

Office of the Inspector General

Miami-Dade County

FINAL **Audit Report**

Paramedia U.S.A. Inc.

An audit conducted by the Office of the Inspector General of the Miami-Dade Aviation Department's "Consulting Services Agreement for the Operation of a Trade, Business, and Tourism Development Office in Madrid, Spain, and the Provision of Representation and Consultancy Services."

March 5, 2002

Office of the Inspector General

**Paramedia U.S.A. Inc.
FINAL AUDIT REPORT**

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I. EXECUTIVE SUMMARY

Paramedia U.S.A. Inc. is the Miami-Dade Aviation Department's (MDAD) consultant for the operation of a "European Trade, Business, and Tourism Development Office in Madrid, Spain." By way of a consulting services agreement with Miami-Dade County, Paramedia has been the consultant for the European office for the past seven (7) years. The intent and purpose behind the consulting agreement is to promote trade and air travel between Europe and Miami-Dade County, vis-à-vis MIA.

Paramedia is compensated by MDAD automatically on a monthly basis for the provision of "Basic Services" as outlined in the contract. At present, the monthly fee to Paramedia is \$23,271, which is directly wire transferred to its bank account. The Consultant may also be paid to provide "Additional Services" as required by the Aviation Department and may be reimbursed for certain authorized expenses. In general, the OIG found that Paramedia was compensated \$344,825 and \$410,778 for services and expenses incurred during calendar years 1999 and 2000, respectively.

In short, the OIG's audit of this contract primarily focused on MDAD's payments to Paramedia for services rendered, and the documentation to support said payments for the calendar years 1999 and 2000. Additionally, the OIG evaluated Paramedia's compliance with its contractual obligations and assessed the economic benefit received by the County from this contract.

OIG Auditors noted many instances of contractual non-compliance by both MDAD and the Consultant, Paramedia. These examples are not isolated but have persisted throughout the administration of this contract. In fact, MDAD conducted an internal audit of the Paramedia contract in 1997, and enunciated a number of derogatory findings, many of which are similar to findings noted herein. More troubling is that management was forewarned by the 1997 audit that the scope of services being rendered resembled that of a travel agent rather than a trade representative. It was strongly recommended in 1997 that the Agreement be amended to validate the propriety of paying these expenditures and accommodate future payments. Since the audit report of October 1997, this contract has been extended two times adding a total of three years on to the contract (two year extension in 1999 and a one year extension in 2001) without making any changes to the contractual language regarding compensation.

OIG Auditors found that Paramedia's lack of compliance with contractual obligations, e.g. failure to provide MDAD detailed invoices for the monthly basic service fee, failure to document personnel time associated with MDAD related projects, failure to supply detailed annual marketing plans/budget proposal requirements, and failure to maintain adequate financial and accounting records, made it virtually impossible to determine what value, if any, the County received for Paramedia's consulting services.

In other instances, we found that services that are encompassed within the scope of basic services were invoiced to MDAD as additional expenses. In another example, MDAD’s budget, not Paramedia’s contract budget, paid for sixteen nights of hotel room accommodations at the MIA Hotel for Paramedia staff. Additionally, actual meals and per diem rates were being paid simultaneously, as opposed to reimbursement for one or the other. Consulting fees were being invoiced on Travel Expense Reports as per diem rates, and on many occasions, MDAD reimbursed the Consultant for travel related expenses without the required receipts being attached.

In an attempt to reclassify Paramedia’s expenditures into the three contractually allowed for categories (Basic Services, Additional Services, and reimbursable expenses), OIG Auditors determined that Paramedia’s cash flow was comprised solely of MDAD payments. Our reconciliation of Paramedia’s income ledger against payments drawn there from, demonstrated that the overwhelming majority of payments went to office overhead and professional/promotional fees payments. More troubling is the fact that most of the fee payments were made without any supporting documents, i.e. invoices indicating the nature and/or scope of services rendered by the professional/promotional agents. This concern is compounded by the fact that the bulk of the payments were made to the principals of Paramedia themselves and their related companies.

The following chart summarizes our audit findings, as detailed in Section VI.(E)(4) of this report:

Description	Calendar Year 1999	Calendar Year 2000	2-Year Total
Receipts:			
Monthly Retainer	\$265,704	\$274,567	\$540,271
Additional Services	67,624	123,113	190,737
Reimbursable Expenses	<u>11,497</u>	<u>13,098</u>	<u>24,595</u>
Total Receipts	344,825	410,778	755,603
Expenses:			
Miami Office Overhead	78,056	103,916	181,972
Spain Office Overhead	75,000	84,000	159,000
Professional Fees	106,099	107,480	213,579
Promotion	6,230	16,145	22,375
Promotional Activities 1	<u>89,066</u>	<u>94,396</u>	<u>183,462</u>
	\$354,451	\$405,937	\$760,388
% of Total Expenses vs. Total Receipts from MDAD	103%	99%	101%

During the course of the OIG's audit, the OIG was informed that MDAD, pursuant to Article 1.2 of the Agreement, unilaterally terminated its contract with Paramedia in a letter to Paramedia dated November 22, 2001. In subsequent correspondence to Paramedia and in a memorandum to the County Manager, MDAD further clarified its justification to terminate its contract with Paramedia. Essentially, MDAD management, in addition to other legitimate concerns, questioned the substantive value of services received from Paramedia.

The OIG's recommendations, to be more fully addressed in our final report, are found in Section VII of this report.

II. BACKGROUND

In May 1994, the Board of County Commissioners passed and adopted Resolution No. R-670-94, which authorized an agreement between Miami-Dade County (the County) and "Paramedia U.S.A. Inc." (Paramedia) for the operation of a "European Trade, Business, and Tourism Development Office in Madrid, Spain" and for the provision of representation and consultancy services on behalf of the Miami International Airport (MIA) in Western Europe. This Consulting Services Agreement (CSA) became effective on June 1, 1994 and states that Paramedia is to "assist the County, the [Aviation] Department, and other community interests in maintaining and enhancing its trade to, from and through the Airport."

The original term of the Paramedia contract spanned a five-year period, from June 1, 1994 through May 31, 1999. In April 1999, the Board of County Commissioners (BCC) passed and adopted a First Amendment to extend the term of Paramedia's contract for an additional two (2) year period, effective June 1, 1999. County staff justified this extension by stating to the BCC that it was necessary "in order to maintain continuity of the European marketing programs" and that "during the second year of the extension, the Department intends to conduct an RFP process for a new contract." {See Exhibit A, County Manager Recommendation Memorandum dated April 27, 1999.}

A RFP was never initiated and on May 22, 2001, a Second Amendment to the Paramedia contract with the County was presented to the BCC. The proposed resolution sought an additional one-year contract extension. The item was adopted, thereby extending Paramedia's contract for an additional one-year period, effective June 1, 2001, with the approval of the Second Amendment by the BCC. During the hearing before the BCC for the Second Amendment, MDAD Director, Ms. Angela Gittens, indicated that she wanted the opportunity to assess the value of the Paramedia contract to the operations of the Miami International Airport.

III. AUDIT OBJECTIVES

The purpose of this examination was three-fold:

1. Evaluate Paramedia's compliance with the Consulting Services Agreement (CSA);
2. Determine the adequacy of supporting documentation for all County payments related to the monthly retainer, additional services, and reimbursable expenses; and,
3. Assess the economic benefit the Miami International Airport received from this contract.

IV. AUDIT SCOPE

The scope of the audit encompassed the period January 1, 1999 through December 31, 2000. Through review of relevant documents, the OIG auditors conducted a detailed analysis of the following:

1. Paramedia's monthly bank statements
2. Paramedia's check stubs and cancelled checks
3. Paramedia's Chart of Accounts prepared by its external accountant
4. Paramedia's invoices to MDAD for Additional Services and reimbursable costs
5. MDAD check vouchers issued to Paramedia for Additional Services and reimbursable costs

OIG Auditors requested access to other certain documents referenced in the Consulting Services Agreement. In many instances, OIG Auditors were told, by either MDAD and/or Paramedia, that the documentation did not exist. The non-existence of documentation impacted the OIG's scope of this review, as will be explained in Section VI. Audit Findings.

V. GOVERNING AUTHORITIES

The OIG cites the following documents that set forth the authoritative mandate of the OIG to conduct audits of county contractors, articles from the specific contract referenced herein delineating Paramedia’s contractual obligations to the County, and other relevant documents, which provide justification for the performance of this audit.

A. Sections 2-1076(c)(1) and (c)(6) of the Code of Miami-Dade County

According to §2-1076(c)(1) of the Code of Miami-Dade County, the OIG “shall have the authority and power to review past, present, and proposed County and Public Health Trust programs, accounts, records, contracts and transactions.” More specifically, §2-1076(c)(6) of the Code of Miami-Dade County allows the Inspector General to perform random audits of all County contracts.

