



Memorandum

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

To: The Honorable Carlos Alvarez, Mayor, Miami-Dade County
From: Christopher Mazzella, Inspector General
Date: May 19, 2010
Subject: OIG Final Audit Report Re: *Audit of Miami-Dade County Metrozoo Commodity Purchases*, Ref. IG09-50A

Attached please find the Office of the Inspector General's (OIG) Final Audit Report on the above-captioned subject. This audit covered the Metrozoo's activities related to commodity purchases (food and pharmaceutical products) and the associated inventory controls over the purchased items. Our audit did not uncover any adverse findings. However, we found certain conditions that do warrant management's attention and, as such, the OIG makes three recommendations in this report. For reading convenience, attached is an abstract of our report.

A copy of this report, as a draft, was provided to the Park and Recreation Department (PRD) and the Department of Procurement Management (DPM) for their comments. PRD's and DPM's responses are included as Appendix A and Appendix B, respectively. Please be advised that the OIG is requesting an informational status report from PRD in 90 days describing the results of its efforts, in conjunction with DPM, to assess available opportunities for the Metrozoo to obtain best possible value when it purchases foodstuffs and pharmaceuticals. In addition, we request that PRD reconsider its decision to continue its procurement practices under the authority of R-1150-01. As recommended, we believe that a new authorization should be sought incorporating authorization amounts and time durations in line with current procurement best practices. We ask to receive this status report by August 20, 2010.

cc: Hon. Senator Javier D. Souto, Chair, Recreation, Culture and Tourism Committee
George M. Burgess, County Manager
Alex Munoz, Assistant County Manager
Jack Kardys, Director, Park and Recreation Department
Miriam Singer, Director, Department of Procurement Management
Eric Stephens, Director, Miami-Dade County Metrozoo
Cathy Jackson, Director, Audit and Management Services Department
Charles Anderson, Commission Auditor
Clerk of the Board (copy filed)

ABSTRACT
Final Audit Report IG09-50A

During our audit of the Metrozoo's purchasing of commodity items and its associated inventory controls, we observed three conditions that warrant management's attention. First, we noted that there are two resolutions—R-1150-01 and R-1433-04—that provide the Metrozoo with a continuous bid waiver authorization for specified purchases and a funding allocation that it can use for making those purchases. However, the Metrozoo only acknowledges R-1150-01 and the funding that it provides. R-1150-01 provides the Metrozoo with blanket bid waiver authority for specified purchases and a not-to-exceed annual funding allocation of \$800,000, in perpetuity. R-1433-04 provides a more limited bid waiver authority and a not-to-exceed one-time funding allocation of \$800,000, for a period of up to six years. We find that R-1150-01's bid waiver authority and funding allocation, in perpetuity, is a nonstandard, undesirable condition that is not compatible with good governance. This almost ten-year old resolution—that perhaps was once appropriate or acceptable—no longer reflects current procurement best practices and should be replaced. In addition, this resolution's blanket bid waiver authority for the acquisition of animals and their associated transportation costs is too broad of an authorization when purchasing commodity items.

Second, we observed that most Metrozoo purchasing activities for animal foods and pharmaceutical products are completed singlehandedly and are without adequate controls to compensate for this lack of segregation of duties. Good business practice dictates that the responsibilities for asset custody, asset dispensing, asset ordering, asset receiving, and payment approval for said assets should be divided, or segregated, among different people to reduce the risk of undetected errors or inappropriate actions. We recognize that smaller organizations may have no choice but to task one individual with incompatible duties/responsibilities; however, we believe that even small organizations can put into place some level of compensating controls. Although we did not find any evidence of any wrongdoing, e.g., missing inventory, the lack of such evidence does not lessen the risk inherent in the observed conditions. The Metrozoo has indicated to the OIG that it will implement periodic supervisory review of orders and reconciliation of inventory as a way to address the OIG's concern.

