BPS
Agenda Item No. 1F1
July 13, 2010

BOARD OF COUNTY COMMISSIONERS
OFFICE OF THE COMMISSION AUDITOR

MEMORANDUM

TO: Honorable Chairman Dennis C. Moss
and Members, Board of County Commissioners

FROM: Charles Anderson, CPA
Commission Auditor

DATE: June 30, 2010

SUBJECT: Review of Vendor Payment Processes Including Prompt Payment Compliance With CSBE Program Requirements

---

We have concluded our Review of Vendor Payment Processes Including Prompt Payment Compliance With CSBE Program Requirements, and we submit this report, which contains observations and recommendations, and management responses. Management concurred with our recommendations.

We thank the staffs of the departments of Finance, Procurement Management, Small Business Development, General Services Administration, Aviation, Building and Neighborhood Compliance, Public Works, Corrections and Rehabilitations, and Human Services for their cooperation and input throughout this audit. Please let me know if you need further information.

C: Honorable Carlos Alvarez, Mayor
George Burgess, County Manager
R. A. Cuevas, Jr., County Attorney
Chris Mazzella, Inspector General
Alina Hudak, Assistant County Manager
Alex Muñoz, Assistant County Manager
Howard Piper, Special Assistant County Manager for Management Assessment and Performance
Irene Taylor-Wooten, Special Assistant, Social Services
Yesela Yort, Assistant County Manager
Carter Hammer, Finance Director
Wendi Norris, Director, General Services Administration
Miriam Singer, Director, Department of Procurement Management
Penelope Townsley, Director, Department of Small Business Development
José Abreu, Director, Aviation Department
Esther Calas, Director, Public Works Department
Charles Danger, Director, Building and Neighborhood Compliance Department
Angela Mayer, Director, Human Resources Department
Timothy P. Ryan, Director, Corrections and Rehabilitation Department
Cathy Jackson, Director, Audit and Management Services Department

THIS PAGE INTENTIONALLY BLANK

MIAMI-DADE COUNTY BOARD OF COUNTY COMMISSIONERS

OFFICE OF THE COMMISSION AUDITOR

REVIEW OF VENDOR PAYMENT PROCESSES INCLUDING PROMPT PAYMENT COMPLIANCE WITH CSBE PROGRAM REQUIREMENTS

Project Number 06-133306

June 30, 2010

Charles Anderson, CPA
Commission Auditor

Auditors

Kilolo S. Dunmore, CFE	Auditor-In-Charge
Rosa Gilbert	Auditor
Horace Nwachukwu, CIA, CFE, CGAP	Audit Supervisor
Gary Collins, CIA	Audit Manager

111 NW First Street, Suite 1030
Miami, Florida 33128
305-375-4354

THIS PAGE INTENTIONALLY BLANK

TABLE OF CONTENTS

I. Objectives and Scope 1
II. Methodology 1
III. Background 3
IV. Summary Results 4
V. Findings and Recommendations 5
A. Payments to Community Small Business Enterprises (CSBEs) 5
Finding CSBE-1. Late Payments to CSBEs 5
Finding CSBE-2. Inconsistent Use of Unique Identifier on Invoices 7
Finding CSBE-3. Insufficient Oversight Responsibility of Complete Payment Process 8
B. Payments to Small Business Vendors 10
Finding VP-1. Late Payments to Small Business Vendors 10
Finding VP-2. Inability to Determine Proper Invoice Date 12
Finding VP-3. Inability to Recognize Small Business Vendor Invoices 13
Finding VP-4. Lost Invoices 15
VI. Opportunities for Improvement 16

ATTACHMENTS:
1. Finance Department Management Response 17
2. Department of Small Business Development Management Response 23
3. Aviation Department Management Response 27
4. General Services Administration Management Response 31
5. Public Works Department 35
6. Miami-Dade Corrections and Rehabilitations Department 39

THIS PAGE INTENTIONALLY BLANK

I. OBJECTIVE AND SCOPE

As part of the FY 2008-09 Audit Work Plan approved by the Miami-Dade County Board of County Commissioners (BCC), the Office of the Commission Auditor (OCA) conducted a Review of Vendor Payment Process Including Prompt Payment Compliance With Community Small Business Enterprise (CSBE) Program Requirements.

The objectives were to:

(1) Determine if Miami-Dade County (County) was in compliance with Section 10-33.02 of the Code of Miami-Dade County (Code) that requires CSBE prime contractors to be paid within 14 days of receipt of the billing by the County; and

(2) Examine vendor payment processes for small business vendors, specifically compliance with Section 2-8.1.1.1.1 of the Code that requires Small Business Enterprise (SBE) and Micro Enterprise (ME) vendors to be paid within 30 days of receipt of a proper invoice by the County.

For our review of CSBE prompt payment compliance, the scope of our review included invoices that were paid by the County from FY 2003-04 through FY 2007-08, inclusive.

For our review of vendor payment processes for small business vendors, the scope of our review included payment disbursements to SBE and ME vendors from October 1, 2006 through February 14, 2008.

II. METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To accomplish our audit objectives, we examined payments on contracts and purchases made by various departments. These examinations should not be viewed as "audits" of the individual departments. Instead, our examinations within individual departments should be viewed as pilot studies indicating whether instances of noncompliance with prompt payment requirements were identified in sampled contracts and purchases. The compliance rates that we list for individual departments would likely differ if larger departmental samples were examined.

Our findings are not statistically projected to the total population of small businesses because of our use of judgmental sampling.

CSBE Payment Methodology

As defined by Section 10-33.02 of the Code, CSBE means a construction related enterprise, including a design-build firm, and any firm providing trades and/or services for the completion of a construction project, as defined in Chapter 10 of the Code, which has an actual place of business in Miami-Dade County and whose average annual gross revenues for the last three years do not exceed: $10 million for Building Construction, General Contractors, and Operative Builders; $6 million for Heavy Construction, other than Building Construction; or $5 million for Specialty Trade Contractors. CSBEs are categorized by the type of construction they perform in accordance with the two-digit Standard Industrial Classification (SIC) code or the six-digit North American Industry Classification System (NAICS) of the Census applicable to such type of construction.

Our review of CSBE payments consisted principally of inquiries of personnel, review of documentation and analytical procedures applied to programmatic data. Audit fieldwork was conducted during the period July 9, 2007 through January 29, 2009. Our review included telephone surveys of a sample of CSBE contractors. We also reviewed the results of an informal poll presented in a memorandum dated March 16, 2005 by the Department of Business Development (DBD), which is now known as the Department of Small Business Development (SBD).

In addition, our review included payment disbursements, survey results, related reports, and interviews with key personnel of three County departments that frequently utilize CSBE contractors. Those departments were the Public Works Department (PWD), General Services Administration (GSA), and Miami-Dade Aviation Department (MDAD). Using random and judgmental sampling, we selected and examined 250 out of 1280 disbursement invoices. The invoices covered the period FY 2003-04 through FY 2007-08.

Small Business Vendor Payment Methodology

The population for our review consisted of two categories of small business vendors, Micro Enterprise and Small Business Enterprise vendors as documented in lists that were maintained and published by SBD.[1]

- A Micro Enterprise (ME) is defined by Section 2-8.1.1.1.1 of the Code as "a business entity certified by DBD [now known as SBD], providing goods or services, which has an actual place of business in Miami-Dade County and whose three year average gross revenues does not exceed $2 million, or a manufacturer with fifty (50) employees or less, [or a] wholesaler with fifteen (15) employees or less."

[1] In the FY 2009-10 budget, this function transferred to the Department of Procurement Management (DPM).

- A Small Business Enterprise (SBE) is defined by Section 2-8.1.1.1.1 of the Code as "a business entity certified by DBD [now known as SBD], providing goods or services, which has an actual place of business in Miami-Dade County and whose three year average gross revenue does not exceed $5 million. The term Small Business Enterprise shall also include a manufacturer with one hundred (100) employees or less or wholesaler with fifty (50) employees or less without regard to gross revenues."