B. Consulting Services Agreement (CSA), between Miami-Dade County and Paramedia U.S.A., Inc. (May 3, 1994), as amended. Section 5 General Provisions, Article 5.5

Article 5.5, “Accounting Records of the Consultant(s),” contains a right to audit clause and provides for the following:

“The right to audit the accounts and records of the Consultant supporting all payments for the monthly retainer, Additional Services and for Reimbursable Expenses at any mutually convenient time during the performance of this Agreement and for three years after final payment under this Agreement.”

The OIG elected to invoke the right to audit clause in order to examine the books and records of Paramedia that pertained specifically to its CSA with MDAD.

C. CSA between Miami-Dade County and Paramedia U.S.A., Inc. (May 3, 1994), as amended. Scope of Services.

Under the terms of the CSA, Paramedia is paid a monthly retainer for the completion of “Basic Services” and also may receive payment for both “Additional Services” and “Reimbursable Services.” For Additional Services, total compensation may not exceed \$200,000 annually per the Agreement. Further, all Additional Services **must be pre-authorized in writing** by the Director of the Miami-Dade Aviation Department (MDAD) on a document known as a “Service Order” **prior** to either additional or reimbursable services being performed by Paramedia on MIA’s behalf.

The following portions of the contract are cited for the purpose of defining these three types of services, as well as Paramedia's compensation and fee rates for its consulting services under this contract:

1. Basic Services

Article 4.1 of the CSA specifies that basic services are to be compensated by the County through a monthly retainer. Per the contract terms, Paramedia is paid in advance by wire transfer to a designated bank account. Further, the monthly retainer has been adjusted annually based on the Consumer Price Index (CPI) since the inception of this contract on June 1, 1994. The most recent CPI adjustment, which was on July 17, 2000, resulted in a \$23,271 monthly retainer paid to Paramedia for the completion of basic services.

Per Section 3, Article 3.2 of the CSA, Paramedia is to provide the following as part of its **basic services** as a consultant for MDAD:

- (A) "Provide access to appropriate trade data base networks in Western Europe and conduct necessary market research."
- (B) "Promote Miami's strategic geographical location and international trade infrastructure as the international aviation hub for the Southern tier of the United States, the Caribbean and Central and South America."
- (C) "Promote Miami International Airport for inbound, outbound and transshipment cargo to and from Europe."
- (D) "Identify trade leads and make referrals to Dade County-based interests."
- (E) "Use the European Trade Office as a base for marketing efforts directed at other Western and Eastern European countries. In this regard, develop and participate in trade missions, in both directions."
- (F) "Attend, as the County's representative or in conjunction with other County representatives, aviation, cargo and other appropriate European based trade fairs and expositions; staff exhibits and booths."
- (G) "Develop, in conjunction with the Department, a generalized promotional and advertising program and supporting collateral materials. Develop market specific collateral materials in support of its other activities."

- (H) “Provide monthly, quarterly and annual reports of activities. Provide an annual forecast of activities and goals and objectives for the subsequent contract year. All reports hereunder shall be in English.”
- (I) “The Representative shall visit Dade County on a periodic basis, not less often than semi-annually, to become familiar with the Airport and its facilities and activities and to discuss program activities and to receive orientations on activities in the community that will affect the operations of the Trade Office.”
- (J) “Distribute to target groups promotional and research materials provided by the County, the Department, local Chambers of Commerce, local business and tourism development agencies and those developed by the Consultant hereunder.”
- (K) “Assist County in connection with official business trips to Europe and North Africa with general information and, when appropriate, accompany them on trade missions and “Fam” trips.”
- (L) “Encourage favorable media coverage of the economic and tourism opportunities in the Metropolitan Dade County Area.”

2. Additional Services

Section 3, Article 3.3 of the CSA defines “Additional Services” as consulting services that are “closely related to, but not part of Basic Services, as the Department shall require.” Specifically, the contract states the following:

“Upon receipt of a Service Order from the Department, the Consultant shall perform such additional services, which must be closely related to, but not apart of Basic Services, as the Department shall require. The Department shall not be obligated to issue Service Orders for any Additional Services and may, at its option, use others to perform Additional Services, without liability to the Consultant.”

Per Section 3, Article 3.5, Paramedia “shall not undertake any Additional Services pursuant to the terms of this Agreement, unless and until, the Consultant has

received a Service Order, signed by the Director [of MDAD], specifying the services to be provided, the time of performance and the fee to be paid the Consultant therefor.” Thus, Paramedia **must first obtain written approval** from the Director of MDAD **documented on a Service Order prior to performing any Additional Services.**

The fee rates for Additional Services are set forth in Section 4, Article 4.2 of the CSA. It states that “the County shall pay the Consultant the fees specified in the Service Orders issued...based on the following rates:

Consultant's Fee Rates by Classification [as of July 17, 2000]:

Principals, including Messers. Bill Frexias, Santiago Arriazu and Joaquin Jimenez [names updated with the passage of the Second Amendment effective June 1, 2001]. {See Exhibit B, Second Amendment to the CSA, Item 2 for the modifications to names of the above Principals, as these names have been updated since the original contract dated May 3, 1994.}

	<u>Yr. 2000</u>	<u>Yr. 1999</u>
Daily Rate	\$263.33	\$252.72
Half Day Rate	140.86	135.18
Hourly Rate	44.09	42.31

Other consulting personnel:

Daily Rate	\$132.27	126.94
Half Day Rate	69.81	67.00
Hourly Rate	22.06	21.17

Attached to the original contract was an “Exhibit A” entitled “Projected Additional Services, June 1, 1994 – May 31, 1995. This document outlined what additional services MDAD projected for the first year of the five-year agreement. Specifically, the document states:

“In addition to the two trips by the Trade Representative to Miami, which are part of Basic Services, attend such conferences, trade missions, fairs and exhibitions as may be approved by the Department. Participation by the Consultant’s principals, other than the Trade Representative, **and their travel and subsistence expenses is considered Additional Services.**” {See Exhibit C for CSA’s Exhibit “A.”}

The attached Exhibit A to the contract may have represented the additional services ordered by the Department for the first year. However, the above language noting **“as may be approved by the Department”** is clear that written approval was still required. In any event, nothing within the document itself, or Exhibit A, supplanted the requirement of pre-authorized “Service Orders” as mandated by Article 3.5.

3. Reimbursable Expenses

Section 4, Article 4.5 of the CSA defines the following items as “reimbursable expenditures” when Paramedia incurs them on MDAD’s behalf per the terms of the contract:

- (A) “All photographic, printing and reproduction costs.”
- (B) “Travel expenses, in accordance with County Administrative Order No.6-1 and applicable Florida Statutes.”
- (C) “Itemized long distance telephone and telefax costs, directly attributable to and identified as applicable to the work of the Consultant hereunder.”
- (D) Entertainment expenses.

To receive payment for these types of expenditures, MDAD must first approve the “reimbursement as applicable to specific work hereunder.” Article 4.5 goes on to state: **“To be reimbursable hereunder, expenses for printing, out-of-town (Madrid) travel and entertainment must be approved in advance and in writing by the Department.** The Department shall have the right to have the Consultant support the reimbursement as applicable to specific work hereunder.”

VI. AUDIT FINDINGS

A. Summary of MDAD's 1997 Internal Audit of the Paramedia Consulting Services Agreement

Prior to discussing the OIG's specific audit findings, it should be noted that in October 1997, MDAD staff performed an audit of the Paramedia contract. {See Exhibit D for the 1997 audit report.} MDAD staff audited a sample of transactions disbursed to Paramedia from MDAD's Finance Department for the period May 3, 1994 through July 31, 1997. In MDAD's final analysis of the sampled payments to Paramedia, the MDAD auditor calculated a total of \$22,726 in overpayments paid to the Consultant. Paramedia only repaid \$5,736 of the total amount calculated, and justified the remaining payments as having been "approved by MIA." {See Exhibit E for Paramedia's response to the 1997 audit.} Although the \$22,726 in overpayments was not authorized per the terms of the Agreement, the OIG found no evidence that MDAD ever pursued collection from Paramedia for the unpaid balance of \$16,990.

The OIG questions why there was never any follow-up action taken by MDAD regarding Paramedia's non-compliance with this Agreement, as well as MDAD's continuance of approving and paying unauthorized charges submitted by the Consultant after the 1997 MDAD audit findings recommended closer scrutiny of the Consultant's business practices.

In brief, the 1997 MDAD audit report cited numerous instances of non-compliance with the CSA. For example, the MDAD auditor documented that MDAD paid for travel expenses for a principal of Paramedia as "additional services" which were not preauthorized on Service Orders by the MDAD Director, as required per the Agreement. Additionally, the MDAD auditor found that Paramedia received payment for excessive travel, entertainment costs, and disallowable reimbursable expenses.

Moreover, the MDAD auditor repeatedly cited the fact that there was no proof or evidence that the charges incurred by Paramedia and paid for by MDAD had benefited the Miami International Airport or the County. Indeed, the majority of the questionable charges related to travel, airfare, lodging, meals, and telephone calls. To emphasize this point, MDAD's auditor wrote: "The Consultant was contracted as a trade representative, not as a travel agent, and accordingly, their work should be focused on the scope of services described in the agreement." Due to the fact that MDAD's project manager had approved these disallowable charges despite the fact that it was not part of the Consultant's scope of services, the MDAD auditor "strongly recommended that the Agreement be amended to validate the propriety of paying these expenditures and accommodate future payments."

