



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

M E M O R A N D U M

TO: Honorable Chairman Jean Monestime
and Members, Board of County Commissioners

FROM: Neil R. Singh, CPA
Acting Commission Auditor

A handwritten signature in blue ink, appearing to read "Neil R. Singh", is written over the name and title in the "FROM" field.

DATE: August 19, 2016

SUBJECT: Follow-up Report: Audit of MDT Advertising Revenue Collection Program

We issued the final report of the Audit of Miami Dade Transit (MDT) Advertising Revenue Collection Program on April 2, 2014 (*MDT is now a part of the Department of Transportation and Public Works (DTPW)*). We submit this follow-up report, which contains the remediation status of the findings in the original audit report. Based on our audit recommendations and management action plans, all the findings have been resolved, and this audit is now closed.

We thank the staff of the former MDT for their cooperation and input throughout the follow-up audit. Please let me know if you need further information.

c: Mayor Carlos Gimenez, County Mayor
Alina Hudak, Deputy Mayor
Abigail Price-Williams, County Attorney
Alice Bravo, Director, Department of Transportation and Public Works
Mary Cagle, Inspector General
Cathy Jackson, Director, Audit & Management Services
Tara Smith, Director, Internal Services Department
Robert Villar, Assistant Director of Finance, Department of Transportation and Public Works
Miriam Singer, Sr. Assistant Director, Procurement Management
Duane Mathis, Controller, Department of Transportation and Public Works
Rosemary Cortes, Manager, Advertising and Media Relations, Department of Transportation and Public Works
Glenn LeBlanc, Manager, Passenger Amenities, Department of Transportation and Public Works

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MIAMI-DADE COUNTY BOARD OF COUNTY COMMISSIONERS

OFFICE OF THE COMMISSION AUDITOR

**AUDIT OF MDT AVDERTISING REVENUE
COLLECTION PROGRAM
- FOLLOW-UP**

Project Number 12-055201

August 19, 2016

**Neil R. Singh, CPA
Acting Commission Auditor**

Auditor

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TABLE OF CONTENTS

I. Objective and Scope	1
II. Background	1
III. Summary Results	1
IV. Conclusion	3
Attachment:	
Implementation Status of the Recommended Corrective Actions.....	4

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I. OBJECTIVE AND SCOPE

The policies and procedures of the Office of the Commission Auditor (OCA) require that we perform follow-up activities subsequent to a final audit report to assess the implementation status of audit recommendations. The objective of this follow-up audit was to assess the actions taken by the management of Miami-Dade Transit (MDT) (*now part of the Department of Transportation and Public Works (DTPW)*) to remediate, based on our recommendations and management action plans, the findings in OCA's final audit report. The scope of the follow-up activities was from September 2015 through March 2016.

II. BACKGROUND

In 2014, as part of the Work Plan approved by the Board of County Commissioners (BCC), the OCA conducted the Audit of MDT Advertising Revenue Collection Program. The final audit report was released on April 2, 2014. 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 following is the summary of findings in the final audit report:

- 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.

OCA's recommendations on the above and the status of implementation by MDT are summarized in the Summary Results below. More details, including management's original action plans in the final audit report are provided in the *Implementation Status of the Recommended Corrective Actions* (Attachment 1).

III. SUMMARY RESULTS

Our follow-up audit revealed that MDT has implemented actions to resolve all the findings in the final audit report. Below is the summary of OCA's recommendation(s) and the remediation status for each of the audit findings:

Finding 1: Internal controls were inadequate for ensuring that advertising contractors maintained

the required liabilities insurance coverage.

Recommendation:

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.

Remediation status: Resolved.

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

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.

Remediation Status: Resolved.

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

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.

Remediation Status: Resolved.

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

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.

Remediation Status: Resolved.

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

Recommendation:

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

Remediation Status: Resolved.

IV. CONCLUSION

OCA acknowledges the cooperation and actions taken by the management and staff of the former MDT to resolve the reported audit findings. We would like to reiterate the importance of continuous monitoring and maintenance of internal controls by management in order to ensure that they continue to operate effectively.