Lastly, we think that the Metrozoo could make greater efforts to document that its purchases of specialty foods and pharmaceutical products are at fair and reasonable prices. We acknowledge that some of these purchased goods and services, because of their relatively infrequent need coupled with a limited vendor selection, may be subject to varying market conditions that preclude guaranteeing set prices for any length of time. Notwithstanding, we observed that some of the named vendors have been consistently providing goods and services for several years. As such, we believe that it is possible for Metrozoo, with assistance from DPM, to negotiate pricing provisions with these vendors. Such provisions could secure, for a stated duration, agreed upon terms for how prices will be set—e.g., specified discounts off the vendor's wholesale prices. This will have some mitigating effect on the otherwise limited or sole source conditions influencing some of the Metrozoo's specialty purchases.

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



FINAL AUDIT REPORT

Audit of Miami-Dade County Metrozoo Commodity Purchases

IG09-50A

May 19, 2010

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
FINAL AUDIT REPORT
Audit of Miami-Dade County Metrozoo Commodity Purchases

TABLE OF CONTENTS

	PAGE
I. INTRODUCTION	1
II. TERMS USED IN THIS REPORT	1
III. BACKGROUND	1
Table 1 Metrozoo Budget	5
IV. RESULTS SUMMARY	5
<i>Auditee Responses and OIG Rejoinders</i>	7
<i>Requested Follow-up</i>	9
V. OIG JURISDICTIONAL AUTHORITY	9
VI. OBJECTIVES, SCOPE, AND METHODOLOGY	10
APPENDIX A Park and Recreation Department Response	
APPENDIX B Department of Procurement Management Response	

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
FINAL AUDIT REPORT
Audit of Miami-Dade County Metrozoo Commodity Purchases

I. INTRODUCTION

The Office of the Inspector General (OIG) performed an audit of Miami-Dade County Metrozoo's (Metrozoo) activities related to commodity purchases (food and pharmaceutical products), which it needs for the care and feeding of its animal collection, and its associated inventory controls over the purchased items. Our audit did not uncover any adverse findings. However, we found certain conditions that do warrant management's attention and, as such, the OIG makes three recommendations in this report.

Specifically, we observed that most Metrozoo purchase activities for animal foods and pharmaceutical products are completed singlehandedly and are without adequate controls to compensate for this lack of segregation of duties. In addition, we think that the Metrozoo could make greater efforts to document that its purchases of specialty foods and pharmaceutical products are at fair and reasonable prices.

II. TERMS USED IN THIS REPORT

BCC	Board of County Commissioners
DPM	Department of Procurement Management
Metrozoo	Miami-Dade County Metrozoo
OIG	Office of the Inspector General
PRD	Park and Recreation Department

III. BACKGROUND

Metrozoo Profile

Miami Metrozoo is the largest and oldest zoological garden in Florida. It is located in southern unincorporated Miami-Dade County, southwest of the city of Miami and west of the Village of Palmetto Bay. It houses over 1,200 wild animals and is the only subtropical zoo in the continental United States. The Metrozoo has over 80 exhibits and sits on 740 acres, 300 of which are developed. The Miami-Dade County Park and Recreation Department (PRD) oversees the daily operations of the Metrozoo.

DPM Contracts

Miami-Dade County's Department of Procurement Management (DPM) manages in excess of 1,500 active contracts for county departments. Some of the

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

Audit of Miami-Dade County Metrozoo Commodity Purchases

contracts managed by DPM include a funding allocation for the PRD/Metrozoo to purchase commodities and supplies, such as fresh bananas, hay, ice, and some types of medical supplies. The Metrozoo makes most of its commodities purchases using DPM contracts. However, the Metrozoo also uses authorization granted to it by the Board of County Commissioners (BCC) that allows the Metrozoo to waive formal bid procedures and the requirements of Administrative Order 3-2¹ for the purchase of animals, specialty animal foods, and pharmaceutical products.

Resolutions R-1150-01 and R-1433-04

On October 23, 2001, the BCC approved Resolution R-1150-01 titled *Resolution waiving formal bid procedures and provisions of Administrative Order 3-2² to allow the Park and Recreation Department to procure animals and pay all associated expenses for animal transportation, feed, laboratory and medical supplies for exhibits at Miami-Metrozoo*. The resolution allowed the Metrozoo to

. . . [pay] all expenses by direct bill in an amount not to exceed \$800,000 annually for the procurement of animals and associated expenses for animal transportation, feed, laboratory and medical supplies for exhibits at Miami-Metrozoo . . .