As will be discussed herein, the OIG audit findings corroborate MDAD's 1997 audit findings. This alone is an indication that these deficiencies have perpetuated throughout the duration of the contract.

B. Amounts Paid to Paramedia by MDAD for Calendar Years 1999 and 2000

OIG Auditors confirmed that for calendar year 1999 and 2000 a total of \$755,603 was paid to Paramedia under some term of the CSA, either being as the monthly retainer, additional service, or reimbursable expense. The following chart illustrates a breakdown of MDAD payments over these past two years:¹

DESCRIPTION	CALENDAR YEAR 1999	CALENDAR YEAR 2000	COMBINED TOTAL
PAYMENTS BY MDAD			
Retainer Fees	\$ 265,704	\$ 274,567	\$ 540,271
Additional Services	67,624	123,113	190,737
Reimbursements	11,497	13,098	24,595
Total	\$ 344,825	\$ 410,778	\$755,603

OIG Auditors relied on MDAD's Vendor History Report and copies of the actual check vouchers issued by MDAD to Paramedia in calculating the tabulated figures. OIG Auditors also traced each MDAD payment to Paramedia's bank deposits and verified Paramedia received \$755,603 for calendar years 1999 and 2000. While MDAD combines both contract categories of payment for Additional Services and Reimbursable Expenses into one category of Reimbursements, the invoices submitted by Paramedia to MDAD combine both additional services and reimbursable expenses according to the description under the CSA. These payments are made by check voucher. The monthly retainer is wire transferred directly to Paramedia's local Bank of America account. The breakdown in the chart is based on the OIG Auditors' review of the invoice and categorization based on contract definitions

¹ MDAD, in a letter to Mr. Freixas dated December 26, 2001, cites different dollar amounts for the total contract expenditures for 1999 and 2000. The OIG is unclear as to what data MDAD relied on in tabulating its total dollar figures. {See Exhibit F for a copy of the letter}.

C. Non-Compliance with Consulting Services Agreement

1. No Invoices Prepared for the Monthly Retainer Fee

For the provision of Basic Services, Paramedia received \$265,704 and \$274,567 in calendar years 1999 and 2000, respectively, for a **total of \$540,271**. The monthly retainer fee is paid to Paramedia to cover the costs associated with the performance of Basic Services. OIG Auditors inquired if Paramedia complies with Article 4.6 of the CSA, which states the following:

“Invoices for the monthly retainer, fees for Additional Services and reimbursable expenses may be invoiced by the Consultant to the Department not more frequently than monthly. Documentation of personnel time and reimbursable expense, as required by the Department, shall be attached to each invoice.”

In a memorandum dated December 5, 2001, the OIG requested Paramedia to indicate whether invoices for the receipt of the \$23,271 current monthly retainer were issued to MDAD for the performance of basic services. {See Exhibit G for OIG letter}. On December 7, 2001, Mr. Guillermo Frexias, principal manager of Paramedia, responded in writing to the OIG’s request. {Paramedia’s response attached at Exhibit H}. The following is the response given by Mr. Frexias pertaining to the existence of invoices for the monthly retainer:

“The monthly retainer that we receive from MDAD we do not invoice since we provide a number of services, such as office space, one person assisting in the office with the daily functions, etc. as outlined in our contract.

When my attorney questioned Mr. Van Wezal² at the time of the signing of the contract concerning Section 4.6, we were informed that even then it would not apply since the list of services applies first. Based upon that, we have never invoiced the airport for our monthly retainer which automatically deposits into our accounts every month.”

Mr. Frexias’ response appears to reveal a general misconception of Paramedia’s obligation to perform Basic Services under this Agreement. A quick review of Article 3.2 of the Agreement clearly shows that Basic Services involves a great deal more than

² Mr. Van Wezal was formerly the Assistant Aviation Director for Administration.

merely maintaining office space and one person to assist in daily office functions. The OIG notes that the Agreement defines Basic Services as conducting market research; promoting MIA's strategic geographical location for trade with Europe; developing and participating in trade missions; attending European-based trade fairs, staffing exhibits, and booths; developing an advertising program for MIA; among other local business and tourism development activities.

Additionally, the OIG requested MDAD to provide us with any documentation regarding the monthly retainer paid to Paramedia, along with any supporting documentation detailing the expenses paid using the monthly retainer. In a memorandum dated December 19, 2001, MDAD Director, Ms. Gittens, responded that "MDAD has not received invoices from Paramedia for the monthly retainer and they therefore cannot be provided."

As confirmed by the OIG's inquiries of both MDAD and Paramedia, **Paramedia was paid \$540,271 in retainer fees for 1999 and 2000 without any tangible proof that the Basic Services as specified in the Agreement were actually provided to MDAD.** Not only did the Consultant fail to invoice MDAD for the monthly payment, and the MDAD failed to request invoices for the monthly payment, the fact that the Consultant did not itemize how the monthly retainer fees were spent raises an accountability issue. The OIG finds it significant that County funds were continuously wired into Paramedia's bank account on a monthly basis without County management ever questioning how these funds were being spent to meet the scope of the basic services per the Agreement.

2. Lack of Supporting Documentation for Personnel Time

Per Article 5.5 of the CSA, the consultant is required to "maintain, as part of its regular accounting system, records of a nature and in sufficient degree or detail to enable such audit to determine the **personnel hours and other expenses associated with each task.**"

Based on the OIG auditors' review of all supporting documentation for calendar years 1999 and 2000, there were no records for personnel time expended in providing consulting services to MDAD. Nevertheless, MDAD approved and disbursed payments to Paramedia for personnel time, including both consulting and professional fees, without having any supporting documentation. For calendar years 1999 and 2000, **MDAD paid a total of \$273,456** to the Consultant for **unsubstantiated personnel time costs.**

The OIG quantified the amounts paid by MDAD to Paramedia for personnel costs, consulting fees, and professional fees. The following table shows the results of the OIG auditors' analysis:

	1999	2000	TOTAL
Payroll expense	\$ 19,827	\$ 22,887	\$ 42,714
Consulting Fees	- 0 -	17,163 ³	17,163
Professional Fees	106,099	107,480	213,579
Total	\$ 125,926	\$ 147,530	\$ 273,456

The OIG notes that in MDAD’s 1997 audit of the Paramedia contract the same issue, i.e. Paramedia’s failure to provide records for personnel time with its invoices to MDAD, was noted. It is evident that Paramedia did not correct its lack of compliance, nor did MDAD perform any follow up action to ensure the Consultant complied with the terms of the Agreement.

As previously stated, the Consultant’s fee rates are set forth in Article 4, Section 4.2 of the CSA. The fee rates are expressly stated in hourly, daily and ‘half day’ rates of pay for both the Principals and “other consulting personnel” for Paramedia. Additionally, the consulting fee rates are adjusted annually based on the Consumer Price Index (CPI). Given that the CSA addresses the Consultant’s fees in such specific detail, MDAD should have required Paramedia to submit daily personnel time records with the amount of hours and nature of work performed prior to approving the payment of personnel costs and consulting fees. Without this supporting documentation, the OIG is unable to determine whether the consulting fees paid to Paramedia had any relevance to the scope of services and/or whether MDAD received any economic benefit from the consulting fees paid.

³ Year 2000 Consulting Fees were paid predominantly to Paramedia’s principals, exclusively for travel to Barcelona, Spain, and Morocco. Further, there were no Service Orders pre-approving the travel of the principals, defined as “Additional Services” in Exhibit A of the CSA, May 3, 1994. All of these consulting fees were listed on “Travel Expense Reports” with no supporting documentation evidencing that these “consulting fees” were incurred in the performance of the scope of services as defined in the Agreement. {See Exhibit I for a detail of consulting fees.}

3. Additional Services not Authorized via “Service Orders” from MDAD

Based on the OIG’s review of all supporting documentation for Paramedia’s expenditures for the calendar years 1999 and 2000, there were no Service Orders prepared by MDAD preauthorizing Paramedia to undertake Additional Services on MIA’s behalf, as required under the CSA Section 3, Article 3.3. The OIG quantified that **\$190,737 was paid by MDAD to the Consultant for unauthorized Additional Services for the two-year period.**

For the calendar year 1999, Paramedia submitted \$67,624 for payment by MDAD as “Additional Services” and in calendar year 2000 Paramedia submitted \$123,113 to MDAD for payment for “Additional Services” for a total amount of \$190,737. The following is a breakdown of Paramedia’s Additional Services by cost category⁴ for the calendar years 1999 and 2000:

ADDITIONAL SERVICES	CALENDAR YEAR 1999	CALENDAR YEAR 2000	2-YEAR TOTAL	% CHANGE FROM 99’ TO 00’
Travel	\$18,942	\$25,372	\$44,314	34%
Per Diem	2,801	2,517	5,318	-10%
Consulting Fees	-0	17,163	17,163	100%
Publicity/Advertisement	23,231	75,146	98,377	223%
Miscellaneous	22,650	2,915	25,565	-87%
Total Additional Services	\$67,624	\$123,113	\$190,737	82%

On December 5, 2001, the OIG requested Paramedia to either provide such documentation or give a written explanation as to why Service Orders could not be produced. {See Exhibit G, previously referenced.} On December 7, 2001, Mr. Guillermo Frexias, President of Paramedia U.S.A. Inc., responded in writing to the OIG’s request. The following is the response given by Mr. Frexias pertaining to the existence of Service Orders:

⁴ Miscellaneous items include participation costs, sponsorships, business cards, etc.