Our review of vendor payment processes included the use of random and judgmental sampling to select and examine 116 invoices from six (6) County departments: General Services Administration (GSA), Miami-Dade Building Department (Building), Miami-Dade Department of Corrections and Rehabilitation (MDCR), Miami-Dade Fire Rescue Department (MDFR), Miami-Dade Property Appraiser, and Department of Human Services (DHS). Our review also included telephone surveys of a sample of small business vendors. The invoices were selected from 2,510 payment disbursements made from October 1, 2006 through February 14, 2008.

III. BACKGROUND

Both the SBE and ME programs that are codified in Section 2-8.1.1.1.1 of the Code and the Sherman S. Winn Prompt Payment Ordinance that is codified in Section 2-8.1.4 of the Code have 30-day requirements for prompt payments to applicable small businesses.[2] The CSBE program is codified in Section 10-33.02 of the Code and has a 14-day requirement for prompt payments to CSBE prime contractors.

The County solicits CSBE contractors to provide construction services and small business vendors to provide goods and services. From time-to-time, members of the Board of County Commissioners (BCC) have received complaints about untimely payments, and the BCC has expressed concern about the impact that slow payments may have on small business vendors and CSBE contractors.

Section 10-33.02 of the Code, which governs CSBE contractors, provides:

> *The County Manager and the President of the Public Health Trust shall establish administrative procedures requiring that billings from contractors under prime construction contracts with Miami-Dade County or the Public Health Trust that are a CSBE contract set-aside or which contain a trade set-aside or subcontractor goal, shall be promptly reviewed and payment made to the prime contractor by the County or Trust on those amounts not in dispute within fourteen (14) calendar days of receipt of such billing by the County or the Trust.*

---

[2] The Sherman S. Winn Prompt Payment Ordinance (Ord. No. 94-40) defined small businesses to be "*as defined in Section 2-222 of the County Code, as presently written and as may hereafter be amended,*" which section of the Code was repealed by Ord. No. 05-29, which created the Small Business Enterprise program. When Ord. No. 94-40 was adopted in 1994, the definition of a small business was a business with annual gross sales of $750,000 or less, regardless of the number of employees, and with its principal place of business in Miami-Dade County. Administrative Order (AO) No. 3-19, dated 10/6/94, has this same obsolete definition and Code reference; neither the ordinance nor the AO have been updated since adoption in 1994.

Section 2-8.1.1.1.1 of the Code, which governs the SBE and ME programs, provides:

> *The County or Public Health Trust shall establish administrative procedures requiring that billings from SBE/Micro Enterprise prime vendors on contracts shall be promptly reviewed and payment made by the County or Trust on those amounts not in dispute within thirty (30) calendar days of receipt of such billing by the County or Trust.*

The Sherman S. Winn Prompt Payment Ordinance defines "timely payment" as follows in Section 2-8.1.4 of the Code.

> *(3) Timely payment. The time at which payment for a purchase by the County or the Public Health Trust is due shall be calculated from:*
> *(a) The date on which a proper invoice is received by the County or the Public Health Trust, after approval by the Board of County Commissioners or the Trust; or*
> *(b) If a proper invoice is not received by the County or the Trust, the date: whichever date is latest.*
> *(c) On which delivery of personal property is accepted by the County or the Trust;*
> *1. On which services are completed;*
> *2. On which the rental period begins; or*
> *3. On which the County or the Trust and the vendor agree in a contract which may provide dates relative to payment periods; whichever date is latest.*

The County's Office of Capital Improvement (OCI) *Miscellaneous Construction Contract Document and Policies & Procedures Manual*, revised March 1, 2005, guides departments on how to handle the operational activities of the Miscellaneous Construction Contracts.

IV. SUMMARY RESULTS

Our review revealed that for prompt payment compliance to small business vendors and CSBE requirements:

- Of the 250 CSBE invoices reviewed, 144 (58%) invoices were paid late to the CSBE contractors.
- For vendor payment processes, 37 of the 116 (32%) invoices reviewed of small business vendors were paid late.
- The County did not consistently affix a unique identifier to differentiate the priority invoices from all other invoices received by the County for CSBE contractors.
- In our review of vendor payment processes, we observed inconsistent application of date stamp procedures as required by AO No. 3-19.
- In our review of vendor payment processes, ineffective application of established policies and procedures contributed to delayed payments to small business vendors.
- Lack of accountability for complete payment process could contribute to delayed payments to CSBE contractors.

Several departments have reported making changes to departmental policies and procedures during and/or after our audit fieldwork to increase compliance.

At the Exit Conference, Finance Department noted that there have been initiatives to improve invoice processing, such as training for staff from other departments and consideration of process consolidations.

V. FINDINGS AND RECOMMENDATIONS

A. PAYMENTS TO COMMUNITY SMALL BUSINESS ENTERPRISES (CSBEs)

Finding CSBE-1. Late Payments to CSBEs

Our review of 250 sampled invoices submitted to GSA, PWD, and MDAD from FY 2003-04 through FY 2007-08 showed that 144 (58%) payments to CSBEs were not made within 14 days as required by Section 10-33.02 of the Code. See Table 1 below.

Table 1. Percentage of Sampled Invoices That Were Not Paid Within 14 Days As Required by Section 10-33.02 of the Code

County Departments	Percentage of Invoices paid late from FY 2003-04 through FY 2005-06	Percentage of Invoices paid late from FY 2006-07 through FY 2007-08
GSA	86%	75%
PWD	67%	47%
MDAD	36%	29%

Staff interviewed was unable to explain the reasons for the delay in payment.

In our sampled invoices, the average time from invoice receipt by the County to final payment authorization was 25 days. The breakdown according to the specific County departments per Fiscal Year is listed in Table 2.

Table 2. Average Number of Days to Process Sampled Invoices by FY That Were Not Paid Within 14 Days, As Required by Section 10-33.02 of the Code

County Departments	Average number of days from invoice receipt to final payment from FY 2003-04 through FY 2005-06	Average number of days from invoice receipt to final payment from FY 2006-07 through FY 07-08
GSA	33	27
PWD	28	23
MDAD	16	16

In an October 19, 2001 memorandum entitled, "Construction Contract Payment Requisitions" and addressed to all County Directors, the County Manager outlined specific responsibilities for all user departments to ensure compliance with Section 10-33.02 of the Code and AO No. 3-19.

We noted that on-time payment percentages improved in sampled invoices in the more recent fiscal years examined in our fieldwork.

Recommendation CSBE-1

Emphasize the importance of compliance with Section 10-33.02 of the Code by all County departments and agencies, including the Public Health Trust, that are responsible for processing invoices to ensure timely payment to CSBEs.

Management Responses to Recommendation CSBE-1

Finance Department
Finance Department concurs with this recommendation. Finance Department sent an email on June 4, 2010 to the accounts payable liaisons to remind them of the requirement to clearly stamp all CSBE vendor invoices as CSBE and of the need to separate them from the rest of the department's invoices so they can be readily identified and payment can be expedited.

SBD
SBD concurs with this recommendation. In a February 11, 2003 memorandum, SBD reminded all capital department of their responsibility under the prompt payment provision. CSBE stamps were purchased and distributed and departments were advised to stamp all payment requisitions from CSBE firms or where CSBE subcontractors were utilized with the letters "CSBE" as a flag to expedite payment processing. Within the next 30 days, SBD will again remind capital departments of this responsibility.

Aviation Department
Aviation Department concurs with this recommendation and will communicate the importance of compliance with Section 10-33.02 to all employees responsible for invoice payment processing and identifiers will be added in PeopleSoft to clearly identify CSBE vendors.

GSA
GSA concurs with this recommendation. GSA will provide training to staff processing CSBE invoices and the training will reinforce the importance of paying CSBE prime contractors timely. In addition, the department will revise current processing methods to include appropriate tracking measures. The department estimates that it will complete these corrections by December 2010.

Public Works Department
Public Works Department implemented various procedures to further expedite and facilitate the payment process. Public Works Department implemented time frames and deadlines for every procedural step within the Department and division, communicates with CSBE contractors to ensure receipt of missing or incomplete documents, conducts meetings with CSBE contractors, as needed, to provide assistance in the completion of the payment requisition, and in conjunction with the Office of Capital Improvements implemented a pilot program in which prime contractors can submit subcontractors' payrolls in arrears, when at least 50% of the required payrolls have been received by the Department. The prime contractor must be 100% in compliance before the next payment is submitted.