We note that this resolution did not have a stated duration (i.e., for a certain number of years). Thus, it would appear that the BCC authorized an annual not-to-exceed funding allocation of \$800,000 and waiver of formal bids, etc., for the Metrozoo, in perpetuity.

On December 2, 2004, the BCC approved R-1433-04. This resolution is a type of recurring DPM agenda item that consolidates into one agenda item a range of departmental nonstandard purchases. DPM periodically submits this type of resolution, which seeks approval for various purchases among certain categories, such as sole source purchases, bid waivers, competitive bid waivers, emergency purchases, noncompetitive contract modifications, and confirmation (unauthorized) purchases. Included in the section on bid waivers was Item 2.3 *Specialty Foods for MetroZoo Animals*. The justification for this item read as follows:

¹ Since superseded by A.O. 3-38, *Master Procurement Administrative Order*.

² Our review did not look at the Metrozoo's animal procurements and associated expenses. As such, our comments relate only to its use of those Resolution funds used to purchase specialty commodity items.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
FINAL AUDIT REPORT
Audit of Miami-Dade County Metrozoo Commodity Purchases

Authorization is requested to establish a replacement contract to allow Miami-Dade Park and Recreation Department to purchase specialty food/feed to continue the high level of care and health maintenance of the animal collection at MetroZoo, Amelia Earhart farm village and nature centers required by medical needs or veterinary prescription.

The varied population of animals and exotic species requires a wide and changing variety of diets. Age, medical history, breeding cycles and illness required the flexibility to respond quickly. It is critical that Park and Recreation have the ability to adjust diets as research provides new information.

Past attempts at issuing competitive bids for the purchase of this commodity by the Park & Recreation Department proved to be unsuccessful, as vendors did not meet the standards and specifications that were set by the zoo veterinarian and dietician. Product brands can vary greatly from one vendor to another and although the contents may appear to be the same, other factors such as processing, storage and quality control differed in the past.

The vendors that the department currently buys, and that are identified here, have proven their ability to meet the needs prescribed by the veterinarians and nutritionists.

Authorization is also requested to add additional vendors once they are identified by Park and Recreation staff and when they complete the County's vendor registration requirement.

Whenever possible, quotes will be obtained in the purchase of any particular item. (Emphasis added by OIG.)

On its face, the 2004 bid waiver stated that it was a "replacement contract," but it did not expressly state what contract it was replacing. Moreover, the 2004 bid waiver authorizes an \$800,000 funding allocation for a two-year period, with two two-year options to renew. There were ten "approved" vendors initially listed in the item, and the item also authorized PRD to add vendors, as needed, after they complete the County's vendor registration process.³

³ During our test period, the Metrozoo's "Resolution" vendors totaled 64, including four that were named in the 2004 Resolution. We note that a number of vendors were one-purchase only providers or were used only during a brief period, such as for 2-3 weeks or months.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
FINAL AUDIT REPORT
Audit of Miami-Dade County Metrozoo Commodity Purchases

Most notably, the 2004 bid waiver authorization added a new mandate that “[w]henever possible, quotes will be obtained in the purchase of any particular item.” The problem, however, is that the Metrozoo does not use R-1433-04 authorization or funding. Instead, Metrozoo bid waiver purchases (e.g., laboratory and medical supplies, the animals themselves, their transportation, and food/feed) are all made through R-1150-01. What makes this more unclear is that R-1433-04 seemingly only applies to food/feed and may have replaced the 2001 resolution only with respect to specialty food/feed products. The purchase of animals, their transportation, and laboratory and medical supplies may seemingly still be made under the blanket bid waiver authorization of R-1150-01.

