



Memorandum

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To: The Honorable Joseph P. Farina, Chief Judge
Eleventh Judicial Circuit of Florida

From:  Christopher Mazzella, Inspector General

Date: May 16, 2008

Re: Administrative Office of the Courts (AOC) – Contract No. IB7112-3/11 for Dry
Cleaning and Laundry Services – IG08-08

Attached please find a copy of the Office of the Inspector General's final report regarding our review of Contract No. IB7112-3/11 for dry cleaning and laundry services. Draft copies of this report were provided to AOC Administrator, Mr. Ruben Carrerou, and Mr. Clean Laundry owner, Mr. Shosh Manor. The OIG received a response from Mr. Carrerou, which is included as Appendix A. No response was received from Mr. Clean Laundry.

Upon careful review of the AOC's response, the OIG felt that no changes were warranted. We do note at the end of the report that the situation has been rectified and that the AOC is pursuing an audit of Mr. Clean's invoices. The OIG is requesting from the AOC a follow-up report in 60 days on the status of its audit and any collection efforts. We ask to receive this report by July 15, 2008.

cc: Mr. Ruben O. Carrerou, Court Administrator
Ms. Miriam Singer, Director, Department of Procurement Management
Clerk of the Court (copy filed)
N & D Investments Corp., d/b/a Mr. Clean Laundry

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SYNOPSIS

The Miami-Dade County Office of the Inspector General (OIG) received a complaint regarding certain procurement practices by the Administrative Office of the Courts (AOC)¹ relating to its utilization of dry cleaning and laundry services.

Our review determined that the AOC does not use Miami-Dade County's (County) contracted vendor that was specifically awarded the bid group to provide dry cleaning and laundry services to the Judicial Administration/AOC. Instead, the AOC continues to use the services provided by a firm referred to as "Mr. Clean," even though that vendor does not have a contract with the AOC and is significantly more expensive than the vendor of the current County contract. For the six-month period reviewed, the OIG determined that the cost of the AOC's dry cleaning/laundry services provided by Mr. Clean was higher than if it had used the County vendor. Mr. Clean's unit prices are, on average, 189 percent more than those charged by the County vendor. In total, these higher unit prices may have added over \$9,100 to AOC's dry cleaning/laundry expenses during this period. Moreover, there appears to have been three duplicate invoices totaling over \$2,000 that were submitted by Mr. Clean, approved by the AOC, and paid by the County.

BACKGROUND

The Administrative Office of the Courts and Dry Cleaning and Laundry Services

The AOC is comprised of non-judicial staff that provides a myriad of support services to aid the judiciary in the daily operations of the courts, including areas such as procurement of goods and services and the processing of invoices for payment, etc. The AOC discussed in this report is part of the Eleventh Judicial Circuit of Florida, serving Miami-Dade County.

A service required by the judiciary is dry cleaning and laundering. According to County financial records, the AOC started using N & D Investments Corp., d/b/a Mr. Clean Laundry (Mr. Clean), for dry cleaning and laundry services in June 2006. Mr. Clean did

¹ The subject AOC is part of the 11th Judicial Circuit Court of Florida (Court), which serves Miami-Dade County. The Court is not a County agency. The Court may, but is not obligated to use County contracts, even those that may have been, in part, established for the Court's use by the County, as part of the County's centralized procurement function. The County, however, is obligated to fund a portion of the Court's costs and does so by way of an annual allocation of County general funds to the Court. In addition, based on its receipt of AOC-approved invoices, the County, as part of its centralized payment function, processes these invoices for payment and disburses the allocated County funds to the designated payees using County checks.

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not have a contract with the AOC; services were provided on a per order per invoice basis. In September 2006, the AOC successfully asked to be added to and then began using the County contract existing at that time for dry cleaning and laundry services (County Contract #IB7112-3/08-1), which had been awarded to L Boulevard Cleaner (“Boulevard”).

On May 1, 2007, the president of Boulevard sent a letter to the County stating that he was forced to stop providing his company’s services to the County because of health problems. On May 2, 2007, the County’s Department of Procurement Management (DPM) notified all contract user departments, including the AOC, that Boulevard would no longer provide services to the County effective that day, and that DPM was working on a bridge contract. As a result, the AOC started using the dry cleaning and laundry services of Mr. Clean again.