Finding CSBE-2. Inconsistent Use of Unique Identifier on Invoices

We observed that County departments did not consistently place a unique identifier on invoices.

Although not required by Section 10-33.02 of the Code, providing a unique identifier on invoices received from CSBEs will enable staff to better identify and process invoices received from CSBE vendors and thus expedite the payment process.

In the same memorandum referenced in Finding CSBE 1, the former County Manager directed County departments to procure "CSBE Prompt Payment" rubber stamps in an effort to facilitate and expedite payments.

Also in our review of invoice processing practices of similar organizations, we found that the University of Connecticut and the Procurement Division for the State of California utilized a unique identifier to alert responsible officials that the invoice should be handled promptly. Inquiries with personnel from the University of Connecticut, Accounts Payable Department confirmed that the use of a unique identifier on invoices have expedited the payment process.

In order to expedite payment within 14 days to CSBE contractors, Miami-Dade County departments and agencies, including the Public Health Trust, should have a method to clearly and consistently identify the priority invoices from all other invoices received by the County.

Recommendation CSBE-2

All departments and agencies, including the Public Health Trust, that process invoice receipts and payments assure there are processes in place to clearly distinguish CSBE invoices from all other invoices received by the County.

Management Responses to Recommendation CSBE-2

Finance Department
Finance Department concurs with this recommendation. Procedure 606 in the County's Procedures Manual "Processing Payments for Purchases" is being updated to remind departments of the requirement to readily identify CSBE invoices with a CSBE stamp, and the need to segregate CSBE invoices when submitting them to the Accounts Payable Section.

SBD
SBD concurs with this recommendation. See Response-CSBE-1 above.

Aviation Department
Aviation Department concurs with this recommendation and have ordered rubber stamps, which will be distributed to those responsible for receiving invoices from CSBEs. Aviation have also flagged small business invoices within SharePoint (construction invoices) to clearly identify them throughout the approval process.

GSA
GSA concurs with this recommendation. GSA will continue to stamp all CSBE invoices received to facilitate timely processing. Additionally, CSBEs will be encouraged to clearly identify their CSBE status on all invoices.

Public Works Department
Public Works Department has implemented a watermark that states "CSBE" on all payment requisitions to assist in identifying the CSBE invoice and prioritizes payment requisitions.

Finding CSBE-3. Insufficient Oversight of Complete Payment Process

There was insufficient CSBE-specific oversight to ensure that the invoice approval and payment processes are completed within 14 days as stated in Section 10-33.02 of the Code and AO No. 3-22.

Divisions within the departments performed their respective invoice payment functions and forwarded it to the next division or authorized signatory, but responsibility for the invoice was assigned upon transfer without considering the timeliness of the complete payment process. As invoices passed from one division to another, emphasis on timeliness of processing suffered because of inconsistent emphasis on meeting payment deadlines.

Without oversight of the entire invoice approval and payment process, divisions lose track of the total processing time to effectuate timely payments and contribute in late payments to CSBE contractors. For example, the GSA invoices reviewed during FY 2003-04 through FY 2007-08, show the average number of days it took to process an invoice was 32 days, rather than 14 days as required by Section 10-33.02 of the Code.

Of the 88 total invoices reviewed in GSA, we found that 73 (83%) invoices were paid late. Of the 73 paid late, interviews with GSA personnel provided various reasons for the delay. According to GSA personnel, 32 invoices that were paid late were processed "within GSA processing time," and 14 invoices that were paid late were not discernible because "the PM is no longer with GSA." Among other reasons provided to explain the late payments of the remaining 27 invoices were lost invoices and delays of approval from the Project Manager (PM) and/or the Division Director.

In the same memorandum referenced in Findings CSBE-1 and CSBE-2, the former County Manager also stated that County department directors should monitor their staff's compliance with prompt payment guidelines. Completion of the various segments of the complete payment process should be managed so as to ensure that no segment hinders timely payment without justification.

Good business practice dictates that established rules and regulations of Section 10-33 of the Code and AO No. 3-22 be monitored for compliance.

Recommendation CSBE-3

Strengthen internal controls, such as designating employee(s) in each County department to monitor CSBE invoice processing. Additional monitoring could be accomplished through the use of information management systems.

Management Responses to Recommendation CSBE-3

Aviation Department
Aviation Department has implemented an invoice management system for the Capital Improvement Program that is more transparent than PeopleSoft, and makes scanned copies of invoices available during the approval process. Additionally, a targeted follow-up process to expedite the processing of slow-moving invoices has been developed.

GSA
GSA will continue to train key personnel at least annually, and automate the process to monitor the receipt-to-payment cycle.

Public Works Department
Public Works Department has implemented several procedures, such as centralized receipt of all CSBE invoices to provide proper accountability and eliminate inefficiencies, stamping of all invoices showing the date they were received, tracking all payment processes for CSBEs with a spreadsheet log from the time of receipt until the payment is rendered to the contractor, and conversion of the spreadsheet log into a module within the PWD database system to provide for automatic updates, alerts, and reminders to staff involved in the process.

Actions taken

During the fieldwork phase of this audit, PWD and MDAD established changes to departmental policies and procedures to increase compliance with Section 10-33.02 of the Code and AO No. 3-22. For example, PWD has the invoices submitted directly to the Accounts Payable section, and MDAD has integrated the payment process through the use of PeopleSoft.

Finance Department participates in Procurement Management Workshops to teach vendors how to track their invoices. All vendors, including CSBEs, can follow the path of their invoices, up to the time of payment on the "Vendor Payment Inquiry" website at: http://wasexp.miamidade.gov/VInvoice/. This site helps vendors determine whether there is a delay in the processing of the invoice(s) and if so, where.

B. PAYMENTS TO SMALL BUSINESS VENDORS

Finding VP-1. Late Payments to Small Business Vendors

Payments for 32% of sampled small business vendor invoices were not made within the required 30 day period from receipt of proper invoice as required by Sections 2-8.1.1.1.1 and 2-8.1.4 of the Code and AO No. 3-19.

As stated in Section 2-8.1.4(2)(a) of the Code, a proper invoice is defined as:

> *An invoice which conforms with the present requirements of the County's Finance Department, Aviation Department...Water and Sewer Department, or the Public Health Trust, and any rules promulgated from time to time by the administrative order of the County Manager. A proper invoice shall include a statement by the vendor waiving claims for extra direct and indirect costs or time associated with work preceding the date of the invoice, or a statement in sufficient detail containing all rights reserved for work already performed. All present requirements or future rules...must be made available to vendors in a timely manner.*

Utilizing a random sample, we selected and tested 116 invoices. Seventy-nine (68%) invoices were paid within 30 days; however, 37 (32%) invoices were not paid within the required 30 days. Table 3 below illustrates the payment process time for the sampled invoices.

Table 3. Payment Process Time of 116 Sampled Invoices

Payment Process Time	Sampled Invoices
Within 30 Days	79 (68%)
Greater than 30 Days	37 (32%)

Utilizing the responses received from the informal DBD/SBD poll conducted in 2005, we judgmentally selected a sample of 48 of the 84 respondent firms who indicated they had received contract awards from the County, and we conducted a telephone survey. Of the 48 firms we attempted to contact, 17 responded to our calls, and 31 either had disconnected phone service or voicemail messages were not returned. Of the 17 that responded, 13 (76%) stated that they have not received timely payments on invoices submitted to the County.

Recommendation VP-1

To better ensure timely payment to vendors, emphasize the importance of compliance with Sections 2-8.1.1.1.1 and 2-8.1.4 of the Code and AO No. 3-19 by all County departments and agencies, including the Public Health Trust, that are responsible for processing invoices.

Management Responses to Recommendation VP-1

Finance Department

Finance Department concurs with this recommendation. For approximately the past three years, the Finance Department has been sending Department Directors and their Assistant County Manager a quarterly update on the timeliness of their vendor payments. This has assisted departments to identify problem areas and improve processing.

SBD

SBD concurs with this recommendation. Within the next 30 days, SBD will remind County departments, including the Public Health Trust, of the responsibility and the requirement to procure self-inked "SBE" stamps.