We feel that whatever was the intent of the 2004 replacement contract, it is important that PRD/Metrozoo management clarify the various authorizations. Clearly, the 2004 bid waiver authorization was meant for some purpose, however, the Metrozoo has generally not acknowledged it and continues its bid waiver purchases under the 2001 authority. While both resolutions grant the Metrozoo bid waivers for the specified purchases, the 2004 resolution qualifies its bid waiver by requiring that “whenever possible, quotes will be obtained”

Lastly, we note that the 2001 resolution provides the Metrozoo, in perpetuity, with a funding allocation not-to-exceed \$800,000 annually. In contrast, the 2004 resolution provides \$800,000 of funding over an initial two-year period with two two-year options to renew. The option years, presumably, are to allow the Metrozoo to spend the entire \$800,000 allocation, whether that would happen over two years or six years. As such, we recommend that PRD/Metrozoo management seek clarification on the differences between these two bid waiver authorizations and, if necessary, seek a new authorization from the BCC that would clearly delineate the various authorizations and spending limits with respect to each category of purchases.

Metrozoo Funding

The PRD is responsible for the acquisition, construction, maintenance, and operation of County parks, including the Metrozoo. The Metrozoo’s operating budget consists of a general fund subsidy and self-generated income (earned revenues) that comes from activities like admissions, stingray feeding, camel rides, etc. The following are the amounts provided to us by the Metrozoo’s finance staff for the fiscal years reviewed by the OIG.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
FINAL AUDIT REPORT
Audit of Miami-Dade County Metrozoo Commodity Purchases

Table 1: Metrozoo Budget

Description	FY 06-07	FY 07-08	FY 08-09
Earned Revenue	\$5,438,771	\$6,549,275	\$9,160,549
General Fund Subsidy	\$8,007,000	\$7,355,000	\$9,453,000
Revenue Total	\$13,445,771	\$13,904,275	\$18,613,549

*Source: Metrozoo Revenue and Expense Annual Comparison

IV. RESULTS SUMMARY

Our audit did not reveal any adverse findings per se, but we do note certain conditions that we believe warrant management's attention. These conditions relate to the Metrozoo's internal controls associated with its commodity purchases and the need for it to make reasonable efforts to show that it is paying fair and reasonable prices for its commodities. These two conditions are described in more detail below. A third condition, as alluded to above, includes the Metrozoo's continued reliance on the 2001 resolution, even though the 2004 resolution was meant to replace it—or at least a part of it.

Lastly, as an observation only, we observed a very hard-working and dedicated Metrozoo staff committed to providing the best in care and conditions for the animals at the facility. For example, we watched the steps that they took to ensure that there was always an adequate supply of fresh food and how staff carefully prepared meals for the animals. We noted that they appeared very conscious of food and drug "freshness" and that dated supplies would not be used. Finally, staff took care to ensure that food items and treats were both nutritious and stimulating for the animals.

Commodity Purchases and Inventory

The Metrozoo does not have adequate segregation of duties among staff involved in the purchasing and storing of commodities. The Kitchen Manager inventories on-hand supplies to determine food purchase order timing and needed quantities, selects the vendors, places the orders with the vendors, records the orders, receives the ordered goods when they arrive, verifies that the items and quantities delivered match the order, and, finally, approves payment for the purchased items. For drug purchases, it is mostly the same process followed for food purchases and, like food purchases, is performed by one individual.

Good business practice dictates that the responsibilities for asset custody, asset dispensing, asset ordering, asset receiving, and payment approval for said assets should be divided, or segregated, among different people to reduce the risk of undetected

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

Audit of Miami-Dade County Metrozoo Commodity Purchases

errors or inappropriate actions. Operating conditions, however, often do not provide the ideal circumstances and, in such cases, managers must adopt “compensating” controls to mitigate an otherwise undesirable condition. We recognize that smaller organizations may have no choice but to task one individual with incompatible duties/responsibilities; however, we believe that even small organizations can put into place some level of compensating controls.

For example, the Metrozoo does not keep formal inventory records of food item purchases, disbursements, and on-hand stock. This information could be compared to the results of periodic physical inventories. Collectively, these steps would provide some reasonable assurance that Metrozoo funds have been used appropriately in the purchase of food items. Periodic inventories also function as account reconciliations. Account reconciliations are a strong mitigating control in reducing the risk of lost assets and inaccurate accounting. Although there are some inventory records of pharmaceutical items, they are maintained by the same individual who handles all of the other named activities. Moreover, like food, there are no independently performed physical inventories of these items as a check on their existence.