“The procedure that we were told to follow concerning service orders is as follows: A marketing plan is prepared. Based upon this marketing plan, which is pre-approved by the staff, we write a memorandum requesting the approval for specific items. This memorandum in turn is submitted for approval/disapproval to Mr. Christopher Mangos, Director of Marketing at the Aviation Department. He notifies us of his decision and he keeps this written request for his files.⁵ Once we have received his approval we will then issue an invoice to the airport. Mr. Mangos compares the amount requested vs. the invoice issued and the tasks involved.” {See Exhibit H for Paramedia’s response, previously referenced.}

Additionally, on December 5, 2001 the OIG requested for MDAD to provide the OIG with any documentation MDAD has pertaining to Service Orders for calendar years 1999 and 2000. Further, the OIG asked that if the documentation could not be located by MDAD, MDAD should provide us with a written explanation as to why said documentation could not be produced. Unable to produce said documentation, MDAD responded:

“The Aviation Department has not authorized any services that qualified for Director-approved Service Orders for Additional Services, therefore MDAD has no such service orders.” {See Exhibit K for MDAD memo.}

As verified by the OIG, through inquiry of the MDAD Director and Mr. Frexias, principal manager of Paramedia, there were no pre-authorized Service Orders granted to Paramedia for any Additional Services for calendar years 1999 and 2000. Nevertheless, MDAD staff paid Paramedia a total of \$190,737 for calendar years 1999 and 2000 for unauthorized “additional” consulting services. Given the lack of any supporting documentation pre-authorizing the performance of Additional Services by Paramedia, it appears that there has been insufficient management oversight of this contract by MDAD.

⁵ The OIG is aware and has reviewed the aforementioned memorandums on file with Mr. Mangos, Manager of Marketing and Trade Development. It is important to note that the proposals are initiated and submitted by the Consultant and not on an as needed basis by the Department. And while the memorandums bear an “OK” notation by Mr. Mangos, this documentation does not and should not take the place of what is required under the contract. The proposed scope of work submitted by Paramedia to Mr. Mangos may be categorized as both “Additional Services” (e.g. proposed additional consulting services) and “reimbursable expenses” (e.g. advertising and printing expenses).

4. **Non-compliance with Annual Marketing Plan / Budget Proposal Requirements**

Per the Agreement, the Consultant is required to provide MDAD with an annual marketing plan and a detailed budget for Basic and Additional Services for the upcoming fiscal year. Specifically, Article 3.4 of the CSA states the following:

“Annually, on or before April 1 of each year of the term of this Agreement, for the County's next fiscal year (October 1 through September 30), the Consultant shall submit to the Department a detailed marketing plan for such fiscal year, together with a detailed budget for Basic and Additional Services for said fiscal year. Such detailed Marketing Plan, covering passenger air travel (business and tourism), cargo and trade development, general aviation, aircraft maintenance and aviation, training, shall include, but not necessarily be limited to, the following:

- (A) A list of major cargo, travel and aviation fairs, expositions and conferences to attend, including the extent of presence anticipated.
- (B) A detailed proposed advertising schedule.
- (C) Trade missions and "Fam" trips to participate in and/or sponsor.
- (D) Press releases, special articles and other publications.
- (E) Entertainment functions.

As to each recommended activity, the Consultant shall describe the target group, the goals or expected results and how they can be measured, the estimated not to exceed costs, and other factors deemed necessary by the Department in making a decision as to whether to fund same. **The annual budget proposal shall clearly identify the Consultant's proposed monthly retainer for Basic Services and the estimate for Additional Services and reimbursable expenses for the fiscal year.**”

OIG Auditors requested documentation from both MDAD and the Consultant pertaining to Paramedia’s annual marketing plan and detailed annual budget for Basic and Additional Services for fiscal years 1999 and 2000. Neither MDAD nor the Consultant could provide the OIG with this information for fiscal year 1999.

MDAD, however, was able to produce a copy of Paramedia's Marketing Plan for fiscal year 2000. Based on review of the information contained therein, OIG Auditors noted that the annual marketing plan prepared and submitted by Paramedia lacked essential information, which is required per the Agreement. For the four (4) basic types of activities to be included in the Marketing Plan for the year 2000, the **Consultant failed to include:**

a. **Description of how the expected results indicated for each activity are to be measured**

This item is key for measuring and evaluating the consulting services provided by the consultant and for determining the impact such services have on the economy of Miami-Dade County, specifically the trade and tourism industries.

b. **Estimated not to exceed costs**

Based on review of all available information, OIG Auditors found that most of Paramedia's "consulting" services provided to MDAD, are of a recurring nature, e.g. attending trade shows, informational package mailings, business contacts, advertising and promotion, photo ops, etc. Given that Paramedia has been representing MIA since 1994, the Consultant should be familiar with the dollar amounts of its recurring costs, such as conference participation fees, including costs of setting up booths and stands, airfare, lodging, meals, per diem etc., including any seasonal increases. The section at the end of each item, addressed by the Marketing Plan for the year 2000, presented as a "budget" does not provide any cost data, as required by Section 3.4 of the CSA. Of the 23 items listed in this Marketing Plan, only five (5) provided a budget that could be quantified.

5. **No Required Visits to Miami-Dade County Made by Consultant's Travel Representative**

Per Article 3.2, paragraph (I), of the CSA, the following is a Basic Services the Consultant is required to fulfill:

"The Representative shall visit Dade County on a periodic basis, not less often than semi-annually, to become familiar with the Airport and its facilities and activities and to discuss program activities and to receive orientations on activities in the community that will affect the operations of the Trade Office."

Based on review of documentation provided by both the Consultant and MDAD, OIG Auditors determined that only one trip was made by a trade representative within this two-year period.⁶ According to Travel Expense Reports and Monthly Activity Reports, Paramedia's Trade Representative, Mr. Antonio Perez, visited Miami in October 1999. His visit was allegedly to attend the Air Cargos America exhibition in Miami. OIG Auditors could find no other instance of when a Paramedia Trade Representative visited Miami for the purpose of fulfilling this requirement under the Basic Services portion of the Agreement.

Staying informed of MIA's program activities is an essential element behind the intent and purpose of a European trade office. Without current knowledge of MIA's facilities, including the cargo and passenger area expansions recently undertaken by MDAD, the OIG questions how effective the Consultant could actually be in marketing and promoting MIA as an international aviation hub to other countries. By not fulfilling this contractual obligation, the value of the consulting services provided by Paramedia is diminished. This is another indication that MDAD lacked adequate oversight of its contract with Paramedia.

6. **MDAD Wrongly Paid Consultant \$17,605 for Provision of Alleged Additional Services**

Article 3.2 (F) of the CSA states that Paramedia is to provide the following as part of its **basic services** as the Consultant for MDAD:

“Attend, as the County's representative or in conjunction with other County representatives, aviation, cargo and other appropriate **European based** trade fairs and expositions; staff exhibits and booths.”

In the examination of Paramedia's accounting records, the OIG auditors found Invoice No. 325, dated April 13, 1999, to MDAD, in the amount of \$17,605. {See Exhibit L for Invoice No. 325.} The invoice stated the costs were attributable to “European Office participation on the international exhibition of MADRID AIRPORT CARGO '98 which took place December 2-4, 1998.” Clearly, the Agreement classifies participation fees for European trade exhibits as a Basic Service. Furthermore, Paramedia's European offices are headquartered in Madrid, Spain. Paramedia's performance of basic services are supposed to be absorbed by the payment of the \$23,271 monthly retainer fee. In this case, it is evident that Paramedia wrongly received payment from MDAD for a “basic” service that the Consultant invoiced as an “Additional Service.”

⁶ OIG Auditors reviewed documentation for both 1999 and 2000 calendar years, as well as contract years June 1, 1999- May 31, 2000 and June 1, 2000 – May 31, 2001.

Paramedia's invoice to MDAD lacks complete detail demonstrating what costs were actually associated with its participation at that air cargo event. The only supporting attached documentation is a Mediart, S.L. invoice, which also provides a flat rate for participation costs, in addition to a base fee. Both Paramedia and Mediart's invoice lack any detail demonstrating what the participation consisted of.

Should Paramedia or its sub-consultant's (Mediart) attendance at the Madrid Airport Cargo exhibition have been considered an additional service, falling outside the scope of the basic services agreement, then a pre-authorized Service Order would have been required. As previously discussed, no Service Orders were documented for the years in question, and in this instance, there was no Service Order for this particular activity.

