



**BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR**

M E M O R A N D U M

TO: Honorable Chairwoman Rebeca Sosa
and Members, Board of County Commissioners

FROM: Charles Anderson, CPA
Commission Auditor

DATE: April 2, 2014

SUBJECT: Audit of Miami Dade Transit Advertising Revenue Collection Program

We have concluded our Audit of Miami Dade Transit (MDT) Advertising Revenue Collection Program and submit this report, which contains findings, recommendations, and management responses. Management substantially concurred with our findings and recommendations. We have provided clarifying comments where management did not fully concur.

We thank the staff of MDT and Internal Services Department for their cooperation throughout the audit.

Please let me know if you need additional information.

c: Honorable Carlos Gimenez, County Mayor
R. A. Cuevas, Jr., County Attorney
Alina Hudak, Deputy Mayor
Ysela Llord, Director, MDT
Mary Cagle, Inspector General
Cathy Jackson, Director, Audit & Management Services
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Rosemary Cortes, Manager, Advertising and Media Relations, MDT
Glenn LeBlanc, Manager, Passenger Amenities, MDT

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MIAMI-DADE COUNTY BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR

**AUDIT OF MIAMI DADE TRANSIT ADVERTISING
REVENUE COLLECTION PROGRAM**

Project Number 12-055201

April 2, 2014

Charles Anderson, CPA
Commission Auditor

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I. OBJECTIVES AND SCOPE

As part of the work plan approved by the Miami-Dade County Board of County Commissioners (BCC), the Office of the Commission Auditor (OCA) conducted the Audit of Miami Dade Transit (MDT) Advertising Revenue Collection Program. The objectives of the audit were to: (1) assess compliance with the terms of advertising contracts, and (2) evaluate the adequacy and operating effectiveness of internal controls for ensuring that advertising revenues due to the County are collected and accounted for appropriately.

The audit scope included the Bus Passenger Shelter Program; the Bus Passenger Bench Program; and the Advertising Services for Transit vehicles, Metrorail stations, and South Miami Busway advertising kiosks. The audit period was initially from October 1, 2011 through February 28, 2013. However, due to the in-house operations for managing the Bus Passenger Shelter Program that commenced in October 2010 and terminated in February 2013, we extended the audit period to October 1, 2010 through February 28, 2013 to sufficiently assess in-house operations. Further, based on the significant underpayments found in the 2011 and 2012 contract years for the Bus Passenger Bench Program, we decided to also review payments for the 2009 and 2010 contract years and extended the audit period for one of the advertising contractors (Signal Outdoor Advertising, LLC.) to January 2009 through February 2013.

II. METHODOLOGY

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

To accomplish our objectives, we obtained and analyzed relevant records and advertising contract documents from MDT. We obtained and analyzed advertising sales reports from advertising contractors and from the MDT In-house Shelter Advertising Program (ISAP) software. Further, we examined related revenue and payment records from the County's Financial Accounting Management Information System (FAMIS) Data Warehouse.

We interviewed and had discussions with relevant program and management personnel within MDT, and the Risk Management and Procurement Management Divisions of the Internal Services Department (ISD). We reviewed processes and procedures for monitoring compliance with the terms of advertising contracts, sales invoicing, payment collections, accounting and reporting of advertising revenues.

III. BACKGROUND

The MDT advertising program consisted of the Bus Passenger Shelter Program; the Bus Passenger Bench Program; and the Advertising Services for Transit vehicles, Metrorail stations, and the South Miami Busway advertising kiosks. As per MDT's audited financial statements,

MDT's advertising program generated total revenue of \$3,212,000 for fiscal year 2011 and \$4,067,000 for fiscal year 2012.

Bus Passenger Shelter Program

The Bus Passenger Shelter Program covers the installations and maintenance of bus passenger shelters at bus stops in the unincorporated area of Miami Dade County, and the sales of advertisements on those shelters to generate revenue for the County. As of February 2013, there were approximately 4,000 bus stops in the County. Approximately 1,030 of those bus stops had bus passenger shelters.