Although we did not find any evidence of any wrongdoing, e.g., missing inventory, the lack of such evidence does not lessen the risk inherent in the observed conditions. While we acknowledge that the limited size of the Metrozoo staff may make it more challenging to segregate duties among various individuals and enhance record keeping requirements, we recommend that the Metrozoo devise a reasonable, workable alternative to the current situation.

Price Quotes

Our last observation involves the premise that an important element of an effective, economical commodities purchase program is price control. This premise applies even in situations where competition is limited. In general, competitive contracts, such as those awarded by DPM, serve as price controls ensuring that the Metrozoo pays an objectively derived price obtained through a rigorous and transparent process. Most Metrozoo commodities purchases—over \$1.6 million worth during fiscal years 2007 through 2009—were made through DPM contracts that were awarded as the result of a competitive process. However, during this same period, the Metrozoo purchased over \$160,000 of specialty food and pharmaceutical items with little or no competition or with minimum records of its efforts for those instances when personnel sought price quotes. For these purchases, our understanding is that, for the most part, the Metrozoo accepts whatever the vendor offers in the way of pricing and delivery terms, on an order-by-order basis.

**MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
FINAL AUDIT REPORT**

Audit of Miami-Dade County Metrozoo Commodity Purchases

The OIG recognizes that R-1150-01 and R-1433-04 were created to achieve the expedient purchase of specialty foods and pharmaceutical products. Moreover, we agree that some of these purchased goods and services, because of their relatively infrequent need coupled with a limited vendor selection, may be subject to varying market conditions that preclude guaranteeing set prices for any length of time. However, we also observed during our review of the resolution purchases that some of the named vendors have been consistently providing goods and services for the past several years. We believe, given these vendors' recurring sales of goods or services to the Metrozoo, that it is possible for Metrozoo/DPM to negotiate pricing provisions with these vendors. Such provisions could secure, for a stated duration, agreed upon terms for how prices will be set—e.g., specified discounts off the vendor's wholesale prices. This would have some mitigating effect on the otherwise limited or sole source conditions influencing some of the Metrozoo's specialty purchases.

R-1433-04 expressly recognized that, even with the earlier blanket authorization of R-1150-01, the Metrozoo still should seek quotes whenever possible. Another alternative would be for DPM to conduct market research to see if the Metrozoo could purchase off other public contracts that have the needed items. The Metrozoo could contact other zoos or animal parks about their commodity costs to gauge the reasonableness of the prices that it is paying. In any case, Metrozoo staff should document their efforts to solicit fair and reasonable prices, even for specialty items, or document why a competitive price solicitation was not possible or in the County's best interest for a particular item. The OIG is not necessarily recommending that Metrozoo take these actions for every specialty food purchase, but we do suggest that the Metrozoo exercise reasonable professional judgment, as a custodian of taxpayer funds, to affirmatively document its efforts that it is spending those taxpayer funds wisely.

Accordingly, we recommend that Metrozoo and DPM personnel jointly conduct periodic, comprehensive reviews of Metrozoo resolution purchase patterns, vendor selections, and pricing terms, with the purpose of finding opportunities to obtain better prices and services.

Auditee Responses and OIG Rejoinder

A copy of this report, as a draft, was provided to PRD and DPM for their comments. The PRD and DPM responses, in their entirety, are included as Appendix A and Appendix B, respectively.

PRD acknowledges that it does not use R-1433-04 and recommends that it be retired. The OIG, with respect, disagrees with PRD's proposal. We note that on its own accord, R-1433-04 will expire this year, with or without PRD taking any action.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
FINAL AUDIT REPORT
Audit of Miami-Dade County Metrozoo Commodity Purchases

Rather, the OIG suggests that PRD seek to retire R-1150-01 and replace it with a new resolution containing more appropriate funding and purchasing conditions. Foremost, we think that R-1150-01's annual not-to-exceed \$800,000 funding, in perpetuity, is a nonstandard, undesirable condition that is not compatible with good governance. This almost ten-year old resolution—that perhaps was once appropriate or acceptable—no longer reflects current procurement best practices and should be replaced.

