



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

M E M O R A N D U M

TO: Jose Abreu, Director, *Aviation*
Jack Osterholt, Deputy Mayor/Director, *Regulatory and Economic Resources*
Edward Marquez, Deputy Mayor/Director, *Finance*
Timothy P. Ryan, Director, *Corrections and Rehabilitation*
Lester Sola, Director, *Internal Services*
Kathleen Woods-Richardson, Director, *Public Works and Waste Management*

FROM: Charles Anderson
Commission Auditor

A handwritten signature in black ink, appearing to read "Charles Anderson", is written over the printed name.

DATE: September 25, 2012

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

The Review of Vendor Payment Processes Including Prompt Payment Compliance with Community Small Business Enterprise (CSBE) Program Requirements report was issued on June 30, 2010. Management from the following departments concurred with our findings and recommendations:

- Aviation
- Finance
- General Services Administration (*currently under the Design and Construction Services Division of Internal Services Department (ISD)*)
- Miami Dade Corrections and Rehabilitation Services
- Public Works (*currently a Division of Public Works and Waste Management*), and
- Small Business Development (*currently under the Business Affairs Division of Regulatory and Economic Resources*)

As of our follow up on April 2012, management indicated that several adjustments have been made to address our findings. Descriptions of the recommendations and responses to our follow-up questions from the departments are appended as Attachment I to this memo.

Closure of Review of Vendor Payment Processes Including Prompt Payment Compliance with
CBSE Program Requirements

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Departments should continue monitoring the implementation of the recommendations stated in their responses. We encourage the Design and Construction Services Division of the ISD, where further corroboration indicated areas of noncompliance, to continue improvement to reduce the associated risks. As of July 2012, ISD-Design and Construction Services Division had indicated that new compliance measures were currently in place to enhance invoice processing requirements.

This audit is considered closed and will be available to other internal and external auditors.

We appreciate the courtesies and assistance extended to our staff during this audit and follow up process.

C: Carlos Gimenez, County Mayor
Alina Hudak, Deputy Mayor/County Manager
Chip Iglesias, Deputy Mayor
Christopher Mazzella, Inspector General
Cathy Jackson, Director, Audit and Management Services

Attachment I
Management Responses

Payments to Community Small Business Enterprises (CSBEs)

I. 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 payment to CSBEs.

Finance

As noted, on June 4, 2010 the Finance Department sent all accounts payable liaisons an email reminding them of the requirement to clearly stamp all CSBE vendor invoices and the need to separate them from the rest of the department's invoices, so they can be readily identified and the payments and related processing expedited. Additionally, the Finance Department continues to remind accounts payable liaisons as part of the annual fiscal year end meeting on the importance of the CSBE payment requirements, and to clearly stamp/identify ("Expedite - CSBE, pay within 14 days") on pertinent invoices, and to separate invoices to ensure prompt and timely payments.

Small Business Development (currently under the Business Affairs Division of Regulatory and Economic Resources)

SBD concurs with this recommendation. In a June 3, 2010 memorandum, Small Business Development reminded all capital departments of their responsibility under the prompt payment provisions of the CSBE and SBE programs.

Aviation

The Aviation Department concurs. An email was sent on March 14, 2012 to all Aviation Department employees reiterating the need for strict compliance with Section 10-33.02 of the County Code.

General Services Administration (currently under the Design and Construction Services Division of Internal Services)

Training of staff was conducted in 2011 to reinforce the importance of paying CSBE prime contractor invoices within 14 days of receipt by the Department. This training also included a review of the process for date stamping invoices and logging them for tracking purposes. A 2012 training class for all staff involved in the Accounts Payable process for CSBE firms will be scheduled over the next few months. This class will reinforce all invoice processing requirements.

Public Works (currently a Division of Public Works and Waste Management)

The Public Works & Waste Management Department (PWWM) has implemented timeframes and deadlines for every approval step within the Department. Staff follows-up with contractors to ensure a speedy response and submittal of missing

or incomplete documents is done. Additionally, PWWM provides guidance to contractors on completing federal forms and notifies them of upcoming insurance expiration on their contracts to prevent work stoppage and/or delays for invoices that will not be considered in compliance.

II. 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.

Finance

The Finance Department has updated Procedure 606 in the County's Procedures Manual "Processing Payments for Purchases". The updated procedure reminds departments of the payment requirements and need to readily identify CSBE and SBE invoices with a CSBE or SBE stamp, and of the need to segregate invoices when submitting them to the Finance Department - Accounts Payable Section, so they can be easily identified by staff and handled expeditiously.

Small Business Development (currently under the Business Affairs Division of Regulatory and Economic Resources)

SBD concurs with this recommendation. See response CSBE-1

Aviation

The Aviation Department concurs. Utilizing current technology, the Department has marked all identified CSBE vendors within its financial systems to alert staff to expedite the approval process in order to meet the fourteen (14) day deadline required for these invoices.

General Services Administration (currently under the Design and Construction Services Division of Internal Services)

Training conducted in 2011 included incorporating the process of stamping invoices received from CSBE firms with a "CSBE" stamp to facilitate timely invoice processing. To enhance this process ISD will coordinate with the Small Business Development Division of Sustainability, Planning and Economic Enhancement (SPEED) to forward e-mails to CSBE vendors, advising them to notate their CSBE status on all invoices.

Public Works (currently a Division of Public Works and Waste Management)

The Public Works & Waste Management Department recognizes that a unique identifier is a must for this process; as such, it has implemented the following procedures: Stamping of all received invoices clearly showing the date they are received, along with the unique CSBE identifier. Additionally, PWWM has updated the capital projects financial module to include a watermark identifier on all CSBE's payment requisitions forms generated by the department.