The former management contract for this program was awarded to Cemusa Miami Ltd. (Cemusa) in July 2002 (Notice to Proceed was issued in October 2003). However, in April 2010, Cemusa and the County executed a termination agreement, which effectively ended Cemusa's bus shelters contract on September 30, 2010. From October 1, 2010 through February 14, 2013, the Bus Passenger Shelter Program was administered by MDT. The County generated total revenue of \$6,944,478¹ from the Cemusa's Contract from 2003 through September 2010.

On January 25, 2013, a five year contract was awarded to Urban Advertising of America, Inc. (Urban Advertising) to manage the Bus Passenger Shelter Program (Notice to Proceed was issued on February 14, 2013). The contract is subject to an option to renew for another five years, at the County's sole discretion. Urban Advertising is required to make Minimum Monthly Guarantee payments of \$140,000 (totaling \$8,400,000 for five years) or 42% of monthly gross advertising sales, whichever is greater.

The Minimum Annual Guarantee (MAG) is subject to an annual upward or downward adjustment if the increase or decrease in the number of bus shelters with advertising boxes exceeds 3% since the issuance of the Notice to Proceed or since the last adjustment (any adjustments subsequent to the first adjustment) was made. The scope of the contract excludes Metromover stations, bus shelters at the South Miami Busway stations, and shelters at the Omni bus terminal. Incorporated municipalities of Miami Dade County may access the contract in accordance with Section 2-10-1 of the County's Code.

In-house Operations for Bus Passenger Shelter Program

From October 1, 2010 through February 14, 2013, the Bus Passenger Shelter Program was administered by MDT. Shelter cleaning and maintenance were done through an interdepartmental agreement between Miami Dade Public Works and Waste Management Department (Public Works) and MDT. The Marketing Unit of MDT was responsible for marketing shelter advertisements to individual advertisers and agencies. The Accounts Division was responsible for billing, collection, and accounting for sales transactions.

Bus Passenger Bench Program

The Bus Passenger Bench Program consists of the installations and maintenance of bus passenger benches and litterbins at authorized bus stops in unincorporated Miami Dade County, and the sales of advertisements on those benches to generate revenue for the County. There were 1,598 installed benches as of February 2013.

¹ County Manager's Background information to Resolution R-925-12 of November 08, 2012

The current contract for managing the Bus Passenger Bench Program was awarded to Signal Outdoor Advertising, LLC. (Signal Outdoor) on December 1, 2008. Under the terms of the contract, Signal Outdoor is to pay the County a Minimum Annual Guarantee (MAG) payment of \$94,517 or 10% of annual gross advertising sales, whichever is greater. The MAG is subject to upward or downward adjustment if the increase or decrease in the number of bus stops available for the installation of benches exceeds 3% since the issuance of the Notice to Proceed or since the last adjustment was made.

The Signal Outdoor contract was approved for an initial term of five years, subject to an option to renew for an additional five years, at the sole discretion of the County. If the option to renew is exercised, the MAG payment is to be increased to the following amounts: (option) year one \$150,000, year two \$200,000, year three \$250,000, year four \$300,000, and year five \$350,000. Each of the MAG payments is subject to adjustment based on the 3% minimum variations in the number of bus stops available for the installation of benches. As with the Bus Passenger Shelter Program, incorporated municipalities of Miami Dade County may access the contract in accordance with Section 2-10-1 of the County's Code.

Advertising Services for Transit Vehicles, Metrorail Stations, and the South Miami Busway Advertising Kiosks

This program involves the sales, installation and maintenance of advertisements (including posters and other advertising devices) for MDT vehicles, Metrorail stations, the South Miami Busway advertising kiosks, and Metromover vehicles (added February 2012). As of February 2013, there were 818 active Transit buses, 136 Metrorail cars, 23 Metrorail stations, 40 Metromover vehicles, and 70 commercial² Busway advertising kiosk panels in the inventories of MDT.

The current contract for managing these advertising services was awarded to CBS Advertising Group, Inc. (formerly Viacom Outdoor Group, Inc.) on July 28, 2004. The contract was for an initial term of five years, subject to an option to renew for another five years, at the discretion of the County. The first option to renew for three years was exercised via the first amendment to the contract on December 16, 2008. The second option to renew for two years was exercised on May 25, 2012. Under the terms of the contract, the contractor is to pay the County a Minimum Monthly Guarantee payment (Minimum Annual Guarantee divided by twelve months) or 60% of monthly net advertising sales revenue, whichever is greater. Originally, the Minimum Annual Guarantee payment was \$1,000,000 (\$83,333 per month). On December 16, 2008, through the first amendment to the contract, the MAG was adjusted from \$1,000,000 to \$2,000,000 (\$166,667 per month).

