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Memorandum

To: Honorable Mayor Carlos A. Gimenez
Honorable Chairman Jean Monestime
and Members, Board of County Commissioners, Miami-Dade County

From: Mary T. Cagle, Inspector General

Date: September 12, 2016

Subject: Transmittal and Executive Summary of the OIG's Final Report on the *Audit of Miami-Dade Aviation Department's Permit Application, Extension, and Renewal Processes,* Ref. IG15-03

Attached please find the above-captioned report issued by the Office of the Inspector General (OIG). The issuance of permits to conduct commercial activities at the County's airports is a revenue generating activity for the Miami-Dade Aviation Department MDAD), and this audit was undertaken by the OIG as a part of a larger BCC-directed effort at enhancing revenue accountability at MDAD. This audit, which covers the application, extension and renewal processes, as well as some ancillary matters, such as insurance requirements and fueling services, is the first of a two-part audit into MDAD's permitting activities. Our second audit will provide our assessment of the revenue collection activities and the control measures utilized to assure accurate reporting by permittees.

This report, as a draft, was provided to MDAD for comment. The OIG made ten recommendations to enhance and improve MDAD's administration of the permitting process. MDAD provided a response, which responds affirmatively by accepting all ten of the recommendations. A summary of each specific response follows after each OIG recommendation (see Report Section IX). MDAD's complete response is attached as Appendix A.

In that the implementation of some recommendations are prospective, and in accordance with Section 2-1076(d)(2) of the Code of Miami-Dade County, the OIG requests that MDAD provide a status report in 120 days on certain outstanding items (see the last page of the report). We would appreciate receiving this report on or before January 17, 2017. For reading convenience, a one-page executive summary follows.

Attachment

cc: Emilio T. Gonzales, Ph.D., Director, Miami-Dade Aviation Department
Cathy Jackson, Director, Audit and Management Services Department
Neil Singh, Interim Commission Auditor

Our audit did not reveal any material weaknesses in the permit application, extension and renewal processes that rise to the level of an audit finding. While we encountered some non-compliance issues, there were either reasonable explanations for them and/or they were quickly resolved by MDAD staff during the course of our audit. We did observe some areas that could benefit from enhanced processes, greater attention to detail and/or clarification of terms; however, none of these conditions compromised MDAD's permit operations. As such, this report contains our "Audit Observations" and corresponding recommendations.

MDAD Properties, in addition to processing all new permit applications, currently administers over 140 active permits, each requiring the processing of annual permit extensions or bi-annual permit renewals. Whether it is a permit application, a permit extension, or a permit renewal, MDAD Properties must perform a number of manual steps and manually handle large amounts of documents. Essentially, the permit application/extension/ renewal processes are a continuous, year-round, repetitive activity. As result, staff—which until recently has been one individual—has little time, if any, to proactively address processing issues, to coordinate with MDAD Risk Management and the Finance Division on a regular basis, as well as to implement proactive monitoring activities. This condition is currently being addressed with the addition of two temporary employees, which is anticipated to be formalized into two full-time permanent positions beginning in the next fiscal year.

Additionally, although MDAD Properties is diligent in its efforts to maintain all permits active and current, we observed that some permittees were operating with expired permits. In some of the longest cases, we learned that there were legal disagreements over the applicability of certain permit requirements, and that the County Attorney's Office has been consulted. For three permittees, who since 2005-2006 have been disputing the applicability of the County's Living Wage Ordinance, they have continued to provide commercial services to the airlines on a month-to-month permit for the last 10 years. As to the permittees challenging the applicability of the County's Living Wage Ordinance, we have been advised that this issue is close to legal resolution.

We observed that MDAD's approach to its fuel permits is a "one-size fits all" approach in that the different fueling service categories and fueling locations are not clearly delineated in the agreement. These are all very important delineations as it informs as to what opportunity fees are due, if any, and what are the required insurance minimums. For example, pursuant to MDAD's business practices, an into-plane commercial aircraft fuel permittee pays no fee to MDAD for the service it provides—fueling commercial airplanes from the hydrants located at Miami International Airport (MIA). However, the service of fueling non-commercial aircraft either at a general aviation airport (GAA) or at MIA carries a $0.08 per gallon "Gallonage Fee." Moreover, we noted that pursuant to MDAD's standard fuel permit agreement, "into-plane fuel" permittees need to maintain no less than $5,000,000 in sudden and accidental pollution insurance coverage regardless of service location. However, MDAD's insurance guidelines (promulgated by MDAD Risk Management) differentiates the amount of pollution coverage required whether operating at MIA or a GAA. We find that these requirements—between MDAD Properties and MDAD Risk Management—should be consistent.

Miami-Dade County
Office of the Inspector General

FINAL AUDIT REPORT

Audit of Miami-Dade Aviation Department's
Permit Application, Extension, and Renewal Processes

IG15-03
September 12, 2016

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I. INTRODUCTION

As part of the Office of the Inspector General's (OIG) on-going oversight activities at the Miami-Dade Aviation Department (MDAD), and in conjunction with recent Board of County Commissioners (BCC) directed initiatives aimed at revenue accountability at the airport, the OIG initiated an audit of MDAD's permit processes. Permits—a revenue generating activity—are issued by MDAD to companies doing business on airport properties. These companies—permit holders a.k.a. "permittees"—must satisfy certain requirements for the opportunity to do business at the airport. These requirements include submitting an application; paying an application fee and a security deposit; satisfying certain insurance requirements; and, most importantly, remitting to MDAD a percentage of the gross revenues that the company earned from its business dealings at the airport. This last requirement, a.k.a. the "opportunity fee" varies depending on the type of services that the permittee provides, but is generally seven percent of the permittee's gross revenues. It—the opportunity fee—has also been the subject of many County investigation and audits, albeit on a permittee-by-permittee basis.[1]

The OIG initiated the subject audit in order to take a top-to-bottom look at how MDAD manages the entire permit process. This begins with the permit application process, moves through a Risk Management verification of insurance requirements, and results in the issuance of a permit, which thereafter may be extended and renewed. These processes primarily reside with MDAD's Real Estate Management & Development Division (aka and hereinafter referred to as "MDAD Properties"). The second half of the equation—the permittee actually conducting commercial activities at the airport and making money at it—is primarily overseen by the MDAD Finance Division. The OIG's audit examines the permit process from both sides.

Our audit will be reported in two parts. This first report provides an overview of the different types of permits that MDAD issues; the different requirements imposed on these different categories of permittees; and the policies, procedures and internal control measures that are in place, or are needed, to enhance accountability and transparency. This first report addresses our observations and recommendations relating to the permit application, verification, extension, and renewal processes. Our second report will provide our assessment of the revenue collection activities and the control measures utilized to assure accurate reporting by permittees.

[1] Both the OIG and the County's Audit and Management Services Department have previously conducted audits and investigations, and issued reports regarding several individually-identified permittees. These audits and investigations typically include an examination of whether the permittee is reporting its gross revenues accurately. This audit, based on discussions with various stakeholder entities, may be the first time that the permit process, as opposed to individual permittees, has been the subject of an audit.

II. RESULTS SUMMARY

Our audit did not reveal any material weaknesses in the permit application, extension and renewal processes that rise to the level of an audit finding. While we encountered some non-compliance issues, there were either reasonable explanations for them and/or they were quickly resolved by MDAD staff during the course of our audit. We did observe some areas that could benefit from enhanced processes, greater attention to detail and/or clarification of terms; however, none of these conditions compromised MDAD's permit operations. As such, this report contains our "Audit Observations" and corresponding recommendations.