In addition, we think that R-1433-04's requirement that the Metrozoo make reasonable efforts to obtain price quotes for commodity items is appropriate and should be included in any successor resolution. While we agree that animal purchases and related costs merit special consideration, we do not think that foodstuff and pharmaceutical purchases, i.e., commodity items, need blanket bid waivers, especially when combined with an unlimited funding duration. Both PRD's and DPM's responses describe steps that will be taken to ensure that the Metrozoo obtains best value in its commodity purchases. PRD, with DPM's assistance, should initiate a replacement resolution to both R-1150-01 and R-1433-04 that requires the Metrozoo to make best efforts when making commodity purchases, while authorizing Metrozoo some level of flexibility in its purchasing. This successor resolution should also contain a funding allocation for such purchases and a stated duration. PRD should also consider a separate resolution with its own funding allocation for the acquisition of animals and for the costs associated with transportation and handling.

In its response to our issue regarding the lack of segregation of duties, PRD stated that it would implement periodic supervisory review of orders and reconciliation of inventory as a way to address our concern over the lack of segregation of duties.

Addressing our concern about the need for the Metrozoo to obtain price quotes, PRD stated that it would be taking steps to improve its review of vendor pricing of commodities purchased under the resolution and that such reviews are documented. PRD also stated that it has met with DPM to research whether there may be efficiencies gained by purchasing medical supplies off an existing contract already in place for the County's Animal Services Department.

DPM, in its response, stated that market research of other zoos is being conducted. DPM also stated that it would establish a pool contract for certain commodities based on its determination of the level of available competitive opportunities. Furthermore, DPM stated that a biannual review of the marketplace for the purchased items will also be conducted, and that "where it is determined that no competitive opportunities still exists, DPM will assist with [vendor] negotiations to ensure the best possible value is secured."

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
FINAL AUDIT REPORT
Audit of Miami-Dade County Metrozoo Commodity Purchases

Requested Follow-up

The OIG is requesting an informational status report from PRD in 90 days describing the results of its efforts, in conjunction with DPM, to assess available opportunities for the Metrozoo to obtain best possible value when it purchases foodstuffs and pharmaceuticals. In addition, we request that PRD reconsider its decision not to retire R-1150-01. We think that PRD should replace it with a new resolution reflecting current procurement best practices. The costs to acquire animals for Metrozoo's collection should be handled separately from the resolution that involves commodity purchases. **We respectfully request that we receive this report from PRD on or before Friday, August 20, 2010.**

V. 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; 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.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
FINAL AUDIT REPORT
Audit of Miami-Dade County Metrozoo Commodity Purchases

VI. OBJECTIVES, SCOPE, AND METHODOLOGY

Audit Objectives

Our objectives were to determine if adequate internal controls over the Metrozoo's purchasing practices exist to ensure that purchases are made in accordance with applicable procurement policies and procedures, and that purchases are cost competitive and made in a timely manner. Additionally, we wanted to determine if the Metrozoo has adequate internal controls over animal food and medical inventories; if it monitors its food and drug inventories for obsolescence, low usage, shortages, or outages of items; and to determine whether there are indications of fraud, waste, and abuse in its purchasing of commodities.

Audit Scope and Methodology

The audit scope encompassed the three-year period beginning October 1, 2006 and ending September 30, 2009. We reviewed contracts awarded by the Department of Procurement Management, relevant BCC resolutions, and County administrative orders governing procurements.

We reviewed transactions selected from a listing of "Resolution" food and pharmaceutical purchases. Resolution purchases are those made from Metrozoo-selected vendors for specialty foods and pharmaceutical products that may not be otherwise available under DPM contracts. We examined 186 invoices, amounting to \$62,825, for all Resolution food purchases made over our audit period. In addition, we reviewed individual Resolution medical-related purchase transactions valued at \$500 or more; there were 52 such purchases valued at \$58,392. In total, there were 383 pharmaceutical purchases valued at \$105,515 during the audit period.

In addition, we interviewed kitchen and medical services personnel and conducted walk-throughs of their activities. We prepared summary flowcharts (transaction flow diagrams) documenting our understanding of the purchase process, and evaluated the Metrozoo's controls over their purchases and stored goods.

