

# City of Miami

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INDEPENDENT AUDITOR GENERAL



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February 17, 2021

Honorable Members of the City Commission  
City of Miami  
3500 Pan American Drive  
Coconut Grove, FL 33133-5504

Re: Audit of Easy Grass, LLC  
Report No. 21-05

## **Executive Summary**

We have completed an audit of the City of Miami's (City) contract with Easy Grass, LLC (Easy Grass) and the process through which the City entered into and administered the contract, primarily for the period from December 1, 2013 through September 30, 2020.

During the audit period, the City paid Easy Grass \$1,688,665 for products and installation services under the contract, including \$263,850 for the Brickell Enhancement Project in 2018. The audit objectives included determining whether the contract was approved in compliance with relevant sections of the City Code of Ordinances (City Code); whether the City paid fair and reasonable prices; and whether artificial turf enhancements were properly authorized and monitored.

In conducting our audit, we reviewed the Procurement Ordinance in the City Code; inspected invoices from Easy Grass to verify pricing terms; examined payments to Easy Grass for compliance with the Local Government Prompt Payment Act as defined in the Florida Statutes; obtained comparative prices from local municipalities including Miami-Dade County; and, evaluated the effectiveness of management's internal control policies and procedures.

As a result of our audit, we identified recoverable overpayments of **\$116,020 (Finding 1)** and **\$3,003 (Finding 2)**, and, we have several recommendations to improve the internal controls as they relate to accepting bids obtained by other governmental entities, and oversight over capital improvement projects having a substantial impact in residential areas.

Accordingly, we have noted the following:

1. Easy Grass overbilled the City by \$116,020 by not applying agreed-upon discounts to invoices.
2. The City paid \$3,003 for materials waste not provided for in the contract.
3. The City's contract price was up to 27% more than prices obtained by other local municipalities.
4. Improve controls and procedures over the acceptance of single bid contracts from other government entities.

These and other findings, as well as our recommendations to management, are included on pages six through 11 of the report. We wish to express our appreciation for the cooperation and courtesies extended to us by all City personnel while conducting this audit.

Sincerely,



Theodore P. Guba, CPA, CIA, CFE  
Independent Auditor General  
Office of the Independent Auditor General

Cc: The Honorable Mayor Francis Suarez  
Arthur Noriega V, City Manager  
Victoria Mendez, City Attorney  
Todd Hannon, City Clerk  
Fernando Casamayor, Assistant City Manager/Chief of Operations  
Natasha Colebrook-Williams, Assistant City Manager  
Nzeribe Ihekweba, Assistant City Manager/Chief of Infrastructure  
Alan Dodd, Director, Department of Resilience and Public Works  
Erica Paschal, Director of Finance, Finance Department  
Annie Perez, Director, Procurement Department  
Hector Badia, Assistant Director, Office of Capital Improvements  
Members of the Audit Advisory Committee  
Audit Documentation File

Audit performed by: Deming Zhang, CPA, Senior Staff Auditor

Audit supervised by: Robyn E. Sachs, CPA, CIA, CFE, CISA, CISSP  
Information Systems Audit Administrator

**AUDIT OF EASY GRASS, LLC**

**DECEMBER 1, 2013 THROUGH SEPTEMBER 30, 2020  
REPORT No. 21-05**

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## **SCOPE, OBJECTIVES AND METHODOLOGY**

In accordance with the provisions of Section 48 of the City Charter, and at the request of the City Manager's Office, the Office of Independent Auditor General conducted an audit of the City's contract with Easy Grass. The audit primarily covered the period of December 1, 2013 through September 30, 2020, and selected transactions prior and subsequent to this period.

The scope and objectives of the audit were to:

- Determine whether the Procurement Ordinance and related policies and procedures were followed when the City approved the Easy Grass contract.
- Evaluate whether management's practices maximized the use of public funds.
- Determine whether the pricing offered to the City was fair and reasonable.
- Verify that pricing terms proffered by Easy Grass were honored.
- Determine whether the City's policies and procedures governing the approval and monitoring of capital improvement projects are effective.

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

The audit methodology included the following:

- Reviewed applicable sections of the City Code, Florida Statutes, contracts, and City Commission meeting minutes that were relevant to the audit objectives.
- Obtained an understanding of the internal controls by reviewing applicable policies and procedures, observing current practices, and interviewing employees.
- Performed substantive testing consistent with the audit objectives above, including reviewing all invoices submitted to the City by Easy Grass.
- Examined all payments remitted to Easy Grass by the City, to determine if they were made in accordance with the Local Government Prompt Payment Act.
- Obtained comparable prices for products and services from local municipalities, including Miami-Dade County.
- Performed other audit procedures as deemed necessary.