7. Paramedia Expenses Were Passed Through MDAD's Budget Rather Than Paid by Paramedia Using the Monthly Retainer Received

Section 4.1 of the CSA specifies that "basic services" are compensated to the Consultant as part of the monthly retainer, which currently approximates \$23,271 per month. Additionally, travel costs incurred by Paramedia personnel who are NOT Principals are to be paid through the monthly retainer. If Principals of Paramedia incur travel costs, including cost of subsistence, in the performance of their contractual obligations, then such travel is deemed as an "Additional Service" and must be pre-authorized by the Director of MDAD in order for the Consultant to receive payment.

From October 24, 1999 through October 30, 1999, three members of the Consultant's Madrid office were in Miami attending the "Air Cargo Americas" exhibition. According to Paramedia's monthly report, MDAD had faxed to the Consultant approval for a trip to the "Air Cargo Americas" and confirming hotel reservations from October 24 to 29 (Tony and Maria) and Santy [Arriazu] from October 24 to 30." {See Exhibit M for excerpt from 10/99 monthly activity report.} While noting that the faxed approval does not amount to a Service Order, the OIG reviewed Paramedia's invoices for the three (3) individuals: Mr. Santiago Arriazu, Principal; Mr. Tony Perez, Trade Representative; and Ms. Maria Reboiras. {See N, Arriazu Invoice #374; O, Perez Invoice # 373; and P, Reboiras Invoice #375.}

The invoices revealed a number of discrepancies. First, Mr. Arriazu and Ms. Reboiras' invoices both contain consulting fees, however, the fees are masked on the County's official travel expense report as a "per diem" charge. Mr. Arriazu's expense report shows the daily consulting rate for a Paramedia principal, and Ms. Reboiras' report has, as her "per diem," the daily consulting fee for Other Consulting Personnel. Mr. Perez's report shows that no consulting fees were invoiced. All three (3) individuals did incur charges for airfare, ground transportation, and some meals. No hotel charges were expensed.

In a separate memorandum from Mr. Chris Mangos, dated October 6, 1999, to a Ms. Belkis De Toro of the MIA Hotel, Mr. Mangos informed Ms. Toro that **“staff from the MIA European Office in Madrid will be in Miami to work with me on several projects during October 24-30, 1999.”** The OIG notes that these are the same dates that Paramedia personnel from the European office attended “Air Cargo Americas” in Miami.

Mr. Mangos instructed Ms. De Toro to provide Mr. Perez (for 5 nights), Ms. Reborias (for 5 nights), and Mr. Arriazu (for 6 nights) accommodations at the MIA Hotel. According to the memorandum, Mr. Mangos instructed that: **“Their room rates, however, should be billed to me in care of the Aviation Department Marketing Division. As I will be paying for their rooms from my budget, I will appreciate any effort to provide the lowest rate possible.”** {See Exhibit Q for C. Mangos memorandum.}

OIG Auditors confirmed through the MIA Hotel’s Controller that the three aforementioned individuals did stay for a combined total of 16 nights at the hotel, and that the MDAD’s budget was charged for the room accommodations and all applicable taxes, which totaled \$1,422 for all three individuals. {See Exhibit R for hotel invoices.}

Most notably, of the three persons whose lodging costs were absorbed by MDAD, was a principal of Paramedia, Mr. Santiago Arriazu. As stated earlier in this report, participation by the Consultant’s principals, other than the Trade Representative, **and their travel and subsistence expenses is considered Additional Services.** All Additional Services require Service Orders pre-approved the Director of MDAD. The other two individuals’ costs should have been paid by Paramedia using the funds from its \$23,271 monthly retainer. Again, it is noted that absent a pre-authorized Service Order, attendance at the “Air Cargo Americas” show should have been viewed as a covered basic service, that being: for the purpose of promoting Miami’s strategic geographical location as the international aviation hub for the Southern United States, the Caribbean, and Central and South America. In this regard, the lack of consulting fees submitted by Mr. Perez is an indication that this was in performance of the Consultant’s Basic Services to the Aviation Department.

In conclusion, regardless of whether the charges were reimbursable, the hotel charges should not have been directly billed to MDAD’s operating budget. By passing costs through the Department’s budget, as opposed to charging them against the contract, the true amount expended is underreported.

**D. MIA Contract is the Only Source of Income for Paramedia
Contrary to its Disclosure Affidavit.**

In the Part III (c) of the “Disclosure Affidavit for Miami-Dade County” signed by Rosa G. Frexias, President of Paramedia U.S.A. Inc., on April 20, 2001, the Consultant is requested to “list the firm’s private sector business for the last five (5) years.” {Exhibit S} The names of the entities for which Paramedia indicated having business dealings with and a description of the activity is as follows:

- | | | |
|------|-----------------------|--------------------------------|
| i. | Port of Alicante | (Marketing & Public Relations) |
| ii. | Agata Films | (Video Production) |
| iii. | Banesto | (Year Book Video Production) |
| iv. | Government of Navarra | (Public Relations & Marketing) |
| v. | Airtel | (Advertisement & Marketing) |

Based upon the OIG Auditors’ inquiry of the Consultant, the OIG was informed that Paramedia had only one bank account for its operations during the years 1999 and 2000. In 1999, Paramedia’s bank account was at NationsBank. In 2000, Nationsbank became Bank of America; nevertheless, Paramedia’s bank account remained with the same banking institution. Mr. Freixas and Mr. Saruski told OIG Auditors that both operational and payroll costs are paid from this same bank account. Lastly, the monthly retainer from MIA is wire transferred into this same account on a monthly basis.

A review of Paramedia’s bank statements, deposits, and cancelled checks for the years 1999 and 2000, did not reveal any evidence demonstrating that Paramedia conducts business with any other entity than MDAD. All of the cancelled checks written from Paramedia’s bank account were for operational costs and other expenses incurred on behalf of its Consulting Services Agreement with MDAD. OIG Auditors scheduled all the deposits made into Paramedia’s bank account for both years 1999 and 2000. For both calendar years 1999 and 2000, predominantly all of the bank deposits could be traced to payments from MDAD, either in the form of the monthly wire transfer of the retainer fee or to reimbursements received from MDAD. Thus, almost every deposit into the Paramedia bank account was from funds received from the County. {See Exhibit T for the schedule of Paramedia bank deposits for 1999 and 2000.}

At the beginning of the OIG audit, the Inspector General requested Paramedia to produce, among a variety of items, a listing of its Account Receivables and all billing invoices. The Consultant stated to the OIG auditors that there are no Account Receivables or billing invoices. This is a further indication that the only source of business income for Paramedia is from its contract with MDAD. {See Exhibit U for OIG memorandum.}

Contrary to the statement given by Paramedia U.S.A. Inc. in its Affidavit dated April 20, 2001 that it has business dealings with five (5) private sector entities, it is evident that the CSA with MDAD is the only source of cash flow to Paramedia. The significance of this audit finding will be expounded on in the upcoming sections that pertain to value analysis and the proportion of office related expenses, promotional fees, and other business related costs.

E. Value MDAD Received for Consulting Services

1. Review of Monthly Reports of Activity

Section 3, Article 3.2 (H) of the CSA requires the Consultant to provide periodic reports of activity to MDAD. These reports provide a summary of the Consultant's business activities on behalf of MIA, which include developing trade and business leads as well as marketing programs for MIA. Such consulting activities are defined in Article 3.2, Basic Services, of the Agreement. Specifically, the Agreement requires Paramedia to:

“Provide monthly, quarterly, and annual reports of activities. Provide an annual forecast of activities and goals and objectives for the subsequent year contract. All reports hereunder shall be in English.”

For the calendar years 1999 and 2000, the OIG noted that MDAD was not provided with quarterly or annual reports of activity performed. However, monthly reports of Paramedia's activity were available for the OIG auditors' review for the same period.

For calendar years 1999 and 2000, the OIG auditors reviewed the monthly reports of activity to determine what Basic Services and Additional Services the Consultant provided to MDAD. The preparation of these reports appeared perfunctory and standardized, as each month's activity report was divided into the following sections: Trade Activities, Business Activities, Miscellaneous Activities, Office Activities, DCAD (MIA) Activities, and Recommendations.

The OIG auditors observed that these monthly reports did not support the majority of the invoices for Additional Services or specify what Basic Services that were provided to MDAD. However, it was noted that the monthly reports did document publicity/advertisement costs for the given month for the years 1999 and 2000. OIG Auditors noted that these publicity and advertisement expenses were invoiced to MDAD as reimbursable expenses. According to the CSA, these costs should have been invoiced as Additional Services.

In the monthly activity reports reviewed, examples of “Trade Activities” included conversations with European airport personnel -- with no specific details; attending trade shows as a “professional” visitor; faxing flight schedules of cargo routes to individuals; faxing a list of hotels on Miami Beach to a travel agency; answering information requests from travel agencies interested in Miami; mailing informational packages to tour operators for airlines; and even answering a request for information on used car dealers in Miami-Dade County. These types of consulting services identified as “trade activities” are actually more akin to a travel and/or advertising agency.