² Some kiosk advertising panels are reserved for the exclusive use of MDT

IV. SUMMARY RESULTS

Overall, the results of our audit disclosed certain weaknesses in internal controls over the collection and reporting of advertising revenues in MDT. Further weaknesses were noted in internal controls for ensuring compliance with the terms of advertising contracts. The following is the summary of the audit findings:

- Internal controls were inadequate for ensuring that advertising contractors maintained the required liabilities insurance coverage.
- Internal controls for the custody and maintenance of Letters of Credit (LOCs) obtained from advertising contractors as performance bonds were inadequate.
- There were inadequate internal controls to ensure that collections of advertising revenue from all advertising contractors were complete and accurate. One advertising contractor underpaid the County by more than \$83,400; and more than \$94,000 of advertising sales were not invoiced for collection.
- Internal controls were inadequate to ensure that all advertising sales transactions were posted appropriately to the relevant accounts. Approximately \$195,623 of advertising sales receivables were not recorded in MDT's accounting records.
- MDT did not maintain in-house inventory records for bus passenger benches.

V. FINDINGS AND RECOMMENDATIONS

Finding 1. Internal controls were inadequate for ensuring that advertising contractors maintained the required liabilities insurance coverage.

The terms of each advertising contracts (Urban Advertising, Signal Advertising, and CBS Advertising Group) required contractors to submit to the County, prior to the commencement of the contract, certificates of insurance that indicate insurance coverage for (1) worker's compensation (2) commercial general liability, and (3) automobile liability. Contractors are required to ensure that insurance certificates for the required coverage remain in force for the duration of the contractual period. Each contract states:

The contractor shall be responsible for ensuring that the insurance certificates required remain in force for the duration of contractual period. If insurance certificates are scheduled to expire during the contractual period, the contractor shall be responsible for submitting new or renewed insurance certificates to the County at a minimum of thirty calendar days in advance of such expiration.

The Risk Management Division of the Internal Services Department maintained physical custody of contractors' insurance certificates.

As of June 14, 2013, we noted that Urban Advertising's automobile liability insurance certificate had been cancelled since February 19, 2013 (five days after the Notice to Proceed was issued to the contractor). Additionally, the worker compensation insurance coverage expired on May 14, 2013. A new insurance certificate for both the worker compensation and the automobile liability

coverage was not received from the contractor until September 10, 2013, after we had brought the deficiency to MDT's attention.

By not maintaining the required insurance policies the contractor is in breach of contract. Further; this uninsured contractor exposes the County to unnecessary risks.

Recommendation 1

MDT's Marketing Unit, in conjunction with the Risk Management Division of the Internal Services Department, should establish procedures and tracking mechanisms to regularly monitor the status of contractors' insurance certificates to ensure they are active.

Management Responses

MDT: We concur with this finding. Our Marketing Section will establish procedures to track and monitor compliance with insurance coverage requirements.

ISD: ISD Risk Management Division (ISD Risk) has very structured and sound processes that provide each department notification of the status of required liability coverage. ISD Risk staff reviews certificates of insurance provided at the inception of contract awards, and sends monthly reports to each department advising of any lapse in coverage. ISD Risk will work closely with MDT to review their use of these tools to effectively manage the monitoring of insurance coverage.

OCA Comments

MDT did not have documented policies and procedures for following up on the status of insurance certificates. Even though it is the un-written policy of ISD Risk to forward monthly reports to ISD's Procurement Management Division, notifications were not sent to MDT.

Finding 2. Internal controls over the custody and maintenance of Letters of Credit (LOCs) obtained from advertising contractors as performance bonds were inadequate.