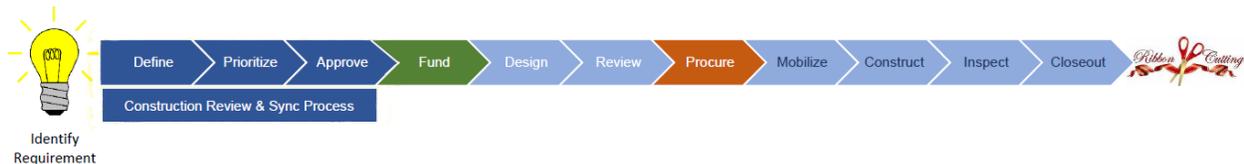
## BACKGROUND

On December 12, 2013, the City approved Resolution #13-0499 authorizing the procurement of artificial turf and installation services from Easy Grass on a citywide, as-needed contractual basis under the City of Sweetwater’s (Sweetwater) request for proposals contract No. 2013-01, effective in Sweetwater on April 18, 2013. The Easy Grass contract was entered into pursuant to the Procurement Ordinance in City Code § 18-111 – Contracts of Other Governmental Entities. The ordinance states that the City may accept a competitive bid which has been secured by another governmental entity, subject to a determination by the City’s Chief Procurement Officer that the contract was entered into pursuant to a competitive process in compliance with City laws, policies and procedures.

Key provisions of the City’s contract include a 5% discount from Sweetwater pricing if the City complies with the Local Government Prompt Payment Act, as defined in the Florida Statutes: and a 3% discount for full installation jobs of 5,000 square feet or greater. From March 1, 2014 through September 15, 2020, the City incurred expenditures of \$1,688,665 on products and installation services from Easy Grass. Products and services purchased from Easy Grass include the provision and installation of decorative vines on sound barrier walls along U.S. 1, rubber surfaces in parks, athletic fields, and playgrounds throughout the City, and artificial grass at various City locations.

A major initiative under the contact was the Brickell Enhancement Project, which began in June 2018 and consisted of installing artificial grass on the swales along Brickell Avenue and Brickell Bay Drive. However, the project was stopped at approximately 80% completion due to citizen complaints. Easy Grass removed most of the installed artificial grass and replaced it with sod. The City paid Easy Grass \$263,850 for this project.

On October 11, 2018, to improve oversight over Capital Improvement Projects, the City Commission unanimously approved Resolution R-18-0467, which states, “The City Manager is hereby directed and authorized to seek and obtain the approval of the respective Commissioner whose District is the location of any City Project under consideration including those that are ongoing. The City Manager is hereby further directed and authorized that, should said Commissioner of the District where such a Project is located disapprove of the same, an item be prepared for inclusion on the next available Commission Meeting Agenda for consideration and approval of the Commission as a whole.” Also, the City has in place the Construction Review and Sync Process (CRSP) which governs capital improvement projects from initiation (identification of requirements) through completion (ribbon cutting). Our communications with the Office of Capital Improvements indicate that during this process the Commissioners and the public are updated on proposed and ongoing projects.



The City Manager’s Office requested that we perform an audit of Easy Grass. This report contains the results of our audit of the City’s contract with Easy Grass, including whether the City entered into and administered the contract in accordance with the Procurement Ordinance and related established policies and procedures, primarily for the period December 1, 2013 through September 30, 2020.

## **AUDIT FINDINGS AND RECOMMENDATIONS**

As a result of our audit, we identified recoverable overpayments of **\$116,020 (Finding 1)** and **\$3,003 (Finding 2)**, and, we have several recommendations to improve the internal controls as they relate to accepting bids obtained by other governmental entities, and oversight over capital improvement projects having a substantial impact in residential areas.

Accordingly, we have noted the following:

1. Easy Grass overbilled the City by \$116,020 by not applying agreed-upon discounts to invoices.
2. The City paid \$3,003 for materials waste not provided for in the contract.
3. The City's contract price was up to 27% more than prices obtained by other local municipalities.
4. Improve controls and procedures over the acceptance of single bid contracts from other government entities.

These and other findings, as well as our recommendations to management, are included on pages six through 11 of the report.