For “Business Activities,” the Consultant’s monthly activities consisted primarily of contacting officials regarding upcoming trade shows; information requests for upcoming events; discussions about new air cargo routes between Miami and Spain; etc. “Office Activities” included such services as fielding requests from journalists wanting to photograph sites at MIA, placing advertisements in airline publications, and holding meetings with the AENA (Spanish Airport Authority) for discussing MIA and AENA “jointly managing and operating Latin American airports.”

The OIG auditors note that the monthly activity reports document administrative costs for the European office that Paramedia/Mediart operates in Madrid, Spain. These costs consisted mostly of postage and courier expenses incurred in mailing MIA informational materials such as brochures, catalogs, and videos. However, in the “Recommendations” section of the monthly activity reports reviewed, the OIG auditors noted that there were never any recommendations given. Moreover, these monthly reports do not note any costs incurred for Basic Services or Additional Services. Therefore, the OIG auditors could not determine the economic value of these services through examining the monthly activity reports.

2. Accounting Records Lack Detail Required to Trace County Funds to Monthly Retainer, Additional Services, and Reimbursable Expenses

Per Article 5.5 of the CSA, the contractor is required to “maintain, as part of its regular accounting system, records of a nature and in sufficient degree or detail to enable such audit to determine the personnel hours and other expenses associated with each task.” As discussed below, the OIG auditors were not provided with accounting records that classified Paramedia’s expenditures in detail by Basic Service costs, Additional Service costs, or reimbursable expenses. Therefore, the OIG auditors referred to the contractual definitions of the types of consulting services and allowable reimbursable expenses to determine which costs were associated with each of the three categories. This facilitated the OIG’s analysis of the how Paramedia used the County’s funds and what value was received by the County for Paramedia’s consulting services.

On September 7, 2001, the OIG auditors met with Mr. Guillermo Frexias, Manager of Paramedia, to gain an understanding of how Paramedia accounts for the funds it receives from the County for its performance under the consulting contract.

Present at this meeting was Mr. Bernado Saruski of “Saruski & Associates,” the independent accountant for Paramedia. Mr. Saruski explained to OIG Auditors how Paramedia accounts for the monies it receives from MIA and what accounting records were available for the auditors’ review.

OIG Auditors asked Mr. Saruski whether Paramedia’s accounting records are compiled in accordance with Article 5.5 of the CSA, “Accounting Records of the Consultant.” Mr. Saruski stated that he was not aware of this contractual requirement, as he had never been provided with the CSA. Mr. Saruski explained that Paramedia provides him with Paramedia’s check register stubs, which indicate the payee and a description of what the payment was for. Mr. Saruski writes a code number (which corresponds to Paramedia’s chart of accounts) on the check stubs and uses these code numbers for classifying and recording Paramedia’s payments in the accounting system. Lastly, Mr. Saruski stated that when the check payments are recorded by him in the accounting system for Paramedia, **there are a number of expenses which he classified as “promotional expenses.”** The OIG auditors were told by Mr. Saruski that in order to determine what the “promotional expenses” were attributable to, the OIG auditors would have to review the Paramedia invoices issued to MDAD to determine if the costs were related to travel, printing, advertising, etc.

Due to the lack of detailed accounting records and itemization of costs incurred by Paramedia on MIA’s behalf, the OIG auditors could not readily determine which costs were related to Basic Service, i.e. the monthly retainer, Additional Services, or for Reimbursable Expenses.

3. Analysis of Paramedia’s Financial Records

For the accounting information reviewed for calendar years 1999 and 2000, OIG Auditors had to independently assemble Paramedia’s accounting information into a set of income and expense statements. OIG Auditors requested all available invoices for Paramedia’s check disbursements as well as Service Orders for Additional Services, and invoices to MDAD for the monthly retainer. Since both MDAD’s staff and the Consultant confirmed to the OIG that such supporting documentation did not exist, OIG Auditors referenced the contractual definitions of the types of consulting services and allowable reimbursable expenses to determine which costs were associated with each of the three categories. OIG Auditors then classified Paramedia’s receipts and expenditures into one of the three categories. The documents used to accomplish this compilation of financial information were Paramedia’s banking records, cancelled checks, invoices submitted to MDAD, and MDAD check vouchers used to pay Paramedia for its services. This analysis enabled the OIG auditors to quantify and assess how Paramedia spent the County funds and determine what value, if any, MDAD received from this Agreement.

Based on review of all available accounting records for the Consultant, the OIG compiled the following financial information for the calendar years 1999 and 2000:

DESCRIPTION	YEAR 1999	YEAR 2000	COMBINED TOTAL
PAYMENTS RECEIVED:			
Retainer Fees	\$ 265,704	\$ 274,567	\$ 540,271
Additional Services	67,624	123,113	190,737
Reimbursements	11,497	13,098	24,595
Total	344,825	410,778	755,603
EXPENSES:			
Office Expenses	78,056	103,916	181,972
Professional Fees ⁷	106,099	107,480	213,579
Promotion	6,230	16,145	22,375
Promotional Activities ⁸	164,066	178,396	342,462
Stockholders Loan	-0	1,062	1,062
Total	354,451	406,999	761,450
Net difference	\$ (9,626)	\$ 3,779	\$ (5,847)

⁷ “Professional Fees” are addressed in detail in Section VI.(E)(4)(c) of this report.

⁸ “Promotional Activities” are addressed in detail in Section VI.(E)(4)(d) of this report.

4. **Breakdown of Value Analysis by Category**

a. **Value Received for Monthly Retainer**

As previously noted in Section VI.(C)(1) of this report, Paramedia did not prepare invoices to MDAD for the receipt of the monthly retainer fee. As discussed below, the lack of compliance on the part of the Consultant resulted in the OIG auditors having insufficient source documents from the Consultant pertaining to how the monthly retainer was appropriated for providing Basic Services. Therefore, the OIG auditors could not trace the retainer fees of \$23,271 per month to any of Paramedia's disbursements from its bank account. Consequently, the OIG is unable to verify that these monthly retainer fees were used for their intended purposes, which is to provide "Basic Services" as defined by the CSA.

Paramedia's internal accounting records maintained by an independent accountant were no more revealing regarding which expenses were attributable to the monthly retainer fee. Paramedia's accountant categorized most of the expenditures as "professional fees" or "promotional activities." For these check disbursements from Paramedia's bank account, **there were no invoices from the payee/vendor** nor were there detailed explanations to relate these costs to the scope of services as set forth in the Agreement.

As an alternative audit procedure, the OIG formally requested a written explanation from the Consultant regarding the monthly retainer. The OIG specifically asked whether the Consultant issued monthly invoices to MDAD for the retainer fee for Basic Services. Mr. Frexias', as previously noted, stated that no invoices were prepared as they provide many services "such as office space, one person assisting in the office with the daily functions, etc. as outlined in our contract." {See Exhibit H, previously referenced.}

Primarily based on the Consultant's response and otherwise lack of vendor invoices (for professional and promotional fees), it can be surmised that Paramedia spent the monthly retainer fees primarily on costs related to maintaining an office, such as rent, payroll, utilities, etc. Paramedia's accountant did classify these operational costs and the OIG auditors were able to quantify the office expenditures for the calendar years 1999 and 2000. The following table details Paramedia's office expenses for the two-year period reviewed:

OFFICE EXPENSES	1999	2000	COMBINED TOTAL
Advertising	\$ 143	\$ -0-	\$ 143
Contributions	741	1,705	2,446
Dues & Subscriptions	1,468	943	2,411
Entertainment	895	201	1,096
Exchange	- 0 -	18,053	18,053
Freight	1,649	3,433	5,082
Insurance	13,246	13,913	27,159
Legal & Accounting	1,200	1,200	2,400
Licenses	278	313	591
Office Equipment	1,497	149	1,646
Office Supplies	3,093	2,200	5,293
Other Taxes	93	127	220
Payroll	19,827	22,887	42,714
Payroll Tax Deposit	5,325	5,029	10,354
Rent	17,863	21,348	39,211
Repairs & Maintenance	120	644	764
Telephone	8,243	8,351	16,594
Transportation expense	2,375	3,420	5,795
TOTAL	\$ 78,056	\$ 103,916	\$ 181,972

It is important to note that a portion of the Rental fees paid for the Miami office is actually paid Trean, Inc., a company that was wholly controlled by Mr. Guillermo Freixas. According to corporate records filed with the Florida Secretary of State, Mr. Freixas was the sole officer for the company. {See Exhibit V.} (The company is currently administratively dissolved for failure to file its annual report). Seven (7) rent checks, totaling \$4,331, issued in 1999 were made payable to Trean Inc. For calendar year 2000, fourteen (14) checks were made payable to Trean Inc., and coded as Rent. These fourteen rent checks total \$6,537. {See Exhibit W for a schedule of rental payments for 1999 and 2000.}

Additionally, in the category of “Exchange” for calendar year 2000, one (1) check in the amount of \$8,264.19 was made payable to Trean Inc. and two (2) checks totaling \$3,992.82 were paid to Freixas Public Relations. According to Mr. Saruski, the category of “Exchange” was used as a suspense account for calendar year 2000. {See Exhibit X for a schedule of Exchange payments.}

Using the figures for total office expenses in the table above, the OIG auditors determined that in 1999, 29% of the monthly retainer fees were used to pay for office expenses. In calendar year 2000, the OIG determined that 38% of the monthly retainer fees were used for the same. The following table illustrates this point:

	1999	2000	COMBINED TOTAL
Annual Office Expenditures	\$78,056	\$103,916	\$181,972
Annual Retainer fees	\$265,704	\$274,567	\$540,271
Percentage of Office Expenses to Retainer Fees	29%	38%	34%

Overall, the OIG auditors found that 34% of the total monthly retainer fees for the two-year period were used to pay for Paramedia’s office expenditures. More importantly, as previously explained in Section VI.(D) of this report, MDAD monies is the only source of cash flow into Paramedia’s account. Given that the above-listed “office expenses” were completely paid for from checks drawn from this operating account, MDAD is footing 100% of the overhead for Paramedia’s local office. Without other revenue generating clients, all of Paramedia’s rent, payroll, health insurance premiums, dues & subscriptions, utilities, etc. are paid for through Paramedia’s contract with the County.