MDAD Properties, in addition to processing all new permit applications, currently administers over 140 active permits, each requiring the processing of annual permit extensions or bi-annual permit renewals. Whether it is a permit application, a permit extension, or a permit renewal, MDAD Properties must perform a number of manual steps and manually handle large amounts of documents. Essentially, the permit application/extension/ renewal processes are a continuous, year-round, repetitive activity. As result, staff—which until recently has been one individual—has little time, if any, to proactively address processing issues, to coordinate with MDAD Risk Management and the Finance Division on a regular basis, as well as to implement proactive monitoring activities. This condition is currently being addressed with the addition of two temporary employees, which is anticipated to be formalized into two full-time permanent positions beginning in the next fiscal year. Even with enhanced automation, adding human resources to this function is necessary.

Additionally, although MDAD Properties is diligent in its efforts to maintain all permits active and current, we observed that some permittees were operating with expired permits. In some of the longest cases, we learned that there were legal disagreements over the applicability of certain permit requirements, and that the County Attorney's Office has been consulted. For three permittees, who since 2005-2006 have been disputing the applicability of the County's Living Wage Ordinance, they have continued to provide commercial services to the airlines on a month-to-month permit for the last 10 years. For another permittee, the dispute challenged the applicability of the 7% Opportunity Fee over what the permittee contended to be "pass-through" costs. MDAD resolved this dispute last year and agreed that the opportunity fee did not apply to the "pass-through" costs. As to the permittees challenging the applicability of the County's Living Wage Ordinance, we have been advised that this issue is close to legal resolution.

We observed that MDAD's approach to its fuel permits is a "one-size fits all" approach in that the different fueling service categories and fueling locations are not clearly delineated in the agreement. These are all very important delineations as it informs as to what fees are due, if any, and what are the required insurance minimums.

For example, pursuant to MDAD's business practices, an into-plane commercial aircraft fuel permittee pays no fee to MDAD for the service it provides—fueling commercial airplanes from the hydrants located at Miami International Airport (MIA). However, the service of fueling non-commercial aircraft either at a general aviation airport (GAA) or at MIA carries a $0.08 per gallon "Gallonage Fee." Moreover, we noted that pursuant to MDAD's standard fuel permit agreement, "into-plane fuel" permittees need to maintain no less than $5,000,000 in sudden and accidental pollution insurance coverage. However, MDAD's insurance guidelines (promulgated by MDAD Risk Management) differentiates the amount of pollution coverage required whether operating at MIA or a GAA. We find that these requirements—between MDAD Properties and MDAD Risk Management—should match up.

III. AUDITEE RESPONSE AND OIG REJOINDER

This report, as a draft, was provided to MDAD for its review and comment. The OIG received a response from MDAD, which addresses each of the OIG's ten (10) recommendations. MDAD responded positively to each recommendation indicating either that it will prospectively implement our suggestions and/or that it has already taken steps in the direction of our recommendations since the audit commenced. MDAD's full response is attached as Appendix A, and a summary of each individual response follows each recommendation. As the implementation of some recommendations are prospective, the OIG requests that MDAD provide us with a follow-up status report in 120 days.

IV. TERMS USED IN THIS REPORT

AOA	Aircraft Operating Area (Airside Operations)
BCC	Board of County Commissioners
COI	Certificate of Insurance
FBO	Fixed Base Operator/Operations
Fee Schedule	*MDAD Rates, Fees, and Charges Schedule FY 2015-16*
Fuelers	Fueling service permittees
GAA	General Aviation Airport
GASP	General Aeronautical Services Providers
MDAD	Miami-Dade Aviation Department
MDAD Properties	MDAD Real Estate Management & Development Division
MIA	Miami International Airport
OIG	Office of the Inspector General
Permittees	Contractors/vendors awarded permits to conduct business at MDAD facilities

V. OIG JURISDICTIONAL AUTHORITY

In accordance with Section 2-1076 of the Code of Miami-Dade County, the Inspector General has the authority to make investigations of County affairs; audit, inspect and review past, present and proposed County programs, accounts, records, contracts, and transactions; conduct reviews and audits of County departments, offices, agencies, and boards; and require reports from County officials and employees, including the Mayor, regarding any matter within the jurisdiction of the Inspector General.

VI. BACKGROUND

Authorities Governing Permits at Miami-Dade Aviation Department

Section 21-29.1 of the Code of Miami-County proscribes that:

> It shall be unlawful for any person, firm, corporation or other legal entity to engage in any private business, commercial activity, or to undertake to provide any service for compensation, or to advertise or display merchandise, or to transact any business for profit, or to solicit business, on any property or facilities owned or operated by Miami-Dade County without first obtaining a permit, concession, lease, or other authorization in writing approved or authorized by the Board of County Commissioners.

Permits are specifically addressed in Administrative Order (A.O.) 8-5. It states that: "Persons or firms desiring to conduct private business on County property shall make application to the department director who is responsible for the property in interest." Accordingly, any person or firm desiring to transact business with any airline or other airport tenant (or even a business that is located off airport premises but the commercial transaction is made possible by accessing any of the airports) must obtain a permit or other written agreement (such as a lease or a license) issued by the MDAD Director.[2]

A.O. 8-5 provides that: "Permits shall be issued for a specific time period not to exceed one year in duration, are non-transferable, and may be revoked at any time at the discretion of the department director." Under the heading "EXTENSIONS," A.O. 8-5 allows for one renewal of the permit.

[2] http://www.miami-airport.com./business_permits.asp

MDAD has its own Operational Directive that expounds on the permit duration by allowing for a one-year extension (see Section III(E) MDAD Operational Directive No. 99-01). This one-year extension allowance is reiterated in MDAD's permit agreement boilerplate, which states:

> This Permit shall be for a term of month-to-month ***not to exceed one year from the effective date shown above and may be extended at the discretion of MDAD for up to an additional year*** or portion thereof to the extent permitted by Administrative Order 8-5 or other provisions of law. (Emphasis added by OIG)

A.O. 8-5 contains exceptions to the one-year/one-renewal requirement. One of the illustrated exceptions pertains specifically to the vast majority of permittees conducting business at the airport.

> In situations where the County routinely issues permits to all legitimate applicants wishing to conduct business at a specific location where it is clearly evident that the services and products are being provided competitively, the County may, at its discretion, renew said permits indefinitely without requesting bids and proposals. Examples of such permits includes the permission given to various vendors to provide goods and services to the airlines and shipping line that use County facilities.

Last, MDAD's Operational Directive makes clear that "[t]here is no stated, implied, or inferred right to renewal" [see Section VI(C)] and that permits "may be revoked at any time at the discretion of the County's Aviation Director." [See Section III(E)]

MDAD Permit Classifications and Associated Fees

In general, MDAD has various permit classifications including Primary Support Permits and Commercial Activity Permits. (See **OIG Table 1** on the following page). Primary Support is composed of three permit sub-types—General Aeronautical Services Permits (GASPs), General Aeronautical Handling Services Permits, and Fueling Permits. Commercial Activity Permits are issued for any of 20 authorized activities, including aircraft maintenance repair overhaul (MRO) operators (i.e., line maintenance) and vending machine operators (not including MIA concessionaire vending machines). Notably, GASPs are the only permits awarded by MDAD to vendors via a competitive selection process. GASPs also utilize subcontractors to provide the myriad of services performed. These subcontractors are also MDAD-authorized permittees, in that the permit authorizes them to conduct business on MDAD properties providing services. Their associated 7% opportunity fees, however, are remitted through the prime GASP permit holder.