Aviation Department

Aviation Department concurs with this recommendation and will communicate in writing the importance of compliance with Sections 2-8.1.1.1.1. and 2-8.1.4 of the Code and A.O. No. 3-19 with all employees responsible to assure timely payments to small business vendors.

GSA

GSA concurs with this recommendation. GSA will provide SBE invoice training which will reinforce the importance of paying SBE invoices timely. GSA will also revise current processing methods to include appropriate tracking mechanisms. The department estimates that it will complete these corrections by December 2010.

Finding VP-2. Inability to Determine Proper Invoice Date

In the sampled invoices, we observed inconsistent signature and date stamp processes that made it difficult to identify proper receipt and approval dates for the invoices. Date stamping is required by AO No. 3-19, but compliance was inconsistent, both between departments and within departments.

In our sample, 15 invoices were not date stamped upon receipt by the County, making it difficult to establish the date of receipt of a proper invoice and subsequent compliance with AO No. 3-19.

AO No. 3-19 states the receiving department shall:

> *Date stamp receipt of invoice at time of delivery by vendor to applicable County department. Promptly review all invoices received to identify improper invoices. Report all improper invoices to vendor within 10 days...date stamp receipt of proper invoice.*

Staff interviews with the following County departments indicated inconsistencies in dates used to determine actual received date:

- GSA: The Administrative Division used the date the user division signs the invoice approval and the approval date may differ from the actual date received.

- MDFR: The Finance Division used the respective division's received date; however, if the division does not date stamp the invoice, Finance Division's received date becomes the date the invoice was received by the County.

- MDCR: The Budget and Finance Bureau of the Fiscal Resources Division stated that invoices were not date stamped, but the envelopes that the invoices arrive in were scanned and kept for date purposes.

Recommendation VP-2.1

All County departments and agencies, including the Public Health Trust, follow the policies and procedures outlined in AO No. 3-19, which pertains to date stamp procedures for received invoices.

Management Responses to Recommendation VP-2.1

> ***Finance Department***
> *Finance Department concurs with this recommendation. The Accounts Payable liaisons are reminded at the annual fiscal year end meetings of the importance of date stamping the invoices.*

Aviation Department
Employees responsible for authorizing invoices will be notified in writing of the requirements of A.O. No. 3-19 with respect to date stamping each invoice (both initial invoices and re-submitted invoices) at point of receipt and notification of improper invoices to vendors within 10 days of receipt.

GSA
GSA concurs with this recommendation. GSA will ensure all invoices are date stamped upon receipt by the department and all appropriate staff will be retrained on the importance of date stamping invoices received within their sections. The department estimates that it will complete these corrections by December 2010

Recommendation VP-2.2

In the case where an invoice is not properly date stamped, develop and implement standardized policies and procedures to determine the appropriate date upon which to expedite payment.

Management Responses to Recommendation VP-2.2

Aviation Department
Aviation will use the date of first approval as the first documented date of record on the rare occasion an invoice is inadvertently not stamped.

GSA
GSA concurs with this recommendation. See Response for VP-2.1.

Actions taken

Subsequent to our Exit Conference for this audit, MDCR indicated that the department had implemented the practice of date stamping all invoices in 2008. This requirement had also been incorporated in Departmental Standard Operating Procedure 5-010, Accounts Payable. Supervisors will continue to monitor staff adherence to ensure continued compliance. (See Attachment 6)

Finding VP-3. Inability to Recognize Small Business Vendor Invoices

There were no unique identifiers to distinguish between invoices submitted by small business vendors from all other invoices submitted to the County in order to better enable staff to determine the need for expedited payment.

Although not required by Sections 2-8.1.1.1.1 or 2-8.1.4 of the Code or AO No. 3-19, a best practice would be the use of a unique identifier on invoices received from small business vendors. This would enable staff to better identify and immediately process these invoices and thus expedite the payment process, as was also stated in Finding CSBE-2.

In two (2) of the County departments we reviewed, knowledge of small business vendors was recognized through employee relationships and experiences with vendors instead of through unique identifiers that signify whether an invoice should be expedited. This would pose a problem should the responsible employee vacate the position for any length of time. For example, we noted that the Property Appraiser Department had one employee responsible for processing invoice payments; therefore, when that employee is absent, the invoices are left on the desk until the employee's return.

Recommendation VP-3.1

All departments and agencies, including the Public Health Trust, that process invoice receipt and payment assure there is a process in place to clearly distinguish small business vendor invoices from all other invoices received by the County.

Management Responses to Recommendation VP-3.1

Finance Department
Finance Department concurs with this recommendation. Finance Department sent an email on June 4, 2010 to the accounts payable liaisons to remind them of the requirement to clearly stamp all SBE vendor invoices as SBE and of the need to separate them from the rest of the department's invoices so they can be readily identified and payment can be expedited.

SBD
SBD concurs with this recommendation. Within the next 30 days, SBD will remind County departments, including the Public Health Trust, of the responsibility and the requirement to procure self-inked "SBE" stamps.

Aviation Department
Aviation Department concurs with this recommendation and has ordered rubber stamps which will be distributed to those responsible for receiving invoices from CSBEs. They are also flagging small business invoices within PeopleSoft to clearly identify them throughout the approval process.

GSA
GSA concurs with this recommendation. GSA will continue to stamp all SBE invoices received to facilitate timely processing. Additionally, SBE vendors will be encouraged to clearly identify their SBE status on all invoices.

Recommendation VP-3.2

Require cross-training of staff on the different aspects of invoice processing to account for staff replacement and to provide coverage during absences and leave.

Management Responses to Recommendation VP-3.2

Aviation Department
Aviation's staff is adequately cross-trained in accounts payable processes.

Finding VP-4. Lost Invoices

When small business vendor invoices are lost, the County does not make provisions to pay the invoice as quickly as possible to reduce time lost. Invoices could be lost as a result of actions by the vendor or the County, such as invoices that are misplaced by the County, sent to the wrong location by the vendor, or lost in the mail.

Upon receipt of a lost invoice, the County processes the invoice based upon the new receipt date, and places it back in the system to be paid. This sometimes prolongs the processing time up to 60 days or more.

Invoices that are lost and not paid on time could cause cash flow problems, adversely affect small business vendors financially, and could result in the complete shutdown of their business. Late payments may also result in small business vendors billing the County interest.

Recommendation VP-4

Consider the impact of lost invoices, and establish policies and procedures to promptly and accurately process these invoices to mitigate the negative impacts that late payments have on small business vendors. Provisions should ensure that proper payment is made expeditiously and without unnecessary delay.

Management Responses to Recommendation VP-4

Aviation Department
As previously noted, Aviation Department is enhancing their electronic tracking and routing system which should all but eliminate lost invoices due to departmental actions.

GSA
GSA concurs with this recommendation. Upon notification of a lost invoice, GSA will contact vendor to request duplicate invoice. Upon receipt, GSA staff will stamp 'Researched Not Paid' and acquire necessary signatures for forwarding to Finance Department. To ensure timely payment of all invoices, vendors should forward their monthly statements to GSA-Accounting Division for verification.

VI. OPPORTUNITIES FOR IMPROVEMENT

A. The Department of Human Services conducts monthly meetings to discuss any concerns or issues related to invoice processing. Recognition of this as a "best practice" and adoption countywide might be helpful to address both County and vendors' concerns related to timely invoice processing.

B. Consider mandatory use of the Automated Clearing House payment method. This would allow invoices to be paid expeditiously, and the payments could be tracked via the County's Vendor Inquiry Payment website. Additionally, it is cost effective, reduces the risk of lost or stolen checks, and makes use of a sustainable, efficient, green technology.

ATTACHMENT 1

Memorandum

MIAMI-DADE COUNTY

Date: June 16, 2010

To: Charles Anderson, CPA
Commission Auditor

From: For Carter Hammer
Finance Director

Subject: Review of Vendor Payment Processes Including Prompt Payment Compliance with CSBE Program Requirements

---

We reviewed the audit report prepared by the Office of the Commission Auditor dated April 30, 2010, reviewing the vendor payment process including prompt payment compliance with CSBE program requirements.

We appreciate the opportunity to respond to the findings.