In his response to the OIG, Mr. Freixas did explain that Paramedia pays \$7,000.00 per month to Mediart for its Madrid operation.⁹ “We do not maintain time sheets in Spain since our contract for the Spain office and personnel assigned to the project varies, a lump sum of \$7,000 per month is paid. Copies of these checks also were provided to your auditors.” {See Exhibit H, previously referenced.} Mediart is Paramedia’s sub-consultant for the Madrid office, as many of the alleged Additional Service activities are initially invoiced by Mediart to Paramedia, and then from Paramedia to MDAD for payment. Apparently, according to Mr. Freixas’ response, Paramedia has a “**contract for the Spain office.**” Mediart is not corporately affiliated with Paramedia, except for the fact that Mediart’s Principal, Santiago Arriazu, is also a principal/minority stakeholder in Paramedia.

Should this \$7,000 a month payment be included in the Basic Services calculation, the total expenditures for calendar years 1999 and 2000 would be 58% and 68% of the retainer fees, as the following table illustrates.

	1999	2000	COMBINED TOTAL
Annual Office Expenditures (Miami)	\$78,056	\$103,916	\$181,972
Mediart Payment of \$7,000 per month for full calendar year	\$75,000 ¹⁰	\$84,000	\$159,000
Subtotal	\$153,056	\$187,916	\$340,972
Annual Retainer fees	\$265,704	\$274,567	\$540,271
Percentage of Office Expenses (Miami and Madrid) to Retainer Fees	58%	68%	63%

⁹ See also Section VI.(E)(4)(d) regarding “Promotional Fees” as all of Paramedia’s payments to Mediart were coded by Paramedia’s accountant as professional fees. This would include those payments that were submitted via invoice to MDAD for reimbursement either as an additional service or reimbursable expense.

¹⁰ Even though payment should be \$7,000 per month, actual figures for 1999, from Paramedia’s check register, demonstrate that only \$75,000 was paid in calendar year 1999. Please see footnote 11 for further detail.

Given the lack of any itemization of which costs pertained to the provision of Basic Services by the Consultant, it appears that the MDAD monthly retainer basically funds the overhead costs of two offices. With respect to the Madrid operation, since a lump sum is paid without further specificity of what personnel is assigned to what projects, it is difficult, if not impossible, to determine what services the Madrid office performs on behalf of MIA. As noted throughout this report, Basic Services, as defined in the Agreement include many substantive consulting services, such as, conducting market research; promoting MIA's strategic geographical trade with Europe; developing and participating in trade missions; attending European based trade fairs, staffing exhibits and booths; etc. Without such itemization or vendor invoices, the OIG cannot readily determine the substantive value received in exchange for the monthly basic services payment.

b. Value Received for Additional Services

For the two-year period review, the OIG auditors determined that Paramedia received a total of \$190,737 for Additional Services provided to MDAD. The CSA is not specific in defining what constitutes Additional Services. In fact, it defines Additional Services as consulting services, which are "closely related to, but not part of Basic Services." Further, Section 3.5 of the Agreement mandates that all Additional Services be pre-authorized, in writing, by the Director of MDAD on a document referred to as a "Service Order."

As previously addressed, according to MDAD Director, Ms. Gittens, no Service Orders qualifying as Director-approved Additional Services were ever authorized. {See Exhibit K, previously referenced.} While no Service Orders were authorized, a review of Paramedia's submitted invoices and vendor payment history do reveal that MDAD has paid the Consultant for services invoiced that would fall in the category of Additional Services. The invoices themselves, however, reveal little to no insight on what the scope of service was or was intended to be, and no description of the consulting service provided.

Additionally, in the OIG auditors' examination of the Consultant's invoices to MDAD for Additional Services, it was not evident how such services benefited the County economically by promoting trade or tourism via MIA. Rather, the majority of the supporting documents reviewed were primarily related to participation in European trade exhibitions and consulting fees, incurred predominantly by the Consultant's Principals. As noted in a previous Audit Finding, participation costs for European based trade exhibitions is part of the Basic Services, as defined in Section 3.2 of the Agreement, and should not have been invoiced to MDAD as an Additional Service.

Overall, the OIG auditors found no tangible proof that the \$190,737 paid by MDAD to Paramedia for Additional Services benefited the County economically by increasing trade or tourism development via MIA.

c. Value Received for “Professional Fees”

In reviewing the Consultant’s cancelled checks, the OIG auditors noted that Paramedia paid \$106,099 and \$107,480 in Professional Fees during the calendar years 1999 and 2000, respectively. In the OIG auditor’s analysis, it was noted that **Paramedia’s principals and related companies accounted for the majority of the fees for professional services paid by Paramedia during the two years the OIG examined.**

The table below depicts the breakdown of Professional Fees paid by Paramedia and as coded (i.e., classified) by the Consultant’s independent accountant:

Professional Fees	1999	% of Total	2000	% of Total	COMBINED TOTAL
Freixas family / Companies	\$ 52,078	49%	\$ 48,033	45%	\$ 100,111
Mumford Company	10,750	10%	1,000	1%	11,750
Santiago Arriazu	36,600	34%	38,982	36%	75,582
Other	6,671	6%	19,465	18%	26,136
Total	\$ 106,099	100%	\$107,480	100%	\$ 213,579

According to Paramedia’s Disclosure Affidavit Part I, Paramedia is owned by Rosa F. Freixas (66 2/3%) and Santiago Arriazu (33 1/3%). {See Exhibit Y}. As demonstrated in the above-analysis, **Freixas family members or companies owned by Freixas family members received \$52,078 (49%) and \$48,033 (45%) of the total disbursements for Professional Fees** for calendar years 1999 and 2000, respectively. For the same period, Mr. Santiago Arriazu, another Principal of Paramedia, was paid

\$36,600 (34%) in 1999 and \$38,982 (36%) in 2000 for Professional Fees. Mumford Company, a sub-consultant, also received payments of \$10,750 and \$1,000 during calendar years 1999 and 2000, respectively. Further, the OIG auditors noted that there were **no invoices submitted to Paramedia for “professional fees” from ANY of these entities or individuals** that received such fees. The Consultant told the OIG auditors that such invoices did not exist. {See Exhibit Z for detailed analysis of Professional Fee payments.}

Moreover, the Consultant did not provide any invoices to MDAD explaining the nature of these Professional Services provided to Paramedia. Therefore, without any records to justify these disbursements as part of the Scope of Services of this CSA, the economic benefit received by the County, if any, could not be determined.

d. Value Received for Promotional Activities

The OIG auditors noted that disbursements classified by Paramedia as “Promotional Activities” consisted of the following:

Payments for Promotional Activities	1999	2000	Total
Freixas family / Companies	\$ 4,313	\$ 8,778	\$ 13,091
Mediart S.L. ¹¹	151,460	168,343	319,803
Other	8,293	1,275	9,568
Total	\$ 164,066	\$ 178,396	\$ 342,462

¹¹ These payments to Mediart S.L. include payments from MDAD for reimbursable expenses, including Additional Services, in the amounts of \$76,460 and \$84,343, in calendar years 1999 and 2000, respectively. It is assumed, in accordance with Mr. Freixas’ response regarding the monthly flat fee payment to Mediart for operation of the Madrid office, that the remaining balances of \$75,000 and \$84,000 for calendar years 1999 and 2000, respectively, although classified as “promotional fees” correspond to the monthly Madrid office operation. {See Exhibit AA for a schedule of fees paid to Mediart for 1999 and 2000.}

In reviewing the payments for Promotional Activities, the OIG auditors were not provided with any documentation that would indicate the nature of these disbursements and the benefit to the County as a result of such “promotional” activities. With the exception of the payments by MDAD to Paramedia for reimbursement of Reimbursables and Additional Services (discussed in the preceding footnote), not a single invoice was provided to the OIG to assess whether the goods and services procured for or any benefits accrued to the County as a result of these disbursements. {See Exhibit BB for detailed analysis of Promotional Activities.}

Given the overall lack of accountability by Paramedia for its receipts and expenditures on behalf of MDAD, the OIG cannot determine whether the funds received by Paramedia had any relevance to the scope of services. Based on the OIG auditors’ detailed examination of the CSA between MDAD and Paramedia, MDAD’s records of payment, and the consultant’s books and records it is questionable if MDAD derived any benefit whatsoever from Paramedia’s marketing services. In conclusion, it appears that the primary beneficiaries of the County funds channeled through this contract were Paramedia’s Principals and their related companies, which received unsubstantiated professional fees from this contract.