Table 1 MDAD Permit Classifications (and permit count, as of March 2015)

Permit Classification	Sub-classification	Number of Permittees	Services	Opportunity Fee
Primary Support	General Aeronautical Services a.k.a. GASP	4	General aeronautical handling services provided by a *contractor* (permittee) to provide aircraft cleaning and servicing; baggage and porter services; airliner waste triturator services; pressure chamber, etc.	7% of gross revenues
Primary Support	GASP Subcontractor	10	Same as above	N/A
Primary Support	General Aeronautical Handling Services	None	Same as above except this permit allows an *airline* to provide such services to another airline	N/A
Primary Support	Fueling (into-plane commercial aircraft)	3	Selling, delivering, dispensing aviation fuel and/or fuel-related products/lubricants	No fees payable
Primary Support	Fueling (into-plane non-commercial and/or general aviation aircraft)	5	Selling, delivering, dispensing aviation fuel and/or fuel-related products/lubricants	$0.08/gallon
Primary Support	Fueling	1	Dispensing petroleum products (non-aviation fuel), e.g., gasoline and diesel fuel for ground support equipment	7% of gross revenues
Commercial Activity	N/A (other than MRO and Vending)	105	Animal handling services, security services, laundry and uniform services, waste management services, etc.	7% of gross revenues
Commercial Activity	MRO	7	Aircraft maintenance repair overhaul	3% of gross revenues
Commercial Activity	Vending	8	Vending machine services	30% of gross revenues
	TOTAL	**143**		

For purposes of this audit, we reviewed all 143 active permittees, as of March 2015.

The *MDAD Rates, Fees, and Charges Schedule* (*Fee Schedule*), for fiscal year 2015-16, prescribes that each prospective permittee pay a non-refundable permit application fee and a refundable security deposit of $1,000 each, for a total initial financial outlay to the applicant of $2,000.

In addition, the *Fee Schedule* prescribes a 7% opportunity fee for third-party vendors: "This fee will be 7% of gross revenues derived from services provided at MIA." Exceptions are noted for third-parties providing aircraft maintenance repair overhaul services (MRO), which remit 3% and vending machine operators, which remit 30% of gross revenues. (See **OIG Table 1** above). The *Fee Schedule* goes on to state that "All other third-party vendors will be maintained at a 7% charge on all gross revenues."[3]

Elsewhere in the aforementioned *Fee Schedule* it states, under the heading *Into-Plane Recommended Fees* that non-commercial aircraft fueling remains at $0.08 cents per gallon (a rate that has been effective since October 1, 2002). The *Fee Schedule* is silent, however, as to what fee, if any, is paid by permittees providing into-plane fueling services for commercial airplanes at MIA.[4]

The Permit Function at MDAD

At MDAD, the Real Estate Management & Development Division (a.k.a. and hereinafter referred to as "MDAD Properties") oversees the administration of agreements under which airlines, cargo handlers, maintenance and overhaul operators, Fixed Base Operators (FBOs), and other tenants service the traveling public and each other.[5] The MDAD Properties Division currently consists of four sections: Terminal Real Estate, Non-Terminal, General Aviation Airports, and Permits.[6]

Permit application forms may be obtained online or directly from MDAD Properties. To initiate the permit process, a vendor must complete an application, and submit it along with the required documentation and the $1,000 application fee. Such documentation includes proof of the required liability insurance coverage (which is forwarded to MDAD Risk Management for review and approval), and a copy of the service agreement(s) or contract(s) between the permit applicant and its

[3] Page 44 of the *MDAD Rates, Fees, and Charges Schedule* for fiscal year 2015-16
[4] There is also a fuel flowage fee of $0.08 cents per gallon at General Aviation Airports. Fuel Flowage is a separate fee from "into-plane" fees, and both are further discussed in Observation 5 of this report.
[5] A tenant is any company that has an agreement, or is under a sub-contract with a company that has an agreement, with the airport to occupy, operate, and/or conduct business on airport property.
[6] Prior to 2012, permit processing was the responsibility of the MDAD Chief of Non-Terminal Leasing. Since 2012, the Permit Section of the Properties Division has been the responsible unit.

customer(s)/client(s). Additionally, to be eligible for a permit, applicants must provide documentation that they are in "active" status with the State of Florida Division of Corporations**.**

Once eligibility is determined, MDAD Properties extends a permit offer by sending the applicant a permit agreement, along with affidavits that the applicant must complete, attesting to the identity of a prospective permittee's managing members or corporate officers. These documents must be completed, executed, and returned along with the $1,000 security deposit. Once received and reviewed by MDAD Properties, the package is forwarded to the County Attorney's Office for its review. Once the documents are approved for legal sufficiency, the package is routed to MDAD executive staff for further review and approval by the Director (or his/her designee). The executed permit agreement is then forwarded to the new permittee, along with a monthly revenue reporting form to be used for reporting the revenues earned for the services provided, and for calculating the appropriate fee to be submitted to MDAD Finance. (The revenue side of the permit function and the work of the Finance Division will be further reviewed and reported on as Part 2 of this audit.)

As noted above, applicants must supply proof of its insurance coverage. This proof is typically in the form of a Certificate of Insurance (COI), which shows the types, amounts, and classifications of liability insurance coverages. The applicant's COI, along with a draft copy of the permit agreement, is forwarded to MDAD Risk Management for review and approval.[7]

MDAD utilizes *PROPworks*®, a property and revenue management system software developed specially for airport facilities. *PROPworks*® is used extensively throughout MDAD for a variety of functions, but has limited functionality for the work related to permit processing, as will be described later in this report. However, a new insurance tracking module was implemented on April 1, 2016. This module is intended to serve as the system of record for insurance at MDAD and replaces the Access Database previously maintained by MDAD Risk Management.

Permits are issued for a term not to exceed one year, but may be extended for up to one additional year at MDAD's discretion. At the conclusion of the one-year extension, permits must be renewed by following the original application process and remittance of the required $1,000 application fee. MDAD Properties manually processes all documentation required and generated during the permit application, extension, and renewal processes, and maintains these records as hard copy files at its office location.

[7] As per MDAD's *Departmental Standard Operating Procedure No. 07-01* (effective June 20, 2007), MDAD Risk Management is required to review all permit agreements at the time of application, extension, and renewal to ensure "appropriate insurance language" while in draft stage and, if necessary, after any revisions are made, prior to being made available to the permittee.

VII. OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of our audit were to:

- Determine if documentation maintained by MDAD Properties for permittee applications, extensions, and renewals is complete, current, and supports the terms of the permit agreements, and comports with MDAD Operational Directive No. 99-01, Miami-Dade County Code Section 21.29-1, County Administrative Order 8-5, and other authoritative guidance.

- Determine if adequate internal controls are in place to minimize and/or mitigate risk in managing the permit process.

- Determine if the permit agreement language, terms and conditions are complete, and clearly designate the required fees to be paid and are in accordance with those specified in MDAD's *Fee Schedule*.

- Determine if procedures and controls are in place to provide adequate assurance that permittees operating at the airport have current and adequate insurance coverages.

Our audit scope encompassed all of MDAD Properties' operations, procedures, and practices for how it handles the permit application, extension, and renewal processes. To accomplish our objectives, we reviewed the contents of all 143 active permit files (as of July 2015), and examined archived permit files when deemed necessary. OIG Auditors also conducted interviews with MDAD staff in Properties, Risk Management, Finance, Civil and Environmental Engineering, Airside, and Information Systems. On an as needed basis, we also reviewed permit-related files maintained by MDAD Finance and MDAD Risk Management.

VIII. OIG AUDIT OBSERVATIONS

Observation 1 The permit application, extension, and renewal processes are unduly labor-intensive and could greatly benefit from additional resources and automation.

Our observations of daily work operations and discussions with staff disclosed that the MDAD's permit processes rely almost exclusively on manually organizing, tracking, and maintaining hard copy records that are critical to the business operation. We also observed that the large volume of manual, administrative work developing, organizing, and processing the documentation for permits completely occupies the time of the one employee assigned to the operation. Since each of the 143 permits is eligible for a

12-month extension after its first year, and then eligible for a one-year renewal after the extension, the necessary communications with permittees (via phone or email), and the tracking and processing of permit records, is virtually a continuous, repetitive, activity for the one employee[8] tasked with these responsibilities.