The Finance Department sent the attached e-mail on June 4, 2010 to our accounts payable liaisons reminding them of the requirement to clearly stamp all CSBE vendor invoices as being CSBE and of the need to separate them from the rest of the department's invoices so they can be readily identified and expedite payments.

Procedure 606 in the County's Procedures Manual "Processing Payments for Purchases" is being updated to remind departments of the requirement to readily identify CSBE invoices with a CSBE stamp, and the need to segregate CSBE invoices when submitting them to the Accounts Payable Section.

At our annual fiscal year end meetings with the departments, the Accounts Payable Liaisons are reminded every year of the importance of date stamping the invoices, we will additionally remind them of the importance and the requirement for a CSBE stamp, and of the need to submit CSBE invoices separately and promptly. We will reinforce the importance of paying CSBE prime contractors invoices within 14 days.

For approximately the past three years, the Finance Department has been sending Department Directors and their Assistant County Manager a quarterly update on the timeliness of their vendor payments. This has assisted departments to identify problem areas and improve processing.

Finance continues to participate in Procurement Management Workshops to teach vendors how to track their invoices. All vendors, including CSBE vendors, can follow the path of their invoices up to the time of payment on the "Vendor Payment Inquiry" website at:

http://wasexp.miamidade.gov/VInvoice/.

This site helps vendors determine if there is a hold up in the processing of the invoice and if so, where.

We will work with the Department of Procurement Management and Small Business Development to request that all CSBE vendors clearly identify their CSBE status on all their invoices.

Again, we appreciate the opportunity to respond to the findings.

CH/GC:vs
Attachments

cc: Alina Hudak, Assistant County Manager
Howard Piper, Special Assistant to County Manager
Miriam Singer, Director, Department of Procurement Management
Penelope Townsley, Director, Department of Small Business Development
Abigail Price-Williams, First Assistant County Manager
Graciela Cespedes, Deputy Finance Director
Blanca Padron, Controller, Finance Department

Cespedes, Graciela (FIN)

From: Del Rio, Nieves (FIN)
Sent: Friday, June 04, 2010 1:03 PM
To: Abreu, Edsel (HR); Adebisi, Halimah (ASD); Akerman, Cindy E. (JAC); Alcazar, Martha (COC); Ali, Amir (LIB); Almuina, Manny (DERM); Alonso, Rosa (FIN); Amaro, Marlene (CITT); Ammons, Lillie C. (DP&Z); Angulo, Ingrid (MDFR); Arrue, Sefchen (HR); Ashford, Awilda; Attong, Maria; Baptiste, Clayton (GSA); Bart Garratt; Beecher, Ines (OCA); Beltran, Mayra (CSD); Benjamin, Lucille (WASD); Boza, Monica M. (BNC); Braithwaite, Doralyn U. (Seaport); Broaster-Doyle, Pamela (DEM); Brown, Gloria (FEP); Brutus, Marie (SWM); Burg, Gail; Cajina, Victor (BNC); Callava-Fernandez, Maria (GSA); Cam, Peter (FIN); Camejo, Oscar (MPO); Carrasquillo, Maria (MDPD); Carrerou, Maria [MD-CLL]; Chin Nuke, Joan V. (DPM); Clark, Tekeia (GSA); Clouser, John (Elections); Codner, Eugene (OCI); Collazo, Liliana (CEO); Cruz, Ricardo - Batt 2 - A Shift (MDFR); Cunningham, Carla (FIN); De Limas, Angelica (MDT); Detz, Frank J. (COC); Deville, Cesar (HT); Diaz, Virginia C. (ASD); Dore, Rosella (GSA); Elesppe, Vivian (MDFR); Esther Lew; Faust, Mary J. (DHS); Fernandez, Jose (Seaport); Fernandez, Margarita (OOS); Ferrer, Madeleine (MDCR); Flevaris, Bobby (PA); Foster, Louis L. (DP&Z); Franco, Marie (FIN); Fresnedo, Armando (FIN); Frow, Sylvia G. (FIN); Galvez, Barbara (OSBM); Garcia, Adela (HFA); Golberg, Marla G. (OSBM); Gonzalez, Diana (MDCR); Gonzalez, Jose (MDEAT); Griffin, Kecia (CAO); Gundin, Tania (DERM); Guzman, Amanda (ETSD); Harris, Maxine C. (MDCR); Harris, Richard W. (DHS); Harvard, Dee (COC); Hayle-Minus, Linnette A. (MDT); Healy, Margaret (MDCR); Hernandez-Blanco, Patricia (FIN); Herris, Maria; Hudson, Celia (DPM); Hyams, Ilene (ADA); Ishikawa, Amelia C. (AMS); Iturrey, Mike (SBD); Jackson, Katheline (AMS); Janvier, Joelle (MDT); Johnson-Wright, Heidi (ADA); Junor, Hardai (OEDC); Kong, Christopher E. (OSBM); Lampley, Gloria (PA); Liu, Patra (OIG); Lopez, Juan A. (Seaport); Luna, Sonia (CEO); Nilsen, Clarisol (OGC); Siddiqui, Sheila (MDCR); Sosa, Leyani (HCD) (786) 469-2185; Aleida Saumell; Graham, Debra (MDCR); KMOORE; Lee, Regla (GIC); Lucy Gonzalez; Majekodunmi, Yinka (ETSD); Mallery, Miriam (OIG); Margol, Deborah (CUA); Martin Spencer, Lorna (SBD); Martin, Marcia (OCI); Martinez, Aimee (GIC); Martinez, Carlos (CAA); Maryoung, Ayin (HFA); McElroy, Shirley (CAO); McKee, Nancy (AMS); Mendez, John (Elections); Miro, Anabel (Vizcaya); Montero-Jarra, Jessica C. (LIB); Moreno, Christopher (MDPR); Morrina, Carmen M. (DHS); Morris, Calvin (HCD) (786) 469-2147; Morris, Frances G. (WASD); Napoles, Isis; Nares, Dimitrios (ITC); Negrin, Yolanda (CAO); Nieves-Girón, Esmeralda (OGC); O'Sullivan, Cathy (OIG); Parchment, Synthia (MDT); Peel, Jeff (F&E); Perez, Annie (DPM); Perez, Nancy (CSD); Queen, Charlie (OCA); Raimondo, Cathi (HFA); Ramirez, Mercedes (WASD); Ramirez, Susana B. (GSA); Rayborn, Rick (SWM); Rivero, Miriam (CSS); Rodriguez, Anna (BCCO); Rodriguez, Jorge (MDPR); Rodriguez, Orky (PWD); Rodriguez, Ruth (PWD); Roig, Norma (OCA); Ruiz, Tania (MDT); Salter, Rena (Elections); Sanchez, Rodzandra (COE); Santos, Nicholas A. (MDPD); Serra, Yeseny (ME); Seymour, Christina (COE); Sharon Savoldy; Signori, Richard (DHS); Simons, Angela (Seaport); Smith, R. Terry (BNC); Smith, Sharon (FEP); Sonia Ravelo (E-mail); Steele, George (JAC); Suarez, Dennise (FIN); Suarez, Gloria (DP&Z); Sykes, Patrice S. (WASD); Thomas, Patricia Y. (Seaport); Toirac, Ana (ETSD); Vaughns, Angela (MDEAT); Vazquez, Jeannette (CEO); Vazquez, Manuel I. (OGC); Villaverde-Menendez, Carmen (MPO); Walker, Yvonne (PWD); Wall, Daniel (OGC); White-Jackson, Tangie C. (HCD) (786) 469-2165; Williams, Mamie (CAA); Williams, Selena (Advocacy); Wilson, Marva (MDT); Wyche, Corinthia (PA)
Cc: (FIN) Acct Payable; Cespedes, Graciela (FIN); Padron, Blanca (FIN); Diaz, Dania (FIN); Johnson, Laurie (SBD)
Subject: Prompt Payment to Small Business Expedite Stamps
Attachments: Prompt Payment to Small Business Expedite Stamps.pdf

Importance: High

Good afternoon,

Please find attached a memo from the director of Small Business Development reminding all department directors of the need to identify payments made to small businesses i.e. **SBE** and **CSBE** firms in order to facilitate the prompt payment of these invoices.