County Contract #IB7112-3/11 Dry Cleaning and Laundry Services

DPM provides centralized purchasing services for County departments and other user agencies. The current contract for *Dry Cleaning and Laundry Services*, Contract No. IB7112-3/11, was put out to bid on June 4, 2007, one month after being notified by Boulevard that it could no longer provide services to the County. The bid asked for unit prices for dry cleaning and laundry services for clothing items for five bid groups. The five bid groups were the Miami-Dade Police Department, the Department of Environmental Resources Management, Vizcaya, Judicial Administration (also known as the AOC), and Juvenile Services. Each department listed the specific items that it wanted to be serviced (e.g., police uniforms, judicial robes, etc.) along with the estimated bid quantities for each item. Vendors could bid on any or all of the five groups. The contract period is September 1, 2007 through August 31, 2008; the contract has three (3) one-year options to renew.

The vendor with the lowest bid for each group would be awarded a contract and designated as the primary vendor for that group. There were two vendors that responded to the County’s *Invitation to Bid* for IB7112-3/11, which was issued June 4, 2007. Mr. Clean did not participate in this County procurement. Bids were opened on June 29, 2007. Jersey Cleaners, LLC, was awarded Group 3 (Vizcaya) valued at \$2,000 and Group 4 (Judicial Administration/AOC) valued at \$60,000, for a total value of \$62,000. ACM Home Medical Equipment, Inc., the other responding vendor, was awarded Groups 1, 2 and 5, collectively valued at \$57,000.

The ensuing contracts awarded to the successful vendors are non-exclusive, meaning that the County has the right to have the same services performed by other vendors and/or through other contracts. In addition, the estimated quantities listed for each clothing item were for bid purposes only and there are no guarantees expressed or implied as to quantities or

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dollars that will be used during the contract period. However, for contract valuation purposes and to track expenditures by contract users, the AOC was provided a \$60,000 allocation under the contract.

OIG FINDINGS

AOC's Non-Utilization of Contract Results in Higher Prices Paid

Since contract award, the AOC has not used Jersey Cleaners for any dry cleaning and/or laundry services, through March 17, 2008. During this period, the AOC has had at least two meetings with Jersey Cleaners to discuss various issues, such as the prompt identification and determination of responsibility for damaged items, and the replacement cost of a damaged item, if the fault of Jersey Cleaners. However, as this and the other issues apparently remain unresolved, the AOC has continued to use the services of Mr. Clean.

Notwithstanding the above issues, Table 1 looks at cost issues by comparing Jersey Cleaner's contract bid prices versus Mr. Clean's prices, as taken from its recent invoices. The average price increase paid by the AOC for using Mr. Clean over what is offered under the County's contract is 189 percent (\$10.40/\$5.50).

TABLE 1 Unit Price Comparison

Item Description	County Contract Unit Price^(a)	Mr. Clean's Unit Price^(b)	Unit Price Increase	Percentage Increase
Shirts	\$1.00 each	\$3.00 each	\$2.00	200% price increase
Pants	\$1.50 each	\$3.90 each	\$2.40	160% price increase
Robes	\$3.00 each	\$9.00 each	\$6.00	200% price increase
Total	\$5.50	\$15.90	\$10.40	189% avg. price increase

^(a) Prices taken from DPM contract price sheet (See OIG Exhibit A).

^(b) Prices taken from Mr. Clean invoice no. 4041, dated December 18, 2007 (See OIG Exhibit B).

To demonstrate the impact of Mr. Clean's higher unit costs, we recalculated Mr. Clean invoice no. 4041 using comparable unit costs under the County contract. Mr. Clean's invoice amount was \$672.90; the OIG's recalculated "invoice" amount using County contract prices was \$234.50. Because Mr. Clean was used for this order, as opposed to the County's designated vendor for the AOC, Jersey Cleaners, the AOC's dry cleaning/laundry

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costs increased by \$438.40, which, in this case, amounted to a 187 percent cost increase (\$438.40/\$234.50), as shown in Table 2.

TABLE 2 Comparative Costs

Item Quantities	Mr. Clean Unit Price	Mr. Clean Invoice No. 4041 Cost	County Contract Unit Price	OIG Recalculated "Invoice" Cost	Cost Increase
125 Shirts	\$3.00	\$375.00	\$1.00	\$125.00	\$250.00
51 Pants	\$3.90	\$198.90	\$1.50	\$76.50	\$122.40
11 Robes	\$9.00	\$ 99.00	\$3.00	\$33.00	\$66.00
Total		\$672.90		\$234.50	\$438.40

The OIG researched whether the AOC is bound by the County's purchasing regulations. In other words, is the AOC required to use the services of a County vendor on a County contract when the AOC has been provided with a financial allocation on that contract? In discussions with the County Attorney's Office and the AOC, reference was made to a May 11, 1993, legal opinion on the subject of *Compliance with County Purchasing Directives* (See OIG Exhibit C), which states, in relevant part:

Since the courts are a co-equal branch of government and not merely a county agency or department, there seems to be no legal basis for the County to force the courts to comply with county purchasing regulations which are by their terms applicable only to county agencies and departments. Better practice dictates, however, that the courts continue to comply with county procedures relating to the purchase of goods and services whenever possible.