In brief, the manual activities performed during the permit process include, but are not limited to, the following:

- notifying permittees of extensions or renewals by phone or email
- preparing and sending emails to permittees to request information and documentation, including permittee Certificates of Insurance
- collecting permittee application fees and security deposits
- reviewing information contained in the hard copy documentation submitted by permittees for accuracy and adequacy
- preparing permit agreement for hard-copy permit files
- entering permittee liability insurance coverage information into *PROPworks*®
- entering permit agreement financial requirements (fee structure) into *PROPworks*®
- organizing and filing the documentation
- communicating with MDAD Risk Management regarding liability insurance approval
- communicating with MDAD Finance regarding the permit fees required
- preparing documentation to circulate for final MDAD management approval of the permit
- tracking and monitoring the status of the final approval process
- emailing approved permits to permittees, MDAD Finance, and MDAD Risk Management

While the process is overwhelmingly manual and paper-driven, as illustrated above, *PROPworks*®, a property and revenue management software system, is utilized by MDAD Properties, albeit in a very limited function. Our discussions with MDAD Properties staff, and our observations of the permit application, extension, and renewal processes disclosed that *PROPworks*® mostly functions as an automated, but simple data base for permit information and as a "tickler" that notifies staff of pending permit expirations. For example, information from the hardcopy permit applications and supporting documents must be manually entered into *PROPworks*® and then the hardcopy documents must be manually filed. Once completed, the hardcopy permit package (whether it be for an initial application, extension, or renewal package) must be routed to various MDAD departments for review and approval and its progress manually tracked.

[8] At the time of OIG fieldwork, there was only one employee staffing this function. Additional human resources have since been added.

Although MDAD Properties is diligent in its attempts to keep all permits active and current, the manual effort and time required to complete these processes has resulted in some permit extensions and renewals not being processed timely, as further discussed in our next observation. Additionally, because it is so time consuming, the current process does not allow staff time to proactively monitor the status of permittee activities and operations (see Observation 3 for further discussion).

During the time of our audit fieldwork, the Permits section of the MDAD Properties Division consisted of one person who was responsible for all facets of permit processing and follow-up. In a recent meeting with MDAD Properties, we were apprised that two temporary employees (one full-time and one part-time) are currently assisting in the permit processing function. We were also apprised that the proposed FY 2016-2017 budget includes the addition of two permanent full-time positions for the Permits Section; and once the proposed positions are approved, the two temporary employees would be eligible to apply and compete for the permanent posts.

Observation 2 The processing of permit extensions and renewals are not always timely completed.

MDAD permits are valid for one year only. Permittees may apply for a one-year extension and, thereafter, seek a permit renewal. There is no default condition granting a permittee the right to operate beyond its permit's one-year term, absent MDAD's approval of a permit extension or renewal. Thus, it is important that MDAD makes certain that permit durations are current and enforceable. Ensuring that permits remain active provides a risk mitigation tool and safeguard for MDAD business operations and assets. Allowing permits to expire, although not done intentionally, facilitates unnecessary risk for MDAD. This is because, once expired, there is no binding, legal agreement in place authorizing a permittee's continued operations or one that requires the permittees to report and pay the fees required.

During our permit file review, we requested and received a permittee status report dated March 6, 2015. The report showed that 19 of the 143 (13%) permittees were conducting business on airport property, although their permits had expired. Based on this status report, OIG auditors looked to the maintained hardcopy files for further verification. The information in the permit files supported the status report, and indicated that the periods during which these vendors conducted business without approved permit extensions varied widely. Notably, 12 out of 19 permits that were expired were for less than 90 days. The remaining seven permittees, at that time, had expired permits ranging from 7 to 70 months.

Table 2 MDAD Permittees Operating With Expired Permits (as of March 6, 2015)

	PERMITTEE	Service Category	Expiration Date	Months Expired
1	Gate Safe, Inc. [a]	Security Services	11/30/06	101
2	Sage Parts Plus, Inc. [b]	Automotive Parts	05/31/09	70
3	Avfuel Corporation [c]	Fueling GAA	11/10/13	16
4	Eastern Aviation Fuels, Inc. [c]	Fueling GAA	04/30/14	10
5	Servisair Fuel Services, LLC [c]	Fueling	06/30/14	8
6	Mansfield Oil Company [c]	Non-Aviation Fuel	06/30/14	8
7	Sunshine Cleaning Contractors, Inc. [d]	Janitorial	07/30/14	7

[a] OIG auditors learned that this permit renewal was pending legal disposition of open issues. Moreover, Gate Safe, Inc. is a related company to Gate Gourmet, Inc. whose permit status reflected no expiration date.

[b] This permit was later renewed having an effective date of February 1, 2015; however the prior expiration date of May 31, 2009 was still shown on the permit status report provided to OIG auditors by MDAD. The execution dates to the permit agreement were on March 5, 2015 (by Sage) and March 25, 2015 (by MDAD).

[c] In May 2016, OIG Auditors were informed that replacement permits are on-hold pending issuance of new fuel permit agreements with revised terms and conditions; MDAD informed OIG Auditors that a new fuel permit agreement is being prepared, although no release date was provided.

[d] This permit was renewed with an effective date of March 1, 2015.

Based on our observations and discussions with staff, we attribute most of the delays in the permit extension/renewal process to the large volume of detailed, manual administrative work that we described in Observation 1. There is too much paper to obtain, compile, review, track, and communicate among the various parties by too few resources. While *PROPworks*® may aid MDAD Properties in its efforts to stay current in notifying permittees about expiring permits, it does not alleviate most of the labor-intensive work that makes up the bulk of the permit application/extension/renewal processes.

For the 12 permits that were expired for less than 90 days, the correspondence in the permit files indicated that the expiration lapses were mainly attributable to delays in receiving and/or processing the required documentation from the permittees. The longest expired permit (101 months) involved pending resolution of legal issues involving applicability of the Living Wage Ordinance (see discussion below), and the next longest expired permit (70 months) involved resolving issues related to the definition of gross receipts and the applicability of the 7% Opportunity Fee on pass through costs. OIG auditors were advised that the four (4) fueling permits have not been renewed pending MDAD's development of a new fuel permit agreement. The last expired permit on the list (7 months) had its extension delayed due to a variety of reasons, including MDAD staffing shortage[9] and pending verification of insurance.

[9] The one employee staffing the permit function was absent for an extended leave and there was no one covering her job duties.

In addition to the 19 permittees shown on the status report to have expired permits, there were two permittees on the list without any expiration date. Further audit inquiry revealed that these two permittees, Sky Chefs, Inc. and Gate Gourmet, Inc., (both of which provide catering services to the airlines) have been embroiled in a dispute over the applicability of the County's Living Wage Ordinance since 2006. Gate Safe, Inc. (number 1 on our expired permittee list) is related to Gate Gourmet, Inc. and has also been disputing the applicability of the Living Wage Ordinance. Since 2006, it has been the County's legal position that the Living Wage Ordinance does apply, and that these three permittees have been non-compliant. However, in an attempt to resolve these issues, permit extensions—on a month-to-month basis indefinitely—have been granted to these permittees. When OIG auditors inquired as to the authority to extend the permits in this fashion, we were advised that A.O. 8-5 gives the Aviation Director the authority to extend permits at his/her discretion.

The OIG recognizes the special circumstances pertaining to these permittees and the adverse effect it would have on the airlines if their permits were revoked. We are also aware that these legal issues may be resolved in the very near future. Notwithstanding, we observe that it has been almost a decade since this dispute started and MDAD's slow action has the risk of signaling to other permittees, lessees, and concessionaires that MDAD's enforcement of its business agreements is lax and the repercussions of non-compliance are minimal.

Observation 3 MDAD Properties needs to reengage in its proactive monitoring of tenant/vendor relationships.

We learned that MDAD Properties has in past years issued a *Tenant/Vendor Letter* (*Letter*) to all airport tenants periodically. The *Letter* provides an explanation of the Miami-Dade County Code, as it applies to permittees and tenants, and requests that all tenants submit a list of their vendors that access the tenants' leasehold to provide goods and services. The *Letter* explains that these vendors may only access airport property with authorization from MDAD and may be required to apply for a permit to do so. The *Letter* acts as a control and a tool for MDAD to help achieve its organizational objectives with regard to operational effectiveness and efficiency, and compliance with County laws, regulations, and policies. In addition, the *Letter* acts as a type of security control to assist in identifying who has rightful access to airport premises.