Each contractor for MDT's advertising program was required to provide the County with a LOC, naming the County as the sole beneficiary, to serve as bond for the contractor's payment and performance obligations. An LOC is required to be in force until the contract is either terminated or ends, and all payments and performance obligations have been fulfilled. Each contract states, in part:

The contractor shall provide (furnish) the County with an irrevocable Letter of Credit (LOC) ... backing all of the Contractor's payment and performance obligations..., and shall name the County as sole beneficiary thereof...

As of June 14, 2013, we noted that the original LOC (for \$47,259) from Signal Outdoor could not be located by either MDT or the Procurement Management Division of ISD, and there were no tracking records to trace the LOC to specific staff. Without the original LOC, the County may be unable to draw on the LOC whenever it becomes necessary, since the issuing bank specifically required the presentation of the original LOC before any payment request would be honored.

Further, we noted that the \$840,000 LOC from Urban Advertising expired on December 3, 2013, without any provisional clause for automatic extension. The Contract with Urban Advertising states:

If the LOC is scheduled to expire during the contractual period, the Contractor shall be responsible for submitting a new or renewed LOC to the County at a minimum of thirty (30) calendar days in advance of such expiration.

As of December 3, 2013, there was no new or renewed LOC on file for Urban Advertising. As a result, the County may be exposed to the contractor's failure of payment or performance default without an active LOC. The original copy of the Urban Advertising LOC was on file with the Procurement Management Division of ISD.

Recommendations

- 2.1. MDT and the Procurement Management Division of ISD should locate the original copy of Signal Outdoor's LOC; and if unable to do so, report the loss of the LOC to the contractor and/or the issuing bank in order to negotiate a possible replacement.
- 2.2. MDT and the Procurement Management Division of ISD should establish standard policies for the custody of LOCs. Policies should include the requirement that Contract Managers maintain documentation for tracking LOCs.
- 2.3. MDT and the Procurement Management Division of ISD should establish a trigger mechanism and monitoring process for staff to request contractors to provide a renewed LOC prior to the expiration of any LOC that does not have an automatic extension clause.

Management Responses

MDT:

- 2.1. *A replacement original LOC was requested and received from Signal Outdoor's issuing bank on 1/10/2014 and is currently stored in the MDT Finance safe.*
- 2.2. *We concur with this recommendation and are in process of establishing policies for the custody of LOCs.*
- 2.3. *We concur with this recommendation.*

ISD: *Departments are responsible for maintaining LOCs up to date. ISD staff will work collaboratively with MDT and Finance to assist MDT in developing a custody policy for LOCs.*

OCA Comments

ISD stated that departments are responsible for maintaining LOC's. However, currently there is no written policy specifying responsibility for maintaining LOCs. The Urban Advertising's LOC referred to in this finding was in the custody of ISD, not MDT.

Finding 3. There were inadequate internal controls to ensure that collections of advertising revenue from all advertising contractors were complete and accurate.

Our analysis of contractors' payments to the County for the 2011 and 2012 contract years disclosed that Signal Outdoor underpaid the County by a total of \$49,936 for those two years under the Bus Passenger Bench Program. In the 2011 contract year (January through December 2011), the contractor underpaid the County by \$39,384. And in the 2012 contract year, the County was underpaid by \$10,552. In each of the two years, the contractor only paid the MAG of \$94,517, instead of the greater of the MAG or 10% of annual gross advertising sales. In both years, the 10% of annual gross sales were greater than the MAG.

Further, although the 2009 and 2010 contract years were outside the scope of our audit, based on the significant underpayments found in 2011 and 2012 contract years for the Bus Passenger Bench Program, we decided to also review payments for the 2009 and 2010 contract years. Our review disclosed that Signal Outdoor underpaid the County by \$13,247 in 2009 and \$20,270 in 2010 (totaling \$33,517). In each of the two years, the contractor again only paid the MAG of 94,517, instead of the greater of the MAG or 10% of annual gross advertising sales. In both years, 10% of annual gross sales were greater than the MAG. Altogether, Signal Outdoor underpaid the County by \$83,453 from 2009 through 2012. *Table I* below details the analysis of contractor's expected and actual payments.

