items or cost should be evaluated and priced. Thus, for services outside the contract specifications, Dixie should obtain price quotes for services to be rendered by third parties. When possible, Dixie should obtain three price quotes, preferably in writing, prior to the engagement of third party vendors.

When circumstance and time constraints make the obtaining of pre-engagement prices quotes prohibitive, CSB should obtain "after-the-fact price quotes for the purpose of assessing the reasonableness of the submitted moving and storage charges for unique items and items outside the scope of the contract."¹

Furthermore, Dixie Transport should maintain accurate records and documentation to substantiate a reasonable basis for the services and charges submitted and to assure that these amounts are reasonable as per the typical charges of Miami-Dade County moving and storage companies.

While a requirement for price quotes (either pre-engagement or after-the-fact) helps to account for the reasonableness of charges, it is still highly recommended that the revised contract specifications address these types of services more comprehensively.

Finding No. 4: The MDPD Court Service Bureau (CSB) does not maintain a service log or record of Dixie Transport's services to the County.

The OIG was unable to determine the number of service requests fulfilled by Dixie Transport to the County during the audit period using either CSB or Dixie Transport records. Also, CSB was unable to provide a log reflecting the number of service requests fulfilled by Dixie Transport. Per conversations with personnel from CSB, currently their computer system is unable to generate such a report and this information is not manually maintained or prepared. CSB also stated that for them (CSB) to

¹ Taken from MDPD's response to the Draft Audit Report, page 3.

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provide the OIG with docket files on property seizures, a court case number or the defendant/plaintiff name is required. The inability to generate a report also applies to Dixie Transport.

The OIG auditors could not determine an appropriate population from which to select a sample. Dixie Transport's vendor/accounting system does not have the criteria to identify the case files that relate to CSB seizures. Dixie Transport had to manually go through all of its records to identify CSB files. In essence, the OIG auditors had to rely on the case files presented by Dixie Transport and had to judgmentally select a sample in order to request docket files from CSB. Since a log or record was not maintained by CSB, the OIG was unable to determine if Dixie Transport presented all of their case files over the past four years for review. The OIG considers this condition to be a major flaw to CSB's and Dixie Transport's record management.

Recommendation:

This condition is of great concern because it directly affects the ability of the external auditors to audit the company's charges. This inherent limitation is due to the lack of adequate record management by the MDPD CSB. The OIG strongly urges CSB to begin maintaining a log of the number of service requests fulfilled by Dixie Transport or any future vendor who provides this service. On the CSB property seizure report, a court case number, a MDPD case number and a service number are always noted. The OIG believes that all of these numbers, along with the contract bid number, can be used to identify and record services provided by Dixie Transport or with any other companies in the future. If this log or record is maintained, it will provide some accuracy and/or completeness on the maintenance of case files and can provide a reference for service requests fulfilled by Dixie Transport to the County.

Finding No. 5: The MDPD Court Service Bureau does not review invoices for services provided by Dixie Transport for accuracy and completeness.

CSB does not review invoices for charges submitted by Dixie Transport to determine whether amounts are reasonable and are accurately calculated as per the contract agreement. When the CSB has a writ of execution to satisfy a judgment, a notice of the sheriff's sale is advertised in the Daily Business Review listing each item for sale and the date of sale. A few days before the date of sale, Dixie Transport is notified by CSB to provide an invoice for charges up to the expected sale date. Dixie Transport then provides an invoice stating itemized amounts for display, handling, and transportation

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and storage charges for the property as of the date of the seizure. CSB then includes this invoice and amounts as part of the property's sale price. CSB does not require Dixie Transport to provide any additional support to the amounts listed on the invoice. Further, CSB does not review the amounts for accuracy.

Also, if CSB receives a court order to dissolve the writ or if the parties come to an agreement and/or the judgment is satisfied before the sheriff's sale, the property is authorized for release from CSB possession. Once CSB receives this notice, a sale is unlikely and Dixie Transport is no longer required to submit an invoice to CSB. If this invoice was not submitted to CSB before the notice to release property, an invoice is never submitted or reviewed by CSB. This issue is troubling to the OIG because Dixie Transport's invoices and amounts are not available to be reviewed for accuracy or completeness by CSB.

As reflected in the preceding table, Dixie Transport charged excess overtime of \$188 for services provided on 6/3/99, 4/17/00, 4/6/01 and 7/12/01. The OIG could not determine if this was a common occurrence because most of the invoices in the selected audit sample had lump-sum amounts in contravention of the contract's terms and/or lacked supporting documentation.

Recommendation:

CSB should be required to verify and determine the accuracy and completeness of all invoices, from Dixie Transport for services provided under the contract, whether there is a sheriff's sale or a court order requesting the release of the property. CSB should consider utilizing an unannounced testing protocol to verify the accuracy of the invoices. CSB should be able to determine whether Dixie Transport complied with the contract terms and conditions. This responsibility should be explicitly stated in the contract.

CSB and DPM both agreed that the contract is outdated and lacks many criteria for current services. The OIG recommends that DPM and CSB incorporate these recommendations into the draft proposal in order to develop a contract that is suitable for the types of services that are currently provided to the County.

Review of the draft proposal for Bid No. 2561

The current contract with Dixie Transport has been extended to August 31, 2003. As of August 1, 2003, the bid proposal is still in the draft stage. If it is not finalized and advertised for bid before the end of August, the contract may be extended for an

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additional three months, thereby granting a seventh consecutive extension. At present, automatic extensions, totaling 18 months, account for one third of the total period that this contract has been in effect.

A review of the draft proposal, received by the OIG in April 2003, noted several additions that were not in the original contract. Definitions and examples of properties include fixtures, machinery, cars, boats, airplanes and livestock. Heavy hauling now includes examples of industrial machinery, such as cranes, forklifts and rigging tools, and towing charges, as well as charges for vehicle and vessel storage. In addition, regular working hours changed from 8 am through 5 pm to 7 am through 3 pm to reflect CSB's regular hours.

The OIG agrees that some of the criteria in the draft proposal go to the heart of the problems in the original contract. DPM and CSB are encouraged to expeditiously complete the bid proposal.

The OIG appreciates the cooperation and courtesies extended by all DPM and MDPD personnel and Dixie Transport representatives who were involved in our audit of Contract No. 2561-0/01.

APPENDIX

1. Advance notification letter to Dir. Carlos Alvarez, MDPD.
Response received and attached.
2. Advance notification letter to Dir. Theodore Lucas, DPM.
Response received and attached.
3. Advance notification letter to Mr. Steven Blatt, President, Dixie Transport, Inc.
Response received and attached.