However, since the *Letter* only acts as a control when it is issued, it is imperative that it is issued regularly. OIG Auditors learned that MDAD Properties has not issued this *Letter* to its tenants since January 2011. The results reported back from this *Letter* are important as it can aid MDAD Properties in identifying new business relationships between tenants and vendors that otherwise may go unnoticed and, if not reported, may result in lost revenues to MDAD.

As to the underlying factors contributing to this condition, they are not dissimilar to what we have already noted. Specifically, overworked MDAD staff have little time, if any, to dedicate to sending out hundreds of letters to tenants, tracking which tenants respond and which don't, following up with those tenants that don't respond, and, finally, reviewing all the responses received to ensure that MDAD files are current. In addition, other than the *Letter*—which has not been issued lately—we observed no other controls or proactive measures that adds assurances that all companies providing services on airport property have permits. As such, this condition increases the risk of security issues and the risk of permit revenue loss for MDAD.

Observation 4 MDAD Risk Management files did not always contain up-to-date permittee certificates of insurance.

As required by their permit agreements, permittees are required to acquire and maintain commercial general liability (CGL), automobile liability, and, if applicable, sudden and accidental pollution (pollution) insurance coverages during the term of the permit agreement. To verify that permittees had up-to-date insurance coverages, we obtained files from MDAD Risk Management to inspect the certificates of insurance (COI) contained therein. This review came about because we noted during our review of MDAD Properties' permit files that there were 52 instances (out of 143) when the duration of a permittee's insurance coverages did not correspond to the one-year term of the permit agreement, i.e., insurance coverage expiration dates (per COI) preceded permit expiration dates.

In the 52 cases noted above, the possibility exists for permittees to conduct business on airport property without documentation showing that they have the required insurance coverage. Expired insurance coverages expose MDAD to undue risk while the vendor continues to conduct business at MIA. MDAD Properties is only responsible for reviewing and collecting insurance certificates from permittees at the time of a new permit application or extension/renewal of an existing permit; MDAD Risk Management is responsible for obtaining replacement COIs.

Of the 52 cases, we judgmentally sampled 23 files maintained by MDAD Risk Management to determine whether replacement COIs were obtained from the permittees. Our results showed that seven of the 23 permittee files (30%) did not have current COIs on file at MDAD Risk Management. We shared our testing results with MDAD Risk Management. Later, we returned and re-inspected the same files and found current COIs (indicating continuous insurance coverage) present in each of the seven identified files. We appreciate that Risk Management reacted positively to our reported observations and immediately rectified these deficiencies.

MDAD Risk Management handles insurance files not only for the 143 aforementioned permittees, but for lessees and concessionaires too, totaling over 800

entities whose insurance certificates and coverages must be tracked. At the time of our audit fieldwork, MDAD Risk Management utilized an Access database to store this information; however, the process of tracking of COI expiration dates was still a manual one.

In April 2016, a new insurance tracking module was added to *PROPworks*®. This module is intended to serve as the new system of record for insurance at MDAD. These enhancements should automate the monitoring of COI expiration dates and provide timely notification to MDAD Risk Management of expiring COIs. MDAD Risk Management will still have to contact the permittee/lessee/concessionaire to obtain a replacement COI. Nonetheless, when implemented, the *PROPworks*® automated "tickler" function should help to make the replacement COI process more manageable.

Observation 5 MDAD's fuel permits are confusing and do not reflect the realities of the various fuel service categories leading to confusion among MDAD staff about the applicability of opportunity fees.

OIG Auditors observed that there are effectively three service categories for MDAD fuel permittees (see **OIG Table 1** on page 6) but only one fuel permit agreement with two variations of the "Fees and Payments" section of the agreement. This approach ignores the fact that each fueling service type carries with it different requirements. The permit agreement boilerplate is also notably missing two key designations: 1) whether the fueling service provider is providing "into-plane" fueling services (as opposed to delivering fuel to a storage facility), and 2) whether the aircraft being fueled is a commercial or non-commercial plane. The "into-plane" distinction is important because MDAD's *Fee Schedule* specifies that there is a $0.08 per gallon fee for into-plane fueling of non-commercial aircraft. As mentioned earlier, the *Fee Schedule* is silent on whether or not there is a fee for into-plane fueling of commercial aircraft. We learned that there is not. (See further discussion towards the end of this observation.) The *Fee Schedule* also contains a "fuel flowage fee" at General Aviation Airports at the rate of $0.08 per gallon. The fuel flowage fee is separate and apart from the into-plane fee. Table 3 on the following table depicts the applicable permit fees.

Table 3 Fueling Service Categories

Sub-Classification (as depicted in OIG Table 1)	Location Where Services Performed	**Fees and Payments** (Section C. of the Permit Agreement)	
Into-plane fueling of commercial aircraft	@ Miami International Airport	Titled "Gallonage Permit Fees"	$0.08 per gallon of fuel product and $0.08 per gallon of lubricating oil delivered to the Airport for use in general aviation aircraft **no mention of fuel gallonage fee for commercial aircraft
Into-plane fueling of non-commercial and/or general aviation aircraft	@ Miami International Airport	Titled "Gallonage Permit Fees"	
	@ General Aviation Airports		
Dispensing petroleum products (non-aviation fuel), e.g., gasoline and diesel fuel for ground support equipment	@ any MDAD property	Titled "Opportunity Fees"	7% of gross revenues

However, nowhere in the permit agreement itself does it describe a fueling service as whether it is "into-plane."[10] Adding to the confusion, the front page of these agreements vary in their activity descriptions. The variations include: "provide fueling services to," "dispensing aviation fuel products to," and "dispensing aviation petroleum products to".[11] The front page also lists where the services are provided—either at Miami International Airport or at one or more general aviation airports (GAAs). One permittee's agreement covers all four airports (MIA and the three GAAs). We also observed that for another permittee that exclusively provides into-plane fueling services of commercial aircraft at MIA (albeit not described using those terms) for which no opportunity fees apply, its agreement's section on *Fees and Payments* contains the boilerplate $0.08 per gallon language even though this permittee's activity is exempt.

[10] OIG Auditors looked to MIA's *Fuel Storage Facilities Access Agreement* for a definition of "Into-Plane Services," which references (a) the delivery of fuel from loading racks or underground hydrants at aircraft gates through hydrant carts into aircraft; (b) the delivery of fuel from refueling tenders into aircraft; (c) the defueling of aircraft; and (d) other services related to the provision of the services described in clauses (a) through (c) above.

[11] One fueling permit, on its front page, includes the service of delivering and storing jet fuel to facilities leased at Miami International Airport. While this is not subject to the $0.08 per gallon into-plane fee for non-commercial aircraft or the $0.08 fuel flowage fee applicable to general aviation airports, it being listed on the front page description for which the permit applies adds to the confusion as to what, if any, fee is applicable to that activity.

While also captioned with the same permit title "Fueling Permit Agreement," there is one fueling permittee whose activity is covered by the 7% opportunity fee. This permittee's service description reads: "Sells Petroleum Products to…" This agreement's Section C. *Fees and Payments* differs from the rest of the Fueling Permit Agreements, in that it mirrors the boilerplate used in the standard commercial activity permit agreements.

During our audit fieldwork of the fueling permittees, we sought clarification as to what fees were applicable to which fueling services. Our meetings with staff revealed their confusion too. OIG Auditors received one explanation from MDAD Properties staff stating that into-plane fueling of commercial aircraft was one of the services provided by the GASPs and covered by the GASP's opportunity fee. OIG Auditors also met with staff responsible for overseeing the fuel farm. They too could not explain whether there was a separate fee for providing the into-plane fueling service. OIG Auditors were also advised that the fueling permits were in the process of being revised to specifically address these service ambiguities and the applicable fees. What we did not learn, until a later meeting with MDAD executives, was that management consciously decided to exempt this service from an opportunity fee.