Table I. Signal Outdoor Advertising's Actual vs. Expected Payments for 2009 through 2012

Year	Gross Sales Revenue (GSR)	10 % of GSR (Expected payment)	Annual Minimum Guarantee	Contractor's Actual Payment	Underpayment to the County
2009	1,077,639	107,764	94,517	94,517	13,247
2010	1,147,868	114,787	94,517	94,517	20,270
2011	1,339,014	133,901	94,517	94,517	39,384
2012	1,050,691	105,069	94,517	94,517	10,552
Total	\$4,615,212	\$461,521	\$378,068	\$378,068	\$83,453

Source: FAMIS Data warehouse & Contractor's sales reports

Similarly, a total of \$94,750 of advertising sales made through the in-house operations for the Bus Passenger Shelter Program from October 1, 2010 through February 14, 2013 were not invoiced for collection. Our audit disclosed that although the advertising sales contracts with individual advertisers and agencies were well-documented and the County's performance of contract's obligations were evidenced in the In-house Shelter Advertising Program (ISAP) software³, invoices were not prepared for those sales, neither were the sales recorded in any accounting records. A summary of the un-invoiced sales is shown in *Table II* below.

Table II. Bus Passenger Shelter Program (In-house Operations) Sales Not Invoiced

Fiscal Year	Number of Contract(s)	Total Net Amount (Uninvoiced)
2011	1	2,329
2012	29	77,787
2013 ⁴	16	14,634
Total	46	\$ 94,750

Source: ISAP Software

³ ISAP software was developed in-house for bus passenger shelter and advertising devices inventory maintenance, campaign scheduling, and performance documentation.

⁴ Up to February 14, 2013

The failure of MDT to collect the correct amounts of revenue due from Signal Outdoor and to prepare complete invoices for shelters advertising sales subjected the County to the potential loss of revenue of approximately \$178,200. The noted failure can be attributed to MDT's lack of standard policy and procedures for the review and reconciliation of advertising sales and corresponding collections.

Recommendations

- 3.1. MDT's Finance Division should recover the underpayment of \$83,453 from Signal Outdoor immediately.
- 3.2. MDT's Finance Division should invoice \$94,750 for the Bus Passenger Shelter Program advertising sales from October 2010 through February 2013 that were not invoiced.
- 3.3. MDT's Finance Division should establish and document standard policy and procedures for the review and reconciliation of all advertising sales and collections.

MDT's actions subsequent to audit fieldwork

Subsequent to our audit fieldwork and communication of the above findings to the department, MDT requested payment of the unpaid amounts totaling \$83,453 from Signal Outdoor. The amount of \$49,936 (for 2011 and 2012 underpayments) was paid to the County on September 18, 2013. On October 17, 2013, Signal Outdoor paid the County an amount of \$17,968 out of the balance of \$33,517 (for 2009 and 2010). The remaining \$15,549 was covered by the excess amount in the contingency fund⁵ that Signal Outdoor's is required to maintain with the County for the contract.

Management Responses

- 3.1. *As stated in the audit report the underpayment from Signal has been recovered.*
- 3.2. *All of the \$94,750 was invoiced in May 2013 of which we have received a total of \$75K in payments. The remainder has been sent to the County Finance Section for collection as per IO 3-9.*
- 3.3. *We concur with this recommendation and have already established procedures for recording and reconciling advertising revenues in our Accounts Receivable System.*

Finding 4. Internal controls were inadequate to ensure that all advertising sales transactions were posted appropriately to the relevant accounts.

We noted that MDT did not record receivables of approximately \$195,623⁶ from the in-house operations for Bus Passenger Shelter advertising sales in the Financial Accounting Management Information System (FAMIS). FAMIS is the accounting system used for the preparation of the department's financial statements. The amount of \$195,623 was neither recorded as part of MDT's revenues nor as receivables from advertising sales.

Although the department maintained an Excel spreadsheet to track some of the receivables that made up the amount of \$195,623, the information in the spreadsheet was not complete. Even if

⁵ The contract requires that Signal Outdoor deposits an amount equal to 10% of the MAG in a Contingency Fund to be held by MDT in a separate account. Signal Outdoor had \$25,000 in the Contingency Fund account instead of the required \$9,451 (10% of \$94,517)

⁶ Amount includes the \$94,749.65 un-invoiced sales discussed in finding 3

the information in the spreadsheet was complete, it cannot be a substitute to recording the transactions in FAMIS. The summary of Bus Passenger Shelter Program advertising receivables that were not recorded in FAMIS from October 1, 2010 through February 14, 2013 is shown in *Table III* below.