ATTACHMENT I

Audit of MDT Advertising Revenue Collection Program – Follow-up
Implementation Status of the Recommended Corrective Actions

Finding 1	Internal controls were inadequate for ensuring that advertising contractors maintained the required liabilities insurance coverage.	
	OCA Recommendation	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 Remediation Plan	<p>MDT: We concur with this finding. Our Marketing Section will establish procedures to track and monitor compliance with insurance coverage requirements.</p> <p>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.</p> <p><u>OCA’s Comments:</u> 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.</p>
	Follow up Results	ISD Risk Management Division has been sending monthly reports of insurance certificates that were near expiration or had expired to MDT. Although there were a few expired insurance certificates in the most recent notification reports sent to the department, ISD has been following up on the department to correct the non-compliance status.
	Conclusion on Remediation Status	Issues resolved: Finding is closed.
Finding 2	Internal controls over the custody and maintenance of Letters of Credit (LOCs) obtained from advertising contractors as performance bonds were inadequate.	
	OCA Recommendation	<p>2.1. MDT and the Procurement Management Division of ISD should locate the original copy of Signal Outdoors’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.</p> <p>2.2. MDT and the Procurement Management Division of ISD should establish standard policies for the</p>

ATTACHMENT I

Audit of MDT Advertising Revenue Collection Program – Follow-up
Implementation Status of the Recommended Corrective Actions

		<p>custody of LOCs. Policies should include the requirement that Contract Managers maintain documentation for tracking LOCs.</p> <p>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.</p>
	Management Remediation Plan	<p>MDT:</p> <p>2.1. A replacement original LOC was requested and received from Signal Outdoors’s issuing bank on 1/10/2014 and is currently stored in the MDT Finance safe.</p> <p>2.2. We concur with this recommendation and are in process of establishing policies for the custody of LOCs.</p> <p>2.3. We concur with this recommendation.</p> <p>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.</p> <p><u>OCA Comments</u> 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.</p>
	Follow up Results	Replacement LOC has been obtained, and is being maintained by MDT Accounts Division. Procedures for the custody and tracking of LOCs have been documented.
	Conclusion on Remediation Status	Issues resolved: Finding is closed.
Finding 3	There were inadequate internal controls to ensure that collections of advertising revenue from all advertising contractors were complete and accurate.	
	OCA Recommendation	3.1. MDT’s Finance Division should recover the underpayment of \$83,453 from Signal Outdoor immediately.

ATTACHMENT I

Audit of MDT Advertising Revenue Collection Program – Follow-up
Implementation Status of the Recommended Corrective Actions

		<p>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.</p> <p>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.</p> <p><u>MDT’s actions subsequent to audit fieldwork</u> 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 funds that Signal Outdoors’s was required to maintain with the County for the contract.</p>
	Management Remediation Response	<p>3.1. As stated in the audit report, the underpayment from Signal was recovered.</p> <p>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.</p> <p>3.3. We concur with this recommendation and have already established procedures for recording and reconciling advertising revenues in our Accounts Receivable System.</p>
	Follow up Results	Underpayments by vendor have been recovered, invoices that were omitted have been sent, and the outstanding debt balance was sent to the County Finance Department for collection. Procedures for recording and reconciliation of advertising revenue and receivables have been documented. A reconciliation spreadsheet is being used to track revenue, receivables, collections, and balances.
	Conclusion on Remediation Status	Issues resolved: Finding is closed.
Finding 4	Internal controls were inadequate to ensure that all advertising sales transactions were posted appropriately to the relevant accounts.	
	OCA Recommendation	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.

ATTACHMENT I

Audit of MDT Advertising Revenue Collection Program – Follow-up
Implementation Status of the Recommended Corrective Actions

		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 Remediation Plan	4.1. We concur with your recommendation and have also submitted the accounts receivable balance to the County Finance section for collection as per IO 3-9. 4.2. We concur with this recommendation.
	Follow up Results	Overdue receivables were sent to the County Finance Department for collection. Procedures for the recording and reconciliation of advertising revenue and receivables have been documented. A reconciliation spreadsheet is being used to track revenue, receivables, collections, and balances.
	Conclusion on Remediation Status	Issues resolved: Finding is closed.
Finding 5	MDT did not maintain in-house inventory records of bus passenger benches.	
	OCA Recommendation	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 Remediation Plan	We concur with your recommendations. Our Marketing Section is working with IT on developing inventory software for both shelters and benches.
	Follow up Results	MDT currently uses a system called the Bus Stop Manager to track Passenger Shelter and Passenger Bench inventories. ISAP has since been retired.
	Conclusion on Remediation Status	Issues resolved: Finding is closed.

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