F. Other Audit Findings

1. Consultant Charged MDAD for Both Actual Travel Costs and Per Diem

The OIG Auditors’ review of the Travel Expense Reports submitted by the Consultant to MDAD revealed that on various occasions the County was charged for both the actual expenses related to lodging and meals, as well as per diem for the same. The OIG quantified the **erroneous per diem amounts** claimed and received by Paramedia, which totaled \$2,801 and \$966 for the calendar years 1999 and 2000, respectively. These payments were made to Paramedia in addition to actual lodging and meals costs paid by MDAD for the same Travel Expense Reports. {See Exhibit I for detail of travel expenses}.

Article 4.5 (B) of the CSA states that reimbursement for travel shall be in accordance with A.O. 6-1, Travel on County Business. A.O. 6-1 states, in part, “Travelers shall be reimbursed in accordance with Florida law for per diem, lodging, and meal allowance rates as established in this Administrative Order and as described in the Miami-Dade travel procedures.” Miami-Dade County’s Travel Procedure No. 822 (2), effective October 1999, instructs the traveler to “complete either per diem expenses set by the Florida Statutes (currently \$50 for 1 day for U.S. travel) or actual expenses.”

The OIG again notes that these same issues were mentioned to MDAD management in the 1997 MDAD audit report of the Paramedia contract. The 1997 audit recommended management to “closely monitor all travel related expenditures submitted by the Consultant to ensure compliance with County A.O. 6-1 and the applicable Florida Statutes, to prevent the payment of any excessive or non-reimbursable expenses.” The findings of the present audit again demonstrates a lack of oversight over the management of this contract and a general failure to heed the recommendations of the 1997 audit.

2. Lack of Supporting Documentation for Travel Expense Reports

For the calendar years 1999 and 2000, the OIG auditors noted several Travel Expense Reports that were submitted without the required documentation to support the claimed expenses, as required by A.O. 6-1, and County travel procedures. Procedure Number 822 states: “If actual expense are claimed, they must be substantiated by a paid, itemized hotel receipt and by including applicable meals at the rate established by Florida Statutes...”

For 1999 and 2000, OIG Auditors substantiated that the total amount of undocumented expenditures were \$5,931 and \$12,607, respectively. The OIG Auditors noted that a great deal of detail and effort went into providing receipts for taxis, car rentals, telephone calls and others. However, two expense items, specifically lodging and meals, were mostly unsupported by receipts. Once again, the OIG is troubled by the fact that MDAD would reimburse these unsupported charges.

VII. CONCLUSION AND RECOMMENDATIONS

In essence, this audit, conducted by the OIG's audit unit, corroborates and expounds upon those original audit findings from 1997. It is clear that MDAD must exert more internal management oversight of its consultant/professional services agreements. Compliance with contract terms for reimbursement is a must, and approvals must be well documented.

The OIG is in receipt of the responses provided by MDAD and Paramedia to the Draft Audit Report. Their responses are attached as Appendix A and B, respectively. After thorough review and consideration, the OIG believes that the responses do not change the OIG's initial findings. The OIG audited this consulting engagement against the actual contractual articles governing the performance of both parties. In many of Paramedia's responses to the report, Paramedia quotes a different contract article than the article originally cited by the OIG. MDAD, through its response, even acknowledges that the contract was administered under certain assumptions that were based on the interpretation held by its principal author who is now retired.

Read in light of each other, some of MDAD and Paramedia's interpretations of the contract, and the services performed thereunder, conflict with one another. For example, regarding Service Orders for Additional Services, Paramedia's response suggests that Paramedia was, in fact, given authorization to perform additional services and that Service Orders were approved, albeit by the Director's designee. MDAD states that no services were provided as "Additional Services." Instead, MDAD, in its response, classifies all additional expenditures as "reimbursable expenses." Moreover, MDAD has reinterpreted professional consulting fees as a "subset of reimbursable expenses." This interpretation is in direct contravention to the contract, whereby Article 4.2 specifically states that Consultant fees are paid by the County as specified in the Service Orders. Reimbursable expenses are clearly delineated.

Regarding the value received from Basic Services for which a monthly fee is automatically paid, MDAD stated that it directed the consultant to attend and participate in European Trade Shows. MDAD states this as justification for paying the incurred reimbursable expense – consulting fees. The contract clearly states that Paramedia, as a part of the basic service that it renders to the county, will attend European based trade and cargo fairs and staff the exhibits and booths. Again, the OIG questions why the County is paying extra for a service that it should already be receiving as part of a bundled package. In a related matter, Paramedia justifies a \$17,000 expenditure for attending the trade fair, as cited in the report, claiming it pertains to fair fees, stands, and promotional items. The invoice submitted by Paramedia, on the other hand, only contains a flat rate fee for participation. Mediart's invoice, which Paramedia relies on, is no better. That invoice only details a base fee and a flat rate participation fee. Hence, even if these expenditures are considered "reimbursables," no supporting documentation was submitted to justify them.

In short, the administration of this contract left much to be desired. These shortcomings were alluded to in the 1997 audit. At present, this consulting agreement has been terminated and, as such, specific recommendations regarding future performance under the contract are moot. The OIG does recommend, however, the following:

- o That MDAD's accounting and finance staff review the findings herein and determine the amount overpaid to the Consultant. MDAD should confer with the County Attorney's Office regarding possible mechanisms to collect the overpaid amounts.*
- o Future consulting services agreements must have a well-defined Scope of Services, as well as objective benchmark criteria to gauge the contract's usefulness and the contractor's performance.*

As for the recommendations set forth above, the OIG requests that MDAD report back to the Inspector General, by April 1, 2002 regarding the OIG's recommendations.

The OIG appreciates the cooperation and courtesies extended by all county personnel and Paramedia representatives who were involved in our review of the County's consulting agreement for the operation of the Miami International Airport office in Madrid Spain.

Appendix A Draft Notification Letter to MDAD
Response to Draft received from MDAD

Appendix B Draft Notification Letter to Paramedia
Letter to Paramedia granting an extension of time to provide response
Response to Draft received from Paramedia

LIST OF EXHIBITS

- A. County Manager Recommendation Memorandum, dated April 27, 1999, in support of the First Amendment to Consulting Services Agreement with Paramedia, U.S.A., Inc.
- B. Second Amendment to the Consulting Services Agreement, modifying names Paramedia's of Principals.
- C. Projected Additional Services, June 1, 1994 – May 31, 1995. Originally attached as Exhibit A to the Consulting Services Agreement.
- D. Draft Audit Report of Paramedia U.S.A., Inc., dated October 28, 1997.
- E. Paramedia's response, dated December 23, 1998, to MDAD's Draft Audit Report.
- F. MDAD letter to Paramedia requesting additional documents dated December 26, 2001.
- G. OIG letter to Paramedia dated December 5, 2001.
- H. Paramedia's response to OIG request for documents dated December 7, 2001.
- I. OIG Audit detailed analysis of consulting fees and travel expenses for calendar years 1999 and 2000.
- J. OIG letter to MDAD requesting additional documents dated December 5, 2001.
- K. MDAD's response to OIG request for documents dated December 19, 2001.
- L. Paramedia Invoice Number 325.

- M. Excerpt from 10/99 monthly activity report.
- N. Paramedia Invoice Number 374 (Arriazu).
- O. Paramedia Invoice Number 373 (Perez).
- P. Paramedia Invoice Number 375 (Reboiras).
- Q. Chris Mangos' memorandum requesting hotel reservations dated October 6, 1999.
- R. Hotel Invoices for Arriazu, Perez, and Reboiras.
- S. Paramedia's Disclosure Affidavit for Miami-Dade County, Part III, dated April 28, 2001.
- T. Schedule of Paramedia bank deposits for calendar years 1999 and 2000.
- U. OIG letter to Paramedia requesting documents dated July 24, 2001.
- V. Division of Corporations' Public Inquiry for Trean, Inc.
- W. Schedule of Paramedia rental payments drawn from Paramedia bank account for calendar years 1999 and 2000.
- X. Schedule of Paramedia payments coded "Exchange" drawn from Paramedia bank account for calendar year 2000.
- Y. Paramedia's Disclosure Affidavit for Miami-Dade County, Part I.
- Z. OIG Audit detailed analysis of Professional Fees.
- AA. Schedule of fees paid by Paramedia to Mediart for calendar years 1999 and 2000.
- BB. OIG Audit detailed analysis of Promotional Activities Fees for calendar years 1999 and 2000.