Table III. Bus Passenger Shelter Advertising Receivables not Recorded in FAMIS as of 05/31/13

Transaction Fiscal Year	Total Sales	Total Collections	Unrecorded Balances
2011	449,450	392,744	56,706
2012	352,293	228,010	124,283
2013	18,171	3,537	14,634
Total	\$ 819,914	\$ 624,291	\$ 195,623

We noted that MDT was using the cash basis of accounting to record advertising revenue, instead of the accrual basis. Under the cash basis method, sales revenues are recognized in the accounting records only when cash is collected. Whereas, under the accrual basis of accounting, sales revenues are recognized when earned (i.e. when performance obligations have been satisfied), regardless of when cash is collected. GASB⁷ Statement No. 34 requires governmental agencies such as MDT to report their business-type activities (enterprise funds) using the economic resources focus and the accrual basis of accounting.

MDT's failure to record advertising revenues and receivables using the accrual basis of accounting did not only violate GASB requirements, it distorted amounts reported in MDT's financial statements. Further, since advertising sales and receivables were not recorded in FAMIS, the \$195,623 in receivables could have been excluded from MDT's collection efforts.

We also noted that MDT did not account for bartered advertising sales in its accounting records. MDT had barter agreements with certain organizations that were to provide MDT with specific services in exchange for Bus Passenger Shelter advertisements. MDT had \$55,800 and \$15,888 barter advertising sales for the 2011 and 2012 fiscal years respectively totaling \$71,688. None of those transactions was recorded or reported as part of MDT's advertising sales revenue.

Recommendations

- 4.1. MDT's Finance Division should account for all sales transactions and post them to the appropriate Revenue and Accounts Receivable accounts, and ensure inclusion in MDT's collection efforts.
- 4.2. MDT's Finance Division should establish control processes to ensure that transactions are recognized in the appropriate accounting year in which they belong, in accordance with GASB standards applicable to business-type governmental activities.

Management Responses

- 4.1. *We concur with your recommendation and have also submitted the accounts receivable balance to County Finance section for collection as per IO 3-9.*
- 4.2. *We concur with this recommendation.*

⁷ Government Accounting Standards Board

Finding 5. MDT did not maintain in-house inventory records of bus passenger benches.

The Signal Outdoor contract terms for the Bus Passenger Bench Program provide that at the expiration of the contract or upon a termination for cause, all bus benches installed by the contractor during the term of the contract shall become the sole and exclusive property of the County. Our audit disclosed that MDT did not maintain an inventory of bus passenger benches and the only available inventory records were maintained by the contractor.

The lack of in-house inventory records of bus passenger benches could present operational challenges to MDT in absorbing ownership and maintenance of those benches at the end of the contract. For example, according to MDT personnel, the department experienced some operational glitches when the contract with Cemusa (for bus passenger shelters) was suddenly terminated in 2010. At that time, the County did not have inventory records for the shelters. Maintaining and selling advertisements on the shelters became difficult. The operational challenges led to the in-house development of the ISAP software.

The ISAP software was developed to maintain the inventory of bus passenger shelters and other advertising devices, schedule advertising campaigns, and document installation of advertising posters. The current contractor, Urban Advertising, for the Bus Passenger Shelter Program was mandated to use the ISAP software to maintain inventory and advertising sales records for bus passenger shelters.

Although the ISAP software was not developed to maintain the inventory for bus passenger benches, it is possible to upgrade the system to concurrently maintain the inventories of both the shelters and the benches.

Recommendation 5

MDT should keep in-house inventory records of bus passenger benches. Consideration should be given to upgrading the ISAP software so that it can be utilized in maintaining inventories of benches.

Management Response

We concur with your recommendations. Our Marketing Section is working with IT on developing inventory software for both shelters and benches.

VI. OPPORTUNITIES FOR IMPROVEMENT

We noted that the ISAP software was developed with limited reporting functionalities. Enhancing the reporting functionalities of the system could provide MDT, particularly the Finance Division, with useful tools for ascertaining and reconciling actual advertising sales transactions for bus passenger shelters.