Additionally, we reviewed 350 DPM awarded contracts with PRD allocations to identify those with Metrozoo elements. The reviewed contracts span from October 1, 2006 through July 10, 2009. Of those 350 contracts, ten (3%) were directly related with the acquisition of food and medical supplies for the Metrozoo. The rest of the contracts with allocations for PRD did not have a Metrozoo element.

MIAMI-DADE COUNTY OFFICE OF THE INSPECTOR GENERAL
FINAL AUDIT REPORT
Audit of Miami-Dade County Metrozoo Commodity Purchases

This audit was conducted in accordance with the *Principles and Standards for Offices of Inspector General* promulgated by the Association of Inspectors General (AIG). The AIG *Principles and Standards* are in conformity with the *Government Auditing Standards* (2007 Revision) issued by the Comptroller General of the United States.

* * * * *

The OIG appreciates the cooperation and assistance afforded us by personnel from PRD, the Metrozoo, and DPM during the course of our audit.

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



OIG APPENDIX A

Park and Recreation Department Response

IG09-50A



Carlos Alvarez, Mayor

May 5, 2010

- ADA Coordination
- Agenda Coordination
- Animal Services
- Art in Public Places
- Audit and Management Services
- Aviation
- Building
- Building Code Compliance
- Business Development
- Capital Improvements
- Citizens' Independent Transportation Trust
- Commission on Ethics and Public Trust
- Communications
- Community Action Agency
- Community & Economic Development
- Community Relations
- Consumer Services
- Corrections & Rehabilitation
- Cultural Affairs
- Elections
- Emergency Management
- Employee Relations
- Empowerment Trust
- Enterprise Technology Services
- Environmental Resources Management
- Fair Employment Practices
- Finance
- Fire Rescuc
- General Services Administration
- Government Information Center
- Historic Preservation
- Homeless Trust
- Housing Agency
- Housing Finance Authority
- Human Services
- Independent Review Panel
- International Trade Consortium
- Juvenile Services
- Medical Examiner
- Metro-Miami Action Plan
- Metropolitan Planning Organization
- Park and Recreation**
- Planning and Zoning
- Police
- Procurement Management
- Property Appraisal
- Public Library System
- Public Works
- Safe Neighborhood Parks
- Seaport
- Solid Waste Management
- Strategic Business Management
- Team Metro
- Transit
- Task Force on Urban Economic Revitalization
- Vizcaya Museum And Gardens
- Water & Sewer

Mr. Christopher R. Mazzella
Inspector General
19 West Flagler Street, Suite 220
Miami, FL 33130

RE: OIG Draft Report, IG09-50A

Dear Mr. Mazzella

We are pleased that no adverse conditions were found during the audit of IG029-50A and that the OIG recognizes the effort and passion with which zoo staff performs their tasks. Below are the responses to the audit recommendations.

RECOMMENDATION #1:

We recommend that PRD/Metrozoo management seek clarification on the differences between these two bid waiver authorizations and, if necessary, seek a new authorization from the BCC that would clearly delineate the various authorizations and spending limits with respect to each category of purchases.

RESPONSE:

Neither Metrozoo nor any other section of the PRD has used R-1433-04. We recommend retiring this resolution.

RECOMMENDATION #2:

While we acknowledge that the limited size of Metrozoo staff make it more challenging to segregate duties among various individuals and enhance record keeping requirements, we recommend that the Metrozoo devise a reasonable, workable alternative to the current situation.

RESPONSE:

Every effort will be made to ensure the kitchen staff member who is placing the order differs from the staff member who is receiving the shipment. However, due to limited staff and Metrozoo being a seven-day-a-week operation, this is not feasible. This procedure is already being followed in the hospital with all state and federal regulated veterinary drug purchases, as the Hospital Clerk places the orders and the Zoo Veterinarian receives and verifies the shipments. Metrozoo will make every effort to ensure the future ordering and receiving of all other medical commodities are handled by two different hospital staff members as well. Again, this may not be feasible at times due to limited staff. At both facilities additional checks and balances, such as having another supervisor periodically review orders and reconcile current inventory, will also be implemented to help ensure that County funds are expended appropriately.