As explained to the OIG by MDAD's Chief Financial Officer, MDAD's costs to operate the fuel farm at MIA are recovered through the various flowage fees at MIA.[12] As it relates to fuel farm operations, MDAD is not allowed to "profit" from these activities. However, while MDAD cannot profit from its fuel farm operations, the service of transferring the fuel from the hydrant into the plane, we believe, is outside of the fuel farm operations. The actual service of "gassing up the plane" is an activity that generates revenues for the provider of that service. This service, however, is not assessed an Opportunity Fee like other commercial activities at the airport.

While they (MDAD executives) recognize that other airports may or may not charge a per gallon fee for into-plane fueling of commercial aircraft, they indicated that it is not the desired business model for MIA. The decision not to charge fees for the into-plane fueling of commercial aircraft at MIA has been in place since the early 1990s when MDAD took over the fuel farm operation. We were also advised that several years ago (also in the 1990s), this topic came up at an airport industry meeting but that the proposal did not advance mainly due to concerns that the fee would be passed onto the airlines. As such, the into-plane fueling vendors do not remit to MDAD any fees (or a portion of their gross revenues) for the opportunity to perform this service at MIA.

[12] Fuel flowage fees at MIA involve a more involved calculation based on MDAD's expenses for operating the fuel farm, including debt service. These costs are allocated among fueling categories: above ground storage, fueling hydrants, and fuel trucks.

Observation 6 MDAD's insurance guidelines for fuelers do not match the required insurances and insurance coverage amounts specified in the fuel permit agreements.

While the fuel permit agreements may utilize two versions of *Section C. Fees and Payments* (discussed above), each agreement's *Section B. Insurance* reads the same. The required insurances and coverage amounts are:

Table 4 Insurance Requirements per Fuel Permit Agreement

Fuel Permit Agreement Section B. Insurance	Coverage Amount (combined single limit per occurrence)
Commercial General Liability (GL) Insurance	$5,000,000
Automobile Liability Insurance	$5,000,000
Sudden and Accidental Pollution Insurance (Pollution Insurance) **"*This coverage is required to be provided only when so required from all into-plane fuel Permittees at the Airport.*"**	$5,000,000

For Pollution Insurance, the term "Airport" is not defined. No distinction is made between into-plane fueling at MIA versus the general aviation airports, and no distinction is made on the type of aircraft being fueled. Moreover, as to Automobile Insurance, no distinction is made between driving on airport property, in general, versus driving on the AOA (airport operations area).

Adding to the confusion is that MDAD's Risk Management has promulgated insurance guidelines that differ (i.e., are more specific) from the coverage amounts stated in the permit agreements.[13] Admittedly, these guidelines are an unofficial record provided to OIG Auditors by MDAD Risk Management but therein lies the problem—they are unclear and they are unofficial. An extract of these guidelines (OIG Table 5) follows on the next page.

[13] MDAD Risk Management presented these insurance guidelines to OIG Auditors, as a document taken off an in-house computer file titled *Airport Insurance Requirements*. This document was unsigned, undated, unlabeled as to its source, not on MDAD letterhead, with no indication who had prepared it and that it had been approved by management.

Table 5 MDAD Risk Management Insurance Guidelines

Location/Permit Type	Coverage Minimums	OIG Comments
Fuel Permits	$5,000,000 GL $5,000,000 Auto $5,000,000 Airside Auto $5,000,000 Pollution	Not stated whether this designation of "Fuel Permits" is only applicable to into-plane services provided at MIA, but may be reasonably inferred because pollution insurance is only required of into-plane fuelers per their fuel permit agreements.
GA Airports	$1,000,000 GL $1,000,000 Auto $2,000,000 Pollution	Not stated whether for all fuel permits at a general aviation airport, but may be reasonably inferable as applicable only to into-plane fuelers because only into-plane fuelers are required to maintain pollution insurance.
Commercial Activity Permits	$1,000,000 GL $300,000 Auto $5,000,000 Airside Auto	Insurance requirements for all other commercial activity permittees. *These are also the insurance requirements for GASP subcontractors.
GASP	$10,000,000 CGL $10,000,000 Auto	

We acknowledge that there could be reasonable explanations why there are variable terms and conditions related to fuel permittees but, if so, formal guidance should be available to explain the circumstances. In addition, MDAD Properties needs to better describe permittee services consistent with its required insurance coverages. By doing so, MDAD Properties could better ensure that the correct insurance terms are assigned to a permittee.

We observed that there is confusion among MDAD Properties, MDAD Risk Management, and the fuel permittees as to the required insurance coverages. (See Observation 7 for specific examples.) This is especially true for the fuelers due to a one-size fits all *Section B. Insurance* boilerplate contained in the fueling permit agreements. Just as we believe that the permit agreements could better specify the type of fueling service provided by the permittee, we also believe that the permittee's corresponding insurance requirements could be better stated in the agreement as to the location and category of the service provided.

Observation 7 Five out of 23 permittee files sampled contained Certificates of Insurance (COIs) that indicated technical non-compliances with their permit agreements and/or MDAD insurance guidelines.

Of the 23 permittee insurance files sampled from MDAD Risk Management, we found five instances (22%) where the COIs maintained in the files reflected insurance coverages less than what was required by their permit agreement. However, in some of these five cases, permittee COIs showed coverages equal to those required by MDAD guidelines (albeit still less than required by their permit agreements). The remaining 18 files contained evidence that the permittees' insurance coverages, as evidenced by their COIs, was equal to or greater than the insurance coverages required by their permit agreements. Of the five insurance files that contained deficiencies:

- 1 out of 2 GASP files sampled contained a COI showing inadequate insurance coverage limits for CGL and automobile liability insurance.

- 1 out of 15 commercial activity permit files sampled contained a COI showing inadequate insurance coverage limits for CGL and automobile liability insurance.

  In both of these two instances, OIG Auditors discussed this condition with MDAD Risk Management and, later, when OIG Auditors returned, there was an updated COI showing the required coverages.

- 3 out of 6 fueling permittee files sampled contained COIs showing inadequate insurance coverage limits for pollution insurance, based on the required amount as stated in the permit agreement. The insurance language in the agreement, however, specifically states that pollution insurance coverage is only required of "into-plane fuelers." As described earlier, it is unclear (based on the lack of a service description in the agreement) whether the subject permittees were "into-plane fuelers" and, accordingly, are required to maintain pollution insurance. As noted earlier, there is also confusion when determining MDAD insurance requirements due to the vague language used by MDAD in its permit agreements and its insurance guidelines. In two of the noted instances, the permittees were into-plane fuelers and were not compliant with the pollution insurance coverages as required by their permit agreements, but did meet the standards stated in MDAD's insurance guidelines. In the third instance, the permittee operated at MIA's general aviation airport and it is unclear whether the permittee, under MDAD insurance guidelines, is required to have the higher coverage that is required for working at MIA. This permittee's agreement, like all fuel permittees, included the larger coverage minimums; however, its COI showed evidence of the smaller coverage minimums.

We also observed that MDAD allows permittees to obtain "umbrella" coverage to supplement individual commercial general liability or automobile liability coverages (umbrella coverage is not an acceptable alternative for pollution liability coverage). As long as the umbrella coverage amount equals or exceeds MDAD's required coverage amount, the permittee's coverage is considered acceptable. This practice is not unreasonable, however, it is not provided for in any MDAD authoritative guidance.

Moreover, we observed that MDAD, on occasion, would issue a waiver of insurance to a permittee because of its circumstances. As example, a permittee that has no vehicles on-site at a MDAD property has no need to maintain $300,000 of automobile liability coverage. In such cases, the permittee can request a waiver by filing a form with MDAD Risk Management. Granting waivers, another reasonable practice under the circumstances, is also not authorized by any MDAD operating directive or other form of authoritative guidance. We believe these practices should be formally authorized.

