




Memorandum

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To: Jose Abreu, P.E., Director
Miami-Dade Aviation Department

From:  Christopher Mazzella, Inspector General

Date: December 15, 2008

Subject: MDAD Status Report Re: SMI Security Management's Permit and Underpayments, Ref IG07-46

The OIG is in receipt of your memorandum dated November 17, 2008, which serves as the Miami-Dade Aviation Department's (MDAD) status report regarding SMI Security Management's (SMI) permittee status and any action taken in response to the OIG's findings. (Attached) We greatly appreciate your timely and considered response. However, we are disappointed in MDAD's decision not to assess fines in this case.

The security services permit issued to SMI states that a permittee's failure to make the requisite opportunity payments shall require the permittee to pay interest as well as penalty fees of fifty (50) dollars per day. Nonetheless, you indicated MDAD has a policy of "not assessing penalties on unpaid fees reported in the annual independent accountant's report."

The OIG believes that the permittee's actions do not fall within the purview of MDAD's policy. SMI did not correct the underreporting on its own initiative or merely because of the annual audit, as MDAD's response implies. In this case, the permittee only admitted its underreporting after the OIG had initiated its investigation and after the County Attorney's Office became involved in the review of financial records. It should also be noted that the underreporting was not mere oversight or mathematical error—for 7-months, only 37% percent of the permittee's revenue was reported. Instead, the circumstances surrounding SMI's underreporting demonstrate that this was an intentional concealment of revenues generated from certain undisclosed clients. The pattern of concealment started with Sereca and was adopted by SMI, its successor.

The OIG recognizes that there are valid reasons for MDAD's policy when applied to permittees who properly report their revenue and use the audit process to correct errors in good faith. However, blind application of the policy defeats the purpose. Paying back the County only when you are caught, and not suffering any penalty for the

attempted theft, provides additional incentive for permittees to underreport in the first place. From their perspective, there is nothing to lose and much to gain. We recommend that MDAD refine the application of its no-fine policy to ensure that the purpose is properly secured without creating incentives to abuse of the department's good intentions.

Attachment

Cc: The Honorable Carlos Alvarez, Mayor, Miami-Dade County
Commissioner Jose "Pepe" Diaz, Chair, Airport and Tourism Committee
Mr. George Burgess, County Manager
Ms. Ysela Llort, Assistant County Manager
Robert Cuevas, Jr., County Attorney
Cathy Jackson, Director, Audit and Management Services Department
Charles Anderson, Commission Auditor
Clerk of the Board (copy filed)

Memorandum



Date: November 17, 2008

To: Christopher Mazzella
Inspector General

From: José Abreu, P. E., Director
Miami-Dade Aviation Department

Subject: Response to the Office of the Inspector General (OIG) Final Report
SMI Security Management, Inc.- MDAD Permit #002975

Chris
Alan
Tony F. 7
file 1607-46

The Miami-Dade Aviation Department (MDAD) thanks the OIG for the referenced final report, dated September 25, 2008. You have requested we provide a status report by November 26, 2008 regarding SMI's suitability to continue as an Aviation permittee and recommend we assess all possible fines, interest and penalties against SMI for misrepresenting gross revenues. Our response is detailed below.

We will allow SMI to continue operating under the security permit. As your report indicated, the instances of underreporting occurred during the presidency of Jose M. Gonzalez. Mr. Gonzalez was also the president of Sereca Security, which was investigated by the OIG and found to have been underreporting revenues to the Department. In corresponding action, the Department revoked Sereca's permit and they no longer operate at Miami International Airport (MIA). Since your investigation, SMI has been under the guidance of a new president, Karina Aponte, effective November 2006. Under her tenure, the cited underreported revenues were repaid within five payments and both monthly and annual reporting is in compliance. Additionally, SMI has been steadily increasing its operations at MIA with a corresponding increase in the monthly fee to the Department. We are further assured by the assessment performed by the Office of the County Attorney, which was a review of the audit process and supporting work from the SMI independent accountant and concluded the 2007 revenues were accurate as reported. We will follow the monthly progress of this permit and act accordingly should compliance change.

We did not assess fines, interest or penalties against SMI for the underreported revenues. The Finance Division has established a policy of not assessing penalties on unpaid fees reported in the annual independent accountant's report. This annual certification assures the Department that errors or omissions during the monthly reporting process are corrected at year-end. To assess penalties would negatively impact this control. However, the Department retains its rights to assess delinquency charges if underpayments are not made timely. Also, should under-reported revenues be revealed for a period already certified as accurate then penalty fees would be assessed.

The Department appreciates the OIG's findings and opinions expressed in the above referenced report. If you have any questions, please contact Evelyn Campos, Professional Compliance Division Director, at 305-876-7390.

- C: Honorable Harvey Ruvin, Clerk of the Courts
- George M. Burgess, County Manager
- Ysela Llort, Assistant County Manager
- Denis Morales, Chief of Staff, Office of the Mayor
- Robert Cuevas, County Attorney
- Cathy Jackson, Director, Audit and Management Services Department
- Charles Anderson, Commission Auditor

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INSPECTOR GENERAL
MDC-OFFICE OF THE

ATTACHMENT