RECOMMENDATION #3:

We recommend that Metrozoo and DPM personnel jointly conduct periodic, comprehensive review of Metrozoo resolution purchase patterns, vendor selections, and pricing terms, with a view to finding opportunities to obtain better prices and services.

RESPONSE:

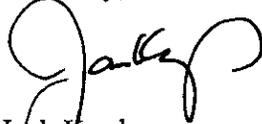
While not a requirement under Resolution #R-1150-01, efforts have been made to contact vendors for pricing inquiries in order to make certain Metrozoo is paying fair and reasonable prices in both the zoo kitchen and zoo hospital. The hospital staff currently compares prices between vendors online before the majority of all medical commodity purchases are made and records these prices electronically. The Kitchen Manager currently contacts vendors whenever a new food item is needed in order to determine who carries the item for the best price. Although several of these food items are specialty items that are carried exclusively by a specific vendor, future efforts will be made to verify that the vendor maintains its exclusivity or offers the lowest price.

With this recommendation, Metrozoo will immediately take steps to improve the process of reviewing vendor prices for all commodities under the resolution. Metrozoo will ensure the future product price reviews on recurring purchases are conducted at least semi-annually and appropriately documented.

At a meeting with DPM staff, the suggestion was made to consider adding Metrozoo or PRD to the medical supplies contract already in place for Animal Services and MDPD, as this might be an efficiency for Metrozoo by reducing the staff burden of verifying pricing from vendors. Staff is currently reviewing the existing contract to determine if this will be beneficial. Once the review is completed by Metrozoo, DPM will be contacted with the results of the review.

If you have any questions, or need additional information, please contact Eric Stephens at 305-251-0400 x 84913.

Sincerely,



Jack Kardys
Director

c: George M. Burgess, County Manager
Alex Muñoz, Assistant County Manager
Eric Stephens, Director, Metrozoo

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



OIG APPENDIX B

Department of Procurement Management Response

IG09-50A

Memorandum



Date: May 10, 2010

To: Christopher Mazzella
Inspector General

From: Miriam Singer, CPPO
Director
Department of Procurement Management

Subject: Response to Draft Audit Report – Audit of Miami-Dade County Metrozoo
Commodity Purchases

Thank you for the opportunity to respond to the Draft Audit Report regarding Miami Dade County's Metrozoo Commodity Purchases. We have reviewed the draft report and the issue pertaining to the Department of Procurement Management (DPM) and welcome your recommendations.

RECOMMENDATION #3:

We Recommend that Metrozoo and DPM personnel jointly conduct periodic, comprehensive reviews of Metrozoo resolution purchase patterns, vendor selections, and pricing terms, with a view to finding opportunities to obtain better prices and services.

RESPONSE:

It was determined during the audit review that approximately \$160,000 of pharmaceuticals and specialty food items were purchased over a three year period with little or no competition. Market research is being conducted to analyze how other zoos procure these commodities. Additionally, DPM is reviewing these commodities with Park and Recreation Department staff to assess where other competitive contract opportunities exist. During the initial review, DPM and Park and Recreation staff identified a potential opportunity for competing pharmaceuticals and medical supplies utilized by Metrozoo.

A review of the marketplace will be conducted on a biannual basis for those commodities, where there is no other apparent source of supply, to ensure as many commodities as possible, are procured on a competitive basis. DPM staff will work closely with Park and Recreation Department staff to combine contracts, leverage existing contracts in place, and to seek new competitive solutions to maximize competition. Where market research shows no competitive opportunities exist for a commodity, DPM will establish a pool contract. This will enable Park and Recreation staff and DPM to closely monitor purchases. Should market research reveal new vendors and a competitive environment, a competitive solicitation will be issued. For those commodities where it is determined that no competitive opportunities still exists, DPM will assist with negotiations to ensure the best possible value is secured.

Should you have any questions, please do not hesitate to contact me.

c: Alina T Hudak, Assistant County Manager
Alex Munoz, Assistant County Manager
Jack Kardys, Director, Park and Recreation