III. Finding CSBE-3. Insufficient Oversight Responsibility of Complete Payment Process

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.

Aviation

The Aviation Department concurs and has implemented tracking within its financial systems that sends email reminders to CSBE invoice approvers advising them of impending deadlines.

General Services Administration (currently under the Design and Construction Services Division of Internal Services)

Training to staff involved in processing CSBE invoices was conducted in 2011. This training will be conducted annually. Training for 2012 will be conducted within the next few months. Additionally, to enhance the Department's ability to monitor the invoice receipt-to-payment cycle, automation options will continue to be researched.

Public Works (currently a Division of Public Works and Waste Management)

The Public Works & Waste Management Department has strengthen its internal controls by Centralizing receipt of CSBE's and Non-CSBE's invoices to provide the proper accountability of the payment process and eliminate inefficiencies.

All payment processes for CSBE's and Non-CSBE's are fully tracked from the moment of receipt, the time the contractor takes to achieve full compliance or proper invoice status, and the time when a payment is rendered to the contractor.

Timelines for the review and approvals of CSBE vendors have been set as follow:

(2) Days for the Project Managers

(2) Days for the Contract Compliance Monitoring Office

(2) Days for the Finance Division

(3-4) Days for finance department final approval; final payments will add (1) additional day for the County Engineer approval

(4) Days for Saturday & Sundays

This whole process takes (14) calendar days as required by the CSBE prompt payment ordinance

Payments to Small Business Vendors

I. 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 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.

Finance

For fiscals 2009 through 2011, the Finance Department sent Department Directors and their assigned Assistant County Manager a quarterly update on the timeliness of their vendor payments. This assisted departments in identifying problem areas and improving processing. Throughout this period, the County maintained the steady pace of paying 93% of invoices within 45 days (558,000 invoices) and 75% within 30 days (450,000 invoices). Reports tracking the timeliness of payment by department are available monthly for viewing on “On Demand”, specifically in report FAMF/MO/AP/PAGE/08B – Days Inv. Received to Voucher Paid.

Small Business Development (currently under the Business Affairs Division of Regulatory and Economic Resources)

SBD concurs with this recommendation. See response CSBE-1

Aviation

The Aviation Department concurs. An email was sent on March 14, 2012 to all Aviation Department employees reiterating strict compliance with Sections 2-8.1.1.1.1 and 2-8.1.4 of the County Code, and AO No. 3-19.

General Services Administration (currently under the Design and Construction Services Division of Internal Services)

Training of staff was conducted in 2011 to reinforce the importance of paying Small Business Enterprise (SBE) prime contractor invoices within 30 calendar days of receipt by the Department. This training also included a review of the process for date stamping invoices and logging them for tracking purposes. A 2012 training class for all staff involved in the Accounts Payable process for SBE firms will be scheduled over the next few months. This class will reinforce all invoice processing requirements.

II. 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.

Finance

The Finance Department continues to remind accounts payable liaisons as part of the annual fiscal year end meeting of the importance of clearly stamping invoices per A.O. No. 3-19.

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.

Aviation

The Aviation Department concurs. All invoices are date stamped when they are received. On the rare occasion when an invoice is inadvertently not stamped and no other evidence is available, the date of the first approval is used as the date of receipt.

General Services Administration (currently under the Design and Construction Services Division of Internal Services)

As stated above, training of staff was conducted in 2011 to reinforce the process for date stamping invoices. A 2012 training class for all staff involved in the Accounts Payable process for SBE firms will be scheduled over the next few months. This class will reinforce all invoice processing requirements.

Miami Dade Corrections and Rehabilitation

Please be advised that the MDCR continues to comply with Departmental Standard Operating Procedure (DSOP) 5-010 regarding date stamping all invoices and ensures compliance through ongoing supervisor oversight.

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

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.

Finance

Email was sent to accounts payable liaisons as noted. Finance Department continues to remind accounts payable liaisons as part of the annual fiscal year end closing meeting of the importance of clearly identifying SBE invoices and submitting separately to expedite processing.

Small Business Development (currently under the Business Affairs Division of Regulatory and Economic Resources)

SBD concurs with this recommendation. See response CSBE-1.

Aviation

The Aviation Department concurs. The default processing cycle for ALL Aviation invoices is thirty (30) days. The Department's financial systems have been programmed to conform to this cycle, and system controls and reminders ensure that invoices move promptly from approver to approver.

General Services Administration (currently under the Design and Construction Services Division of the Department of Internal Services)

Training conducted in 2011 included incorporating the process of stamping invoices received from SBE firms with a "SBE" stamp to facilitate timely invoice processing. To enhance this process ISD will coordinate with the Small Business Development Division of Sustainability, Planning and Economic Enhancement (SPEED) to forward e-mails to SBE vendors, advising them to notate their SBE status on all invoices.

IV. Finding VP-4. Lost 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 unnecessary delay.

Aviation

The Aviation Department concurs. Each Aviation purchase order clearly identifies the required location for invoice submittals to ensure prompt payment. All payments received at this location are processed by employees well versed in prompt payment requirements. Additionally, the Department's financial systems' tracking and routing mechanisms mitigate the risk of misdirected invoices due to human error.

General Services Administration (currently under the Design and Construction Services Division of Internal Services)

As stated above, training of staff was conducted in 2011 on invoice processing procedures and timelines. Training for 2012 will be conducted over the next few months. Regarding monthly statements from vendors, the ISD Accounting Section staff reviews vendor statements weekly to identify outstanding invoices that have not been processed. This review allows the Department to identify and resolve open invoices issues and determine whether invoices have been lost. Duplicate invoices are properly stamped and appropriate signatures are obtained.