The purpose of competitive bids is to obtain the best price. DPM services County departments and other user agencies by providing this function. The AOC had previously asked to be added to the former contract, i.e., given a contract allocation, and it was aware that DPM would be awarding a new contract, after the announcement of Boulevard's termination of services. The AOC was one of five groups included in the County's replacement contract. Moreover, the AOC, as the user department/agency, had to have some knowledge that its group—Group 4—was awarded to Jersey Cleaners.

The OIG is concerned that the AOC continues to use Mr. Clean for their dry cleaning and laundry services instead of Jersey Cleaners, especially when Mr. Clean's unit

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prices are substantially higher than those of Jersey Cleaners. For the period of September 2007 through February 2008, the AOC submitted for payment to the County’s Finance Department twenty-four Mr. Clean invoices, totaling \$14,002.87. Since Mr. Clean’s prices are, on average 189 percent higher than Jersey Cleaner’s, i.e., the County contract prices, the AOC likely incurred over \$9,100 in additional costs by not utilizing the services and pricing afforded through the County contract.

OIG Review Revealed Apparent Duplicate Invoices

Another more troubling finding is that the OIG found what appear to be three duplicate invoices—albeit with different invoice numbers—that were submitted to the AOC, approved for payment by the AOC, forwarded to the County’s Finance Department, and then paid by the County. We state “what appears to be” because the invoices show different invoice numbers, but the detail accompanying the invoice and total invoice cost are identical. Each invoice is accompanied by a spreadsheet that itemizes the charges for that invoice, which includes a ticket number; the name of the person submitting clothing (in most cases); the number of shirts, pants, robes, or jackets; and the dollar amount charged for each person. These itemized spreadsheets are identical for each of the three duplicate bills. Given the level of detail supporting the charges, especially with the laundry tickets numbers, the OIG is concerned that these are, in fact, duplicate charges resulting in Mr. Clean being paid twice for the same services. The three duplicate invoices total \$2,023.35, or 50 percent of the total invoiced amount of \$4,046.70, as shown in Table 3.

Table 3 Duplicate Invoice Listing

Mr. Clean Laundry Invoice No.	Invoice Amount	Date of Invoice	Approved by AOC	Date Paid by County	County Check No.
3307 (See OIG Exhibit D1)	\$1,194.60	6/1/07	9/17/07	9/25/07	02036271 ^(a)
1207 (See OIG Exhibit D2)	\$1,194.60	6/1/07	9/20/07	9/25/07	02036271 ^(a)
3537 (See OIG Exhibit E1)	\$362.70	6/1/07	9/17/07	9/25/07	02036271 ^(a)
1208 (See OIG Exhibit E2)	\$362.70	6/1/07	9/20/07	9/25/07	02036271 ^(a)
1215 (See OIG Exhibit F1)	\$466.05	6/11/07	8/16/07	9/05/07	02028060
3215 (See OIG Exhibit F2)	\$466.05	6/11/07	9/22/07	10/2/07	02039734
Total	\$4,046.70				

^(a) County check number 02036271, totaling \$4,462.70, combines amounts from six AOC approved Mr. Clean invoices into one payment. Four out of the six invoiced amounts that make up that one payment are those shown in Table 3.

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CONCLUSION

The AOC has chosen to use the services of a vendor outside of the established County contract despite having participated in DPM's procurement process of establishing a new contract. On average, the AOC's costs are 189 percent more than if it had used the services of the successful vendor awarded the Group 4 portion of the County's contract set aside for Judicial Administration. The AOC's choice of vendor for dry cleaning and laundry services has cost it approximately \$9,100 over the earlier cited six-month period more than if it had used the County's contract vendor. Moreover, it appears that payments of duplicate invoices amount to over \$2,000.

The OIG has no recommendations to make as it appears from the AOC's response to the draft report that the situation has been rectified. (The AOC's response is attached as Appendix A.) A copy of this report as a "draft" was also provided to Mr. Clean. The OIG did not receive a written response from Mr. Clean.

The AOC advises that it will use the services of Jersey Cleaners and Jersey Cleaners will provide the services at the prices submitted in its bid. Moreover, the AOC informs that it will audit Mr. Clean's invoices and seek full restitution on any duplicate invoices paid. The OIG requests from the AOC a follow-up report in 60 days on the status of its audit and any collection efforts. We look forward to receiving the AOC's follow-up status report by July 15, 2008.