ATTACHMENT 1

In addition to clearly stamping all invoices that are CSBE certified, Small Business Development is also requesting that **ALL** invoices for 'small businesses' be stamped with an **"EXPEDITE"** stamp.

The Finance Department is requesting that user departments please separate these stamped invoices from the daily work submitted to our office so they can be easily identified by our staff and handled expeditiously.

If you have any questions or concerns please advise.

Thank you,

Nieves C. Del Rio, Accounts Payable Unit Supervisor
Miami-Dade County Finance Department
111 NW First Street Suite 2620
Miami, Florida 33128-1988
305-375-5111 Phone 305-375-1730 Fax
ndelrio@miamidade.gov
"Delivering Excellence Every Day"
For Payment Inquiry please go to:
http://wasexp.miamidade.gov/Vinvoice/

From: Gordon, Joan (SBD)
Sent: Friday, June 04, 2010 11:04 AM
To: (MetroNet) Department Directors
Cc: Piper, Howard H. (CEO); Anderson, Charles (OCA); (MetroNet) Department Secretaries
Subject: Prompt Payment to Small Business Expedite Stamps

The attached memorandum is forwarded on behalf of Mrs. Penelope Townsley, Director/Miami-Dade Department of Small Business Development.

Respectfully,

Joan E. Gordon, Sr. Executive Secretary
Miami-Dade Department of Small Business Development
Phone: 305/375-3134
Fax: 305/375-4751

"Delivering Excellence Every Day"

Memorandum

MIAMI-DADE COUNTY

Date: June 3, 2010

To: Department Directors

From: Penelope Townsley, Director
Department of Small Business Development

Subject: Prompt Payment to Small Business Expedite Stamps

In an effort to facilitate the prompt payment process and expedite payments to small businesses, SBE and CSBE firms, the Department of Small Business Development (SBD) is requesting that user departments (project managers) stamp all payment requisitions with the letters "CSBE", "SBE", or "Expedite" [for small businesses other than CSBEs or SBEs] as appropriate, before forwarding for internal payment processing and to the County's Finance Department. Once Finance receives these stamped requisitions, they will be prioritized for expedited payment processing. SBD has a limited number of "CSBE" stamps available on a first come, first serve basis. All departments are required to purchase these stamps.

SBD is responsible for administering the Community Small Business Enterprise Program (CSBE), Section 10-33.02 of the County Code. Section 10-33.02 of the Code and Administrative Order 3-22, governing the CSBE Program, provide:

> *"The County Manager and the President of the Public Health Trust shall establish administrative procedures requiring that billings from contractors under prime construction contracts with Miami-Dade County or the Public Health Trust that are a CSBE contract set-aside or which contain a trade set-aside or subcontractor goal, shall be promptly reviewed and payment made to the prime contractor by the County or Trust on those payments not in dispute within fourteen (14) calendar days of receipt of such billing by the County or the Trust."*

The governing legislation further provides that:

> *"The foregoing obligation to promptly review and pay CSBE billings shall apply to prime contractors and subcontractors who are in direct privity with the CSBE and to each successive subcontractor on up the line to the level of prime contractor. The two (2) day payment provision shall equally apply to retainage payments received by prime contractors from the County, and subsequently passed on to subcontractors."*

Section 2-8.1.1.1.1 of the Code and Administrative Order 3-41, governing the SBE Program, provides that:

> *"The County or Public Health Trust shall establish administrative procedures requiring that billings from SBE/Micro Enterprise prime vendors on contracts shall be promptly reviewed and payment made by the County or Trust on those amounts not in dispute within thirty (30) calendar day of receipt of such billing by the County or Trust."*

The governing legislation further provides that:

> "The prime vendor shall pay those amounts not in dispute to subcontracting SBEs within 2 days of receipt of payment from the County."

Section 2-8.1.4 of the Code and Administrative Order 3-19, governing Sherman S. Winn Prompt Payment Ordinance, establishes a policy to provide for expedited payment to small businesses, and provides that:

> *"The time at which payment shall be due to small businesses shall be thirty (30) days from the date a proper invoice is received by the County or Public Health Trust."*

Failure of departments to comply with prompt payment provisions as indicated above may result in liabilities to the County. Failure of prime vendor to issue prompt payment to a small business, or to adhere to its dispute resolution procedures, may be cause for suspension, termination, and debarment, in accordance with the terms of the County contract or Public health trust contract and the debarment procedures of the County. Payment delays to prime contractors also negatively impact subcontractors and sub-vendors.

Should you have questions, contact Laurie Johnson, Division Manager at 305-375-3121.

c: Howard Piper, Special Assistant to the County Manager
Carter Hammer, Finance Director, Finance Department
George Navarrete, Interim Director, OCI
Charles Anderson, OCA

Memorandum

MIAMI-DADE COUNTY

Date: May 27, 2010

To: Charles Anderson, CPA
Commission Auditor

From: Penelope Townsley, Director
Department of Small Business Development

Subject: Response to Prompt Payment Audit

I am in receipt of your April 30, 2010 Final Draft Audit Report entitled "Review of Vendor Payment Processes Including Prompt Payment Compliance with CSBE Program Requirements". Pursuant to Sections 10-33.02; and 2-8.1.1.1.1 of the Code, the Department of Small Business Development (SBD) is responsible for administering the Miami-Dade County's Community Small Business Enterprise (CSBE) and the Small Business Enterprise (SBE) programs for construction and procurement of goods and services, respectively, including the enforcement of the prime and subcontractor prompt payment provisions therein.

In accordance with Section 2-478 of the Code, SBD provides the following response to the audit findings and recommendations:

Finding CSBE-1. Late Payments to CSBEs
Recommendation CSBE-1
Emphasize the importance of compliance with Section 10-33.02 of the Code by all County departments and agencies, including the Public Health Trust, that are responsible for processing invoices to ensure timely payments to CSBEs.

Response-CSBE-1: SBD Concurs with this recommendation. In a February 11, 2003 memorandum, the Department of Business Development (DBD) reminded all capital department of their responsibility under the prompt payment provisions of the CSBE program. Departments were advised, in an effort to facilitate the prompt payment process, all payment requisitions from CSBE firms or where CSBE subcontractors are utilized must be stamped with the letters "CSBE" as a flag to expedite payment processing. Self-inked rubber stamps were purchased and distributed. Within the next 30 days, SBD will again remind capital departments of this responsibility and the requirement to procure self-inked "CSBE" stamps. As a convenience, a limited number of "CSBE" stamps are being made available.

Finding CSBE-2. Inconsistent Use of Unique Identifier on Invoices
Recommendation CSBE-2
All departments and agencies, including the Public Health Trust, that process invoice receipts and payments assure there are processes in place to clearly distinguish CSBE invoices from all other invoices received by the County.

Response-CSBE-2: SBD Concurs with this recommendation. See Response-CSBE-1 above.

Finding CSBE-3. Insufficient Oversight of Complete Payment Process
Recommendation CSBE-3
Strengthen internal controls, such as designating employee(s) in each department to monitor CSBE invoicing processing. Additional monitoring could be accomplished through the use of information management systems.

Response-CSBE-3: N/A

Finding VP-1. Late Payments to small Business Vendors
Recommendation VP-1
To better ensure timely payment to vendors, emphasize the importance of compliance with Sections 2-8.1.1.1.1 and 2-8.1.4 of the Code and AO No. 3-19 by all County departments and agencies, including the Public Health Trust, that are responsible for processing invoices.

Response-VP1: SBD Concurs with this recommendation. Within the next 30 days, SBD will remind County departments, including the Public Health Trust, of this responsibility and the requirement to procure self-inked "SBE" stamps.

Finding VP-2. Inability to Determine Proper Invoice Date
Recommendation VP-2.1
All County departments and agencies, including the Public Health Trust, follow the policies and procedures outlined in AO No. 3-19, which pertains to date stamp procedures for received invoices.

Response-VP2: N/A

Recommendation VP-2.2
In the case where an invoice is not properly date stamped, develop and implement standardized policies and procedures to determine the appropriate date upon which to expedite payment.