IX. RECOMMENDATIONS

Our recommendations are grouped into three categories: managing the permit process, fueling agreements, and insurance requirements. A summary of MDAD's response is stated below each recommendation. (MDAD's full response is attached as Appendix A.) We recommend that MDAD:

Managing the Permit Process

1. Establish timeframes for the initiation of extension and renewal processing (for example 60 days prior to expiration) and corresponding timeframes for the permittee to respond with the required documents. Develop automated notifications to both MDAD staff and the Permittee of the upcoming expiration dates and submission deadlines. Consider imposing an "expedite fee" for permittees that do not comply with the submission deadlines.

   MDAD concurs with the recommendation. It also states that it will implement an expedite fee by including it in the next scheduled approval of MDAD's Rates and Charges.

2. Work with MDAD IT Services to develop electronic application, extension, and renewal forms and the ability to electronically attach or upload supporting documentation in order to reduce the reliance of hard copy records, and consider developing an electronic approval path protocol for the Director's execution of the permit.

   MDAD agrees and notes that it is working to update its existing website and planning for a new website that will integrate this new functionality.

3. For the three permittees challenging the applicability of the County's Living Wage Ordinance, provide a firm deadline for when these issues must be resolved. Once resolved, issue them new permit agreements with the one-year, one-year extension time limit. Consider discontinuing the practice of issuing any indefinite month-to-month permits; and if not discontinued, provide authoritative guidelines of when the issuance of such permits is permissible.

   MDAD agrees with the OIG's recommended course of action and notes that, except for these three permittees, it has discontinued the practice of issuing indefinite month-to-month permits.

4. Ensure that the *Tenant/Vendor Letter* or similar correspondence and/or questionnaires to all airport tenants and permittees is issued annually. The letter or other correspondence should require the tenants to provide a specific list of vendors/subcontractors they have under contract, and the services that each vendor/subcontractor provides, as well as noting whether they have added or deleted a previously reported vendor/subcontractor.

   MDAD advises that just recently, in August 2016 after discussion with the OIG, the aforementioned letters were sent to all of its tenants and vendors. MDAD also states its intention to send these out annually commencing September 2017, and to aggressively enforce compliance therewith.

5. Work collaboratively with MDAD Airside and Landside management to develop and implement a process and procedure to monitor vendor activities (such as periodic area surveillance and site visits with vendor management), to determine if all vendors/subcontractors found conducting business activities have active permits.

   MDAD agrees with the OIG suggestion, and advised that just recently a collaborative effort involving the Airside Division and Miami-Dade Fire Rescue identified unpermitted vendors, which were referred to the Permit Section for follow-up.

Fueling Agreements

6. Develop and implement one standard "Fueling Services Permit" that addresses the different types of fueling services, types of aircraft serviced, and the service locations. Include a glossary of all key terminology. The completed "Fueling Services Permit" should be tailored to each fueler based upon the fueling vendor's above-described attributes. This information is necessary in order to determine the applicable fees and minimum insurance requirements.

MDAD concurs with the recommendation and advises that it has taken action to amend its Fueling Services Agreement boilerplate to incorporate the OIG's suggestions including adding a glossary of terms, and identifying each specific fueling operation and the location where the services are provided by the permittee.

7. Re-evaluate MDAD's fueling operations business model that currently excludes the commercial service of into-plane fueling of commercial aircraft at MIA from any fee (opportunity fee or gallonage fee). If the decision remains not to assess a fee, then it should be affirmatively stated as "not applicable" in the permit agreement and the official *MDAD Fee Schedule*. At present, this fee—or the lack thereof—is not addressed in either the permit agreement or the *MDAD Fee Schedule*.

   MDAD states that upon re-evaluation it will continue with its current business model of not charging an opportunity fee for into-plane fueling of commercial aircraft. The fee exclusion is clearly stated in the new amended Fueling Permit Agreement and will further be incorporated in the official MDAD Fee Structure.

Insurance Requirements

8. As noted, a newly implemented *PROPworks*® module should assist MDAD Risk Managers in tracking expiring COIs. However, this module will only work if it is timely updated and its functionality utilized on a regular basis by staff. We encourage the MDAD Risk Management Division Chief to implement some form of periodic review to ensure that *PROPworks*® is working the way it was envisioned and that the reports, which should be automatically generated, are being used appropriately.

   MDAD concurs and notes that the Risk Management Division is taking a variety of actions to improve the situations, including pre-reviewing the insurance requirements inputted into PROPworks® prior to the approving the agreements.

9. Engage various divisions of the airport (such as MDAD Properties, Airside and Landside Divisions) to ensure that the minimum required insurance coverages and limits for all permits, including fueling permits, are adequate for the services provided at the designated locations to reduce MDAD's risk exposure.

   MDAD concurs and specifically notes that with regard to risk exposure, the Risk Management Division will work closely with the Environmental Division to ensure that proper pollution insurance coverages can be determined.

10. Establish authoritative procedures that allow for the waiver of certain insurance coverages under specified circumstances and allow for the use of "umbrella coverage" as an acceptable alternative.

    MDAD concurs and advises that it is working on implementing a new formal policy that provides the circumstances where umbrella coverage and waivers would be acceptable.

* * * * *

The OIG appreciates MDAD's thoughtful consideration of our recommendations. As several of the recommendations are in the process of being implemented, we **respectfully request that MDAD provide a follow-up response in 120 days, to be received on or about January 17, 2017**. Specifically, as it relates to recommendations nos. 1, 2, 3, 4, 6, 7, and 10, the OIG asks MDAD to report on the status of implementing these recommendations, and include with its response any documents (copies of the updated Fee Schedule, new written policies, settlement agreements, etc.) supporting their implementation.

As mentioned in the Introduction of this report, this audit is still on-going and the second half of our work will be reported in a second Audit Report to be issued in the near future. We appreciated the continued cooperation and courtesies extended to the OIG by MDAD personnel throughout this review.

Miami-Dade County

Office of the Inspector General

FINAL AUDIT REPORT

Appendix A

Miami-Dade Aviation Department

Audit of Miami-Dade Aviation Department's
Permit Application, Extension, and Renewal Processes

IG15-03

Memorandum

MIAMI-DADE COUNTY

Date: September 2, 2016

To: Mary T. Cagle
Inspector General

From: Emilio T. Gonzalez
Aviation Director

Subject: Response to Draft Audit Report – Permit Application, Extension, and Renewal Processes – IG 15-03

This memorandum responds to the draft audit referenced above, dated August 10, 2016. The Miami-Dade Aviation Department thanks the Office of the Inspector General (OIG) for the opportunity to have our response include in the final report as well as for its efforts and staff professionalism on this engagement.

The OIG has provided Recommendations which are addressed in the order in which they appear in the report. The Recommendations are listed in *italics* followed by the Department's response, as indicated below.

OIG RECOMMENDATIONS

MANAGING THE PERMIT PROCESS

1. *Establish timeframes for the initiation of extension and renewal processing (for example 60 days prior to expiration) and corresponding timeframes for the permittee to respond with the required documents. Develop automated notifications to both MDAD staff and the Permittee of the upcoming expiration dates and submission deadlines. Consider imposing an 'expedite fee' for permittees that do not comply with the submission deadlines.*

Department Response

The Department concurs with the recommendations. *PROPworks* has been remitting automated notifications of permits expiring within 120 days to the staff in the Real Estate Management Division. Further, the Division has always acknowledged the need to initiate the extension and renewal process at least 90 days prior to expiration and we will proactively work with our Information Systems Division to develop automated notifications, where practicable. These timeframes, or best practices, have always been the Division's standard and with the hiring of two temporary employees to assist with the extension and renewal processing, that standard should be easier to continuously maintain. We shall also implement an expedite fee charged to permittees that do not comply with established submission deadlines of required documents. That fee shall be presented to the Board of County Commissioners at the next approval process of the Department's Rates and Charges.