### **FINDING 1: EASY GRASS OVERBILLED THE CITY BY \$116,020 BY NOT APPLYING AGREED-UPON DISCOUNTS TO INVOICES**

Easy Grass offered volume and prompt payment discounts to the City during the time City personnel were evaluating the Sweetwater contract for usage in the City.

Review of emails between Procurement Department personnel and Easy Grass showed that the City requested and obtained a volume discount off Sweetwater prices. Comparison of the "Sweetwater Cost Proposal" (approved by the City of Sweetwater on April 18, 2013) with the "City of Miami rate sheet" (effective November 14, 2013), showed that the procurement and installation prices for Easy Grass were the same. However, the City of Miami rate sheet included "Full Install 5,000+ Ft<sup>2</sup>" prices that were 3% less than the Sweetwater prices. We concluded that the volume discount offered to the City of Miami was reasonable since Sweetwater is a smaller municipality and their estimated annual purchases under the contract were only \$25,000.

Examination of all 74 invoices submitted to the City by Easy Grass (totaling \$1,688,665) under the contract disclosed that the undiscounted Sweetwater prices were billed to the City for all projects that met the criterion for "Full Install 5,000+ Ft<sup>2</sup>". Nine (9) projects completed by the City under the contract with a total cost of \$1,140,208 were over 5,000 sq. ft., however, the volume discounts were never provided. As a result, \$34,206 in volume discounts are due to the City (3% of \$1,140,208 for nine projects over 5,000 sq. ft.) as shown in Table 1 on the next page.

Table 1. Total Expenditures and Volume Discounts Due to the City						
Fiscal Year	# of Invoices	Expenditures on Easy Grass	Expenditures Eligible for Volume Discount	# of Eligible Invoices	3% Volume Discount Due	Projects over 5,000 sq. ft.
2014	4	\$31,504	-	-	-	-
2015	11	\$219,582	\$101,899	1	\$3,057	Artificial Grass in Armbrister Park
2016	18	\$594,188	\$472,827	5	\$14,185	Artificial Grass in Grapeland Park, Rubber Mulch in Coconut Grove and Grapeland Park, Vines (2) on US-1
2017	11	\$77,191	-	-	-	-
2018	9	\$105,086	-	-	-	-
2019	14	\$321,034	\$263,850	1	\$7,915	Brickell Avenue Enhancement
2020	7	\$340,080	\$301,632	2	\$9,049	Artificial Grass in Blanche Park and Coral Gate Park
<b>Total:</b>	<b>74</b>	<b>\$1,688,665</b>	<b>\$1,140,208</b>	<b>9</b>	<b>\$34,206</b>	

Review of the December 12, 2013 City Commission meeting minutes (when the Easy Grass procurement was approved) disclosed that the former Chief Procurement Officer (CPO) stated to the City Commission, “The vendor [Easy Grass] has proffered to the City an additional five percent pricing discount from the existing contract pricing with Sweetwater as long as we’re compliant with the Florida Prompt Payment Act.” The Florida Prompt Payment Act (PPA), codified in the Florida Statutes in Sections 218.70 through 218.80, requires local governments, including the City, to remit payments to vendors within 45 days of the Final Invoice Date.

Examination of invoices, purchase orders, and payments in the City’s Oracle system, inquiry of relevant City personnel, and review of the PPA in the Florida Statutes disclosed that **payments for 73 of 74 invoices (totaling \$1,686,004) were made in compliance with the PPA;** and payment for one (1) invoice (\$2,661) was made in 55 days and was therefore not in compliance.

During our audit fieldwork, we notified City personnel of the 5% PPA discount, and they requested that it be honored by Easy Grass. Accordingly, the two (2) most-recent invoices (totaling \$15,519) paid by the City (both paid on May 1, 2020) during the invoice review period (March 1, 2014 through September 15, 2020) were each provided with the 5% PPA discount. However, the prior **72 (of 74 total) invoices submitted by Easy Grass did not show the payment term as 5% off if paid in compliance with the PPA.** As a result, \$81,814 in prompt payment discounts are due to the City (5% of net expenditures of \$1,636,279), as shown in Table 2 below.

Table 2. Net Expenditures and Prompt Payment Discount Due to the City	
Total City of Miami Expenditures for Easy Grass	\$1,688,665
Less: 3% Volume Discount (Nine Invoices, see Table 1)	\$34,206
Less: Paid outside of PPA (One Invoice)	\$2,661
Less: 5% PPA Discount Already Provided (Two Invoices)	\$15,519
<b>Net Expenditures Eligible for 5% PPA Discount</b>	<b>\$1,636,279</b>
<b>5% PPA Discount Due:</b>	<b>\$81,814</b>

As a result of not applying agreed-upon discounts to invoices, Easy Grass overbilled the City by \$116,020 (\$34,206 volume discount and \$81,814 prompt payment discount).