Response-VP-2.2: N/A

Finding VP-3. Inability to Recognize Small Business Vendor Invoices
Recommendation VP-3
All departments and agencies, including the Public Health Trust, that process invoice receipt and payment assure there is a process in place to clearly distinguish small business vendor invoices from all other invoices received by the County

Response-VP-3: SBD Concurs with this recommendation. Within the next 30 days, SBD will remind County departments, including the Public Health Trust of this responsibility and the requirement to procure self-inked "Prompt Payment" stamps.

Recommendation VP-3.2
Require cross-training of staff on the different aspects of invoice processing to account for staff replacement and to provide coverage during absences and leave.

Response-VP-3.2: N/A

Finding VP-4. Inability to Recognize Small Business Vendor Invoices
Recommendation VP-4
Consider the impact of lost invoices, and establish policies and procedures to promptly and accurately process these invoices to mitigate the negative impacts that late payments have on small business vendors. Provisions should ensure that proper payment is made expeditiously and without necessary delay.

Response-VP-4: N/A

SBD appreciates the opportunity to provide the above responses.

c: Howard Piper, Special Assistant to the County Manager
Alina Hudak, Assistant County Manager
Abigail Price-Williams, First Assistant County Attorney
Carter Hammer, Finance Director
Miriam Singer, Director DPM

THIS PAGE INTENTIONALLY BLANK

Memorandum

MIAMI-DADE COUNTY

Date: June 8, 2010

To: Charles Anderson, CPA
Commission Auditor

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

Subject: Response to Review of Vendor Payment Processes Including Prompt Payment Compliance with CSBE Program Requirements

---

This memorandum responds to the review referenced above dated April 30, 2010. The Miami-Dade Aviation Department (the Department) thanks the Office of the Commission Auditor for the time and effort involved in this engagement, as well as the courtesy and professionalism of its staff.

The Commission Auditor's finding titles are listed in order in which they occurred in the report followed by the recommendations in italics. The Department's responses are detailed below:

FINDINGS AND RECOMMENDATIONS

PAYMENTS TO COMMUNITY SMALL BUSINESS ENTERPRISES (CSBEs)

Commission Auditor's Recommendation CSBE-1

Emphasize the importance of compliance with Section 10-33.02 of the Code by all County departments and agencies, including the Public Health Trust, that are responsible for processing invoices to ensure timely payment to CSBEs.

Department Response

We concur and will communicate the importance of compliance with Section 10-33.02 of the Code in writing to all employees responsible for authorizing and processing invoices to assure timely payments to CSBEs. Additionally, we are adding identifiers in PeopleSoft to clearly identify CSBE vendors.

Commission Auditor's Recommendation CSBE-2

All departments and agencies, including the Public Health Trust, that process invoice receipts and payments assure there are processes in place to clearly distinguish CSBE invoices from all other invoices received by the County.

Department Response

We concur and have ordered rubber stamps, which will be distributed to those responsible for receiving invoices from CSBEs. We are also flagging small business invoices within PeopleSoft and Sharepoint (construction invoices) to clearly identify them throughout the approval process.

Commission Auditor's Recommendation CSBE-3

Strengthen internal controls, such as designating employee(s) in each County department to monitor CSBE invoice processing. Additional monitoring could be accomplished through the use of information management systems.

Department Response

We have implemented an invoice management system for our Capital Improvement Program that is more transparent than PeopleSoft, and makes scanned copies of invoices available during the approval process. As this system has been so successful in electronically tracking and routing invoices, we are in the process of creating a similar initiative to address other invoices. We have also developed a targeted follow-up process to expedite the processing of slow-moving invoices.

PAYMENT TO SMALL BUSINESS VENDORS

Commission Auditor's Recommendation VP-1

To better ensure timely payment to vendors, emphasize the importance of compliance with Sections 2-8.1.1.1.1 and 2-8.1.4 of the Code and AO No. 3-19 by all County departments and agencies, including the Public Health Trust, that are responsible for processing invoices.

Department Response

We concur and will communicate in writing the importance of compliance with Sections 2-8.1.1.1.1 and 2-8.1.4 of the Code and A.O. No. 3-19 with all employees responsible for authorizing and processing invoices to assure timely payments to small business vendors.

Commission Auditor's Recommendation VP-2.1

All County departments and agencies, including the Public Health Trust, follow the policies and procedures outlined in AO No. 3-19, which pertains to date stamp procedures for received invoices.

Department Response

Employees responsible for authorizing invoices will be notified in writing of the requirements of A.O. No. 3-19 with respect to date stamping each invoice (both initial invoices and re-submitted invoices) at point of receipt and notification of improper invoices to vendors within 10 days of receipt.

Commission Auditor's Recommendation VP-2.2

In the case where an invoice is not properly date stamped, develop and implement standardized policies and procedures to determine the appropriate date upon which to expedite payment.

Department Response

Our goal is to date stamp all invoices, but on the rare occasion that an invoice is inadvertently not stamped, we will use the date of first approval as the first documented date of record.

Commission Auditor's Recommendation VP-3.1

All departments and agencies, including the Public Health Trust, that process invoice receipt and payment assure there is a process in place to clearly distinguish small business vendor invoices from all other invoices received by the County.

Department Response

We concur and have ordered rubber stamps which will be distributed to those responsible for receiving invoices from small business vendors. We are also flagging small business invoices within PeopleSoft and SharePoint (construction invoices) to clearly identify them throughout the approval process.

Commission Auditor's Recommendation VP-3.2

Require cross-training of staff on the different aspects of invoice processing to account for staff replacement and to provide coverage during absences and leave.

Department Response

Our staff is adequately cross-trained in accounts payable processes.

Commission Auditor's Recommendation VP-4

Consider the impact of lost invoices, and establish policies and procedures to promptly and accurately process these invoices to mitigate the negative impacts that late payments have on small business vendors. Provisions should ensure that proper payment is made expeditiously and without unnecessary delay.

Department Response

As previously noted we are enhancing our electronic tracking and routing system which should all but eliminate lost invoices due to departmental actions.

THIS PAGE INTENTIONALLY BLANK

Memorandum

MIAMI-DADE COUNTY

Date: June 15, 2010

To: Charles Anderson, CPA
Commission Auditor

From: Wendi J. Norris, Director
General Services Administration

Subject: Management Responses to the Review of Vendor Payment Processes Including Prompt Payment Compliance with CSBE Program

---

I have reviewed your findings and recommendations on the subject review for the period covering fiscal years 2004 through 2008. It should be noted that General Services Administration (GSA) has been a participant in the Finance Department's sorties (timely payments to vendors) and is consistently one of the prominent performers in that regard. GSA also consistently processes approximately 20% (about 100,000 invoices per year) of the number of invoices paid by the County.

Below are GSA's responses to the Findings and Recommendations for your attention and review.

A. Payments to Community Small Business Enterprises (CSBEs)

Finding CSBE-1 Late Payments to CSBEs

Management's Response:

GSA concurs with the auditors' recommendation and will provide training to staff processing CSBE invoices in the coming months. The training will reinforce the importance of paying CSBE prime contractors' invoices within 14 days of receipt by the department. In addition, the department will revise current processing methods to include appropriate tracking measures. Estimated completion date: December 2010.

Finding CSBE-2. Inconsistent Use of Unique Identifier on Invoices

Management's Response

GSA concurs with the auditors' comments and will continue to stamp all CSBE invoices received by the department to facilitate timely processing. Due to the high volume and variety of invoices processed within GSA, CSBE vendors will be encouraged to clearly identify their CSBE status on all invoices. This would facilitate prompt processing. GSA will develop and implement enhanced procedures to ensure invoices are paid within the 14 day window. In addition, the Department of Procurement Management and Small Business Development will be requested to solicit this compliance recommendation with all CSBE vendors within their current database. Estimated completion date: December 2010.

Finding CSBE-3 Insufficient Oversight of Complete Payment Process

Management's Response

To improve CSBE invoice processing, GSA will continue to train key personnel at least annually, and automate the process to monitor the receipt-to-payment cycle. As mentioned in the Findings, GSA has shown improved payment percentages in more recent fiscal years. Estimated completion date: December 2010.