Memorandum



Date: February 24, 2014

To: Charles Anderson, CPA
Commissioner Auditor

From: Ysela Llort
Director, Miami-Dade Transit 

Subject: Auditor of Miami Dade Transit Advertising Revenue Collection Program

Thank you for the opportunity to respond to your audit. We have reviewed your report and your findings. Our responses to your findings are listed below:

Finding 1:

Internal controls were inadequate for ensuring that advertising contractors continued to have the required liabilities insurance coverage.

MDT Response

We concur with this finding. Our Marketing Section will establish procedures to track and monitor compliance with insurance coverage requirements.

Finding 2:

Internal controls for the custody and maintenance of letters of credit (LOCs) obtained from advertising contractors as performance bonds were inadequate.

MDT Response

- 2.1 A replacement original LOC was requested and received from Signal Outdoor's issuing bank on 1/10/2014 and is currently stored in the MDT Finance safe.
- 2.2 We concur with this recommendation and are in process of establishing policies for the custody of LOCs.
- 2.3 We concur with this recommendation.

Finding 3:

There were inadequate internal controls to ensure that collections of advertising revenue from all advertising contractors were complete and accurate.

MDT Response

- 3.1 As stated in the audit report the underpayment from Signal has been recovered.

3.2 All of the \$94,750 was invoiced in May 2013 of which we have received a total of \$75K in payments. The remainder has been sent to the County Finance Section for collection as per IO 3-9.

3.3 We concur with this recommendation and have already established procedures for recording and reconciling advertising revenues in our Accounts Receivable System.

Finding 4:

Internal controls were inadequate to ensure that all advertising sales transactions were posted appropriately to the relevant accounts.

MDT Response

4.1 We concur with your recommendation and have also submitted the accounts receivable balance to County Finance section for collection as per IO 3-9.

4.2 We concur with this recommendation.

Finding 5:

MDT did not maintain in-house inventory records for bus passenger benches.

MDT Response

We concur with your recommendations. Our Marketing Section is working with IT on developing inventory software for both shelters and benches.

We look forward to your review of this response and your final report. Should you need further clarification on any findings please contact David Ritchey at 786-469-5190.

Sincerely,

Ysela Llord
Director

cc: Hugh W. Chen, P.E.
Michael Bayere
Neil R. Singh
Ritchey, David
Mathis, Duane
Delgado, Vivian

Memorandum



Date: March 28, 2014

To: Charles Anderson, CPA
Commission Auditor

From: Lester Sola, Director
Internal Services Department 

Subject: Internal Services Department (ISD) Response to Office of Commission Auditor (OCA) Audit of Miami-Dade Transit Advertising Revenue Collection Program

Thank you for the opportunity to respond to the Audit of Miami-Dade Transit Advertising Revenue Collection Program dated February 24, 2014. Please see our responses to the issues raised that are related to areas of responsibility of the Internal Services Department (ISD).

Finding 1. Internal controls were inadequate for ensuring that advertising contracts maintained the required liabilities insurance coverage.

ISD Response. ISD Risk Management Division (ISD Risk) has very structured and sound processes that provide each department notification of the status of required liability coverage.

ISD Risk staff reviews certificates of insurance provided at the inception of contract awards, and sends monthly reports to each department advising of any lapse in coverage. ISD Risk will work closely with MDT to review their use of these tools to effectively manage the monitoring of insurance coverage.

Finding 2. Internal controls over the custody and maintenance of Letters of Credit (LOCs) obtained from advertising contractors as performance bonds were inadequate.

ISD Response. Departments are responsible for maintaining LOCs up to date. ISD staff will work collaboratively with MDT and Finance to assist MDT in developing a custody policy for LOCs.

Should you have any questions or concerns, please do not hesitate to contact Ms. Singer at 305-375-5502 or singer@miamidade.gov.

Attachments

c: Edward Marquez, Deputy Mayor/Finance Director
Ysela Llort, Director, Miami-Dade Transit
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Miriam Singer, Assistant Director, Internal Services Department
Dan Cullen, Risk Management Director, Internal Services Department

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