2. *Work with MDAD IT Services to develop electronic application, extension and renewal forms and the ability to electronically attach or upload supporting documentation in order to reduce the reliance of hard copy records, and consider developing an electronic approval path protocol for the Director's execution of the permit.*

Department Response
The Department agrees, noting staff have been diligently working to update the existing website as well as planning for a new website that will contain the electronic filing of the permit and lease application process.

3. *For the three permittees challenging the applicability of the County's Living Wage Ordinance, provide a firm deadline for when these issues must be resolved. Once resolved, issue them new permit agreements with the one-year, one-year extension time limit. Consider discontinuing the practice of issuing any indefinite month-to-month permits; and if not discontinued, provide authoritative guidelines of when the issuance of such permits is permissible.*

Department Response
Agreed and as recommended, MDAD will work expeditiously to establish a firm deadline to resolve the issues pertaining to the three permittees challenging the applicability of the County's Living Wage Ordinance. Once resolved, all companies will be issued new permit agreements with the current standard term of month-to-month not to exceed one year from the effective permit date with an option to be extended for up to an additional year, if deemed appropriate. The three permittees referenced are also the only companies operating under indefinite month-to-month permits due to the extenuating circumstances, but the Department discontinued the issuance of these permits approximately ten years ago without intention of reinstatement.

4. *Ensure that the* Tenant/Vendor Letter *or similar correspondence and/or questionnaire to all airport tenants and permittees is issued annually. The letter or other correspondence should require the tenants to provide a specific list of vendors/subcontractors they have under contract, and the services that each vendor/subcontractor provides, as well as noting whether they have added or deleted a previously reported vendor/subcontractor.*

Department Response
We agree the use of the Tenant/Vendor Letters is a preemptive tool when used consistently. The Real Estate Management Division submitted the letters to all tenants and vendors on August 26, 2016 after discussion with the OIG. Division plans are to reissue the letters annually commencing September 1, 2017 and each year thereafter on that date. The Division will send follow up notices to tenants that fail to submit the requested information by the designated deadline. Further, vendors identified to be operating without an active Permit will be granted 10 days to apply for a permit. Vendors that fail to apply for a permit within the designated date will be asked to cease operations immediately and will not be allowed on the airport to conduct any further business until after such permit has been executed by MDAD. Tenants identified to

be transacting business with unpermitted vendors will be copied on all notifications to the unpermitted vendors.

5. *Work collaboratively with MDAD Airside and Landside management to develop and implement a process and procedure to monitor vendor activities (such as periodic area surveillance and site visits with vendor management), to determine if all vendors/subcontractors found conducting business activities have active permits.*

Department Response
The Department agrees and advises the Real Estate Management Division has been working with the other named divisions to collaboratively monitor vendor activities. Most recently the Airside Division and onsite MDFR Fire Rescue observed and referred unpermitted vendors to the Permit Section for follow up. It is anticipated the Permit Section will be able to effectively implement additional processes and procedures to monitor vendor activities, to include periodic site visits with the assistance of the newly hired resources.

FUELING AGREEMENTS

6. *Develop and implement one standard "Fueling Services Permit" that addresses the different types of fueling services, types of aircraft serviced, and the services locations. Include a glossary of all key terminology. The completed "Fueling Services Permit" should be tailored to each fueler based upon the fueling vendor's above-described attributes. This information is necessary in order to determine the applicable fees and minimum insurance requirements.*

Department Response
The Department concurs with the recommendations and the Real Estate Management Division has taken action by amending the Fueling Services Permit boilerplate by tailoring the permit to each fueler per type of fueling service and identifying the specific fueling operation(s) and the location where services are provided by the permittee. Further, a glossary of key terminology has been included. The amended Fueling Services Permit will be implemented and issued to all current fuel permittees by September 1, 2016, providing a 30-day notice to execute and provide supplemental documentation.

7. *Re-evaluate MDAD's fueling operations business model that currently excludes the commercial service of into-plane fueling of commercial aircraft at MIA from any fee (opportunity fee or gallonage fee). If the decision remains not to assess a fee, then it should be affirmatively stated as "not applicable" in the permit agreement and the official MDAD Fee Schedule. At present, this fee—or the lack thereof—is not addressed in either the permit agreement or the MDAD Fee Schedule.*

Department Response
The Department conducted informal surveys with compatible peer Airports and had discussions with Airport Associations to re-evaluate the above referenced current business model for into-plane fueling operations. Findings revealed that our practice is in line with other major airports. The Real Estate Management Division provided contact information for the American Association of Airport Executives and the Airport Council International to and at the request of the OIG. The Department shall continue with this current business model and therefore, an Opportunity Fee for into-plane fueling of commercial aircraft will continue to be excluded. The fee exclusion has been clearly stated in the amended Fueling Permit Agreement and will further be incorporated in the official MDAD Fee Structure.

INSURANCE REQUIREMENTS

8. *As noted, a newly implemented PROPworks® module should assist MDAD Risk Managers in tracking expiring COIs. However, this module will only work if it is timely updated and its functionality utilized on a regular basis by staff. We encourage the MDAD Risk Management Division Chief to implement some form of periodic review to ensure that PROPworks® is working the way it was envisioned and that the reports, which should be automatically generated, are being used appropriately.*

Department Response
The Department concurs and notes that the Risk Management Division is taking the following action(s) to improve the situation. Risk Management will work closely with the Information Systems Division and other Division Administrators who participate in the insurance process to ensure that the insurance company information, expiring certificate of insurances, and ratings are current and accurate. Going forward Risk Management will periodically review the insurance requirements being input into the *PROPworks®* system by the Division Administrators prior to agreements being approved by Risk Management. Risk Management will also provide written notification to applicable Divisions notifying them of any insurance policy (ies) or certificate of insurance(s) pending expiration date(s).

9. *Engage various divisions of the airport (such as MDAD Properties, Airside and Landside Divisions) to ensure that the minimum required insurance coverages and limits for all permits, including fueling permits, are adequate for the services provided at the designated locations to reduce MDAD's risk exposure.*

Department Response
The Department concurs with the recommendation. To improve, the Risk Management Division will continue working closely with the Real Estate Management Division formally providing minimum insurance coverages and limits for all permits including fueling via emails and during the permit review process. Risk Management will continue to abide by the 2004 agreement between MDAD and Allied Aviation Fueling of Miami, Inc. that sets the sudden pollution insurance coverage (into-plane) at $2 million dollars at MIA until such time that a new

agreement proposal has been presented to Risk Management for review and comment from the County Attorney's Office and the Environmental Division. With regard to risk exposure reduction, Risk Management will work closely with the Environmental Division, who is responsible for providing environmental exposure information and data (e.g., various size of trucks, amount of petroleum product being transported and other exposures, etc.) to Risk Management so that proper pollution insurance coverages can be determined.

Within the coming months, Risk Management will be working with the Environmental Division to standardize the pollution coverage of the into plane service providers based on the degree of pollution exposure at MIA.

10. *Establish authoritative procedures that allow for the waiver of certain insurance coverages under specified circumstances and allow for the use of "umbrella coverage" as an acceptable alternative.*

Department Response

The Department concurs. The Risk Management Division is currently reviewing departmental policy as it relates to the circumstances when an umbrella coverage for liability insurance and automobile coverage waiver would be acceptable. The review process should be completed within the next 120 days at which time a formal policy will be implemented to guide the use of umbrella policies and automobile insurance coverage waivers.

Should you have any questions regarding our response, please contact Evelyn Campos, MDAD Division Director, Professional Compliance at 305-876-7390.

c: Honorable Harvey Ruvin, Clerk of the Courts
Cathy Jackson, Director, Audit and Management Services
Neil R. Singh, Interim Commission Auditor