B. Payment to Small Business Vendors

Finding VP-1. Late Payments to Small Business Vendors

GSA concurs with the auditors' recommendation and will provide SBE invoice training in FY 11. Training will reinforce the importance of paying SBE prime contractors' invoices within 30 calendar days of receipt by the department. In addition, GSA will revise current processing methods to include appropriate tracking mechanisms. Estimated completion date: December 2010.

Finding VP-2. Inability to Determine Proper Invoice Date

GSA concurs with the auditors and will ensure all invoices are date stamped upon receipt by the department. Since that determines the start date for a proper invoice processing cycle, all appropriate staff will be retrained on the importance of stamp dating invoices received within their sections. Estimated completion date: December 2010.

Finding VP-3. Inability to Recognize Small Business Vendor Invoices

GSA concurs with the auditors' comments and will continue to stamp all SBE invoices received by the department to facilitate timely processing. Due to the high volume and variety of invoices processed within GSA, SBE vendors will be encouraged to clearly identify their SBE status on all invoices. This would facilitate prompt processing. GSA will develop and implement enhanced procedures to ensure invoices are paid within the 30 day Prompt Payment Ordinance requirement. In addition, the Department of Procurement Management and Small Business Development will be requested to solicit this compliance recommendation with all SBE vendors within their current database. Estimated completion date: December 2010.

Finding VP-4. Lost Invoices

GSA concurs with the auditors. Due to the high volume and types of invoices processed by GSA, invoices are occasionally lost. Once notified of a lost invoice, GSA will contact the vendor and request that a duplicate be faxed. Upon receipt of the duplicate invoice, staff will stamp 'Researched Not Paid' on the invoice and acquire the necessary signatures for forwarding to Finance. To ensure timely payment of all invoices, vendors should forward their monthly statements to GSA-Accounting for verification. Trainings will be conducted each year to provide continued compliance with invoice processing timeline mandates. Estimated completion date: December 2010.

I will instruct staff to carefully review our payment procedures and to make any necessary corrective measures to assure compliance. Thank you again for giving me this opportunity to reply to the audit findings.

c: Carter Hammer, Finance Director
Daniel J. Alfonso, Assistant GSA Director
Clayton K. Baptiste, Director, GSA Administrative Services

THIS PAGE INTENTIONALLY BLANK

Memorandum

MIAMI-DADE COUNTY

Date: June 16, 2010

To: Charles Anderson, CPA
Commissioner Auditor

From: Esther L. Calas, P.E., Director
Public Works Department

Subject: Vendor Payment Processes Including Prompt Payment Compliance with CSBE Program Requirements

---

The Public Works Department (PWD) has reviewed the Commission Auditor's Report of vendor payment processes including the prompt payment compliance with Community Small Business Enterprise (CSBE) program requirements. PWD's Construction Division has taken the steps outlined below to achieve compliance with all prompt payment ordinances and to reduce the Department's processing time.

Finding CSBE-1 Late Payments to CSBEs

A review of sampled invoices submitted to PWD, from FY 2003-04 though FY 2007-08 showed that payments to CSBEs were not made within the 14 days as required by Section 10-33.02 of the Code. See tables below:

County Department	Percentage of Invoices paid late from FY 2003-04 through FY 2005-06	Percentage of Invoices paid late from FY 2006-07 through FY 2007-08
PWD	67%	47%

County Department	Average number of days from invoice receipt to final payment from FY 2003-04 through FY 2005-06	Average number of days from invoice receipt to final payment from FY 2006-07 through FY 2007-08
PWD	28	23

We noted that on time payment percentages improved in sampled invoices in the more recent fiscal years examined in our fieldwork.

Departmental Reply
In order for a payment request to be complete and ready for financial processing, it must meet all the requirements set forth in the applicable contract. Such requirements include but not limited to, submission of certified payrolls, partial and final releases of liens from subcontractors and suppliers. These requirements must be followed on every payment requisition to ensure that all parties involved are receiving their due compensations.

The PWD Construction Division performed an internal audit on randomly selected CSBEs that demonstrates significant improvements. These improvements are attributed to various procedures the Department put in place to further expedite and facilitate the payment process. These procedures are outlined as follows:

- Implemented time frames and deadlines for every procedural step within the Department and Division.
- Staff follows-up with the contractors to ensure speedy response and receipt of missing or incomplete documents.
- Conducts meetings with contractors on as needed basis, to provide assistance in completing the requisition for payment.
- Contractors are reminded at least a month in advance of their upcoming insurance expiration. This step has further minimized delays.
- PWD in conjunction with the Office of Capital Improvements (OCI) implemented a pilot program to allow prime contractors to submit subcontractors' payrolls that are in arrears, when at least 50% of the required payrolls have been received by the Department. However, the prime contractor must be 100% in compliance before the next payment is submitted.

Finding CSBE-2 Inconsistent Use of Unique Identifier on Invoices
The County did not consistently affix a unique identifier to differentiate the priority invoices from all other invoices received by the County for CSBE contractors.

Departmental Reply
The Department has implemented a watermark that states "CSBE" on all payment requisitions. This procedure assists in identifying the CSBE invoice and prioritizes payment requisitions, as required by the Ordinance.

Finding CSBE-3 Insufficient Oversight of Complete Payment Process
There was insufficient CSBE-specific oversight to ensure that the invoice approval and payment processes are completed within 14 days. Divisions within the departments performed their respective invoice payment functions and forwarded it to the next division or authorized signatory, but responsibility for the invoice was assigned upon transfer without considering the timeliness of the complete payment process. As invoices passed from one division to another, emphasis on timeliness of processing suffered because of the inconsistent emphasis on meeting payment deadlines.

Departmental Reply
PWD has implemented the following procedures:

- Stamping of all received invoices showing the date they are received.
- Centralized receipt of all CSBE invoices to provide the proper accountability of the payment process and eliminate inefficiencies.
- All payment processes for CSBEs are fully tracked utilizing a spreadsheet log from the time of receipt until the payment is rendered to the contractor.
- The Department is converting this log into a module in the PWD database system. This will provide for automatic updates, alerts, and reminders to staff involved in the process. These alerts will inform the respective project managers and their supervisors when a payment process is exceeding the established deadline.

In closing, PWD will continue to monitor the payment process to expedite and achieve the goal established by the A.O. 3-22 and comply with Section 10-33 of the Code. PWD feels confident to be on the right track, with all the above mentioned improvements made to the process and the implementation of suggestions made on this report. PWD is committed to achieving full compliance within the next ninety (90) days.

cc: Carter Hammer, Director
Finance Department

Antonio J. Cotarelo, P.E.
Assistant Director, PWD

THIS PAGE INTENTIONALLY BLANK

ATTACHMENT 6

Memorandum

MIAMI-DADE COUNTY

Date: March 10, 2010

To: Charles Anderson, CPA
Commission Auditor

From: Timothy P. Ryan, Director
Corrections and Rehabilitation Department

Subject: Compliance with CSBE Program Requirements

Office of the
MAR 12 2010
Commission Auditor

I have received your memorandum dated February 11, 2010, regarding the draft audit report, "Review of Vendor Payment Processes Including Prompt Payment Compliance with CSBE Program Requirements."

Upon review of the report, which assesses compliance with Miami-Dade County Code Section 10-33.02, Community Small Business Enterprise Program, and Administrative Order 3-19, Prompt Payment; and in response to Finding VP-2. Inability to Determine Proper Invoice Date, I offer the following:

Finding

MDCR: "The Fiscal Management Bureau Division stated that invoices were not date stamped, but the envelopes that the invoices arrive in were scanned and kept for date purposes."

Action

MDCR implemented the practice of date stamping all invoices in 2008. This requirement has also been incorporated in Departmental Standard Operating Procedure 5-010, Accounts Payable. Supervisors will continue to monitor staff adherence to ensure continued compliance. (Correction: The operational unit noted in the Finding is the Budget and Finance Bureau, which reports to the Fiscal Resources Division.)

Thank you for the opportunity to respond to the report. Should you have any questions or require additional information, please contact Chief Sheila Siddiqui at (786) 263-6299.

c: Alina T. Hudak, Assistant County Manager
Carter Hammer, Director, Finance Department
Nancy Vinock, Assistant Director, Management Services, MDCR
Sheila Siddiqui, Chief, Fiscal Resources Division, MDCR