### **RECOMMENDATION 1: PROCUREMENT DEPARTMENT**

We recommend that the Procurement Department work with relevant City departments as needed (i.e., Department of Resilience and Public Works (DRPW); Finance) to bill and collect the \$116,020 that Easy Grass overbilled the City for purchases from March 31, 2014 through September 15, 2020.

- **Auditee Response:** The Procurement Department agrees with this finding and recommendation. Procurement will set-up a virtual meeting with Public Works and Finance to discuss the overbilling and will subsequently, send a letter to Easy Grass with an invoice to collect the \$116,020 due to the City for overbilling.
- **Implementation Date:** February 2021

### **FINDING 2: THE CITY PAID \$3,003 FOR MATERIALS WASTE NOT PROVIDED FOR IN THE CONTRACT**

The Brickell Enhancement Project consisted of the installation of Easy Grass artificial grass along Brickell Bay Drive and designated areas of Brickell Avenue. However, the project was stopped at approximately 80% completion due to citizen complaints. We compared the square feet of installed Easy Grass that was billed to the City with the square feet actually completed as measured by City personnel and found variances of 5.5% for Brickell Bay Drive and 5.3% for Brickell Avenue. Both variances indicate that Easy Grass billed the City for more artificial grass than they installed.

Review of the proposals/work orders show that the Brickell Avenue proposal included a provision for 5% waste, however, the Brickell Bay Drive proposal/work order did not include a provision for any waste. As a result, the City should not have paid Easy Grass for the waste amount of 5.5% or 412 square feet along Brickell Bay Drive. The value of the disallowed waste, at project cost \$7.29 per ft<sup>2</sup> installed, is \$3,003.

Additionally, the Final Invoice submitted by Easy Grass in November 2018 for the Project showed that although only 80% of the artificial grass was installed (as per Easy Grass's measurements), they billed the City for 100% of the materials. Eighty percent (80%) was billed at the "installed" rate of \$7.29 per ft<sup>2</sup> and 20% was billed at the materials-only rate of \$3.09 per ft<sup>2</sup>. Through inquiry of DRPW personnel, we found that Easy Grass had not yet delivered the 20% of materials (8,181.4 ft<sup>2</sup>) to the City. Subsequently, DRPW personnel wrote that the City had given notice to Easy Grass to deliver the unused material.

### **RECOMMENDATION 2: DEPARTMENT OF RESILIENCE AND PUBLIC WORKS**

We recommend that the DRPW work with relevant City departments to recover the overpayment in the amount of \$3,003 from Easy Grass that the City paid for the waste (materials and labor) not allowed pursuant to the proposal/work order for the Brickell Bay Drive enhancements and ensure that Easy Grass delivers the 20% of unused material.

- **Auditee Response:** We recently opened a Legal Service Request with the Law Department to craft the reimbursement request letter. The 20% of unused material was received.
- **Implementation Date:** Implemented.

**FINDING 3: THE CITY’S CONTRACT PRICE WAS UP TO 27% MORE THAN THE PRICES EXTENDED TO OTHER LOCAL GOVERNMENTAL ENTITIES**

To determine whether the prices the City paid Easy Grass were competitive and maximized the purchasing value of public funds, we obtained prices from other local governmental entities that have purchased comparable products from Easy Grass. We obtained the following comparative prices from the City of Doral (Doral) and Miami-Dade County (MDC):

- City of Doral: \$5.75 per ft<sup>2</sup> installed.
- Miami-Dade County: \$6.00 per ft<sup>2</sup> installed.

The City paid \$7.29 per ft<sup>2</sup> for SynLawn 256 installed, which was used in several of the City’s projects. Doral’s contract with Easy Grass contained the installed price of \$5.75 (City’s price was 27% more) for 5,500 ft<sup>2</sup> of SynLawn 256. Doral’s price was based on a rate sheet from Easy Grass dated June 2014. MDC does not have a contract with Easy Grass, but they are an approved vendor, and price is determined using the spot market rate. The invoice we obtained from MDC was dated August 15, 2018; they paid the installed price of \$6 per ft<sup>2</sup> for 7,200 ft<sup>2</sup> of SynLawn 214 (which is comparable to SynLawn 256, a discontinued product). The City’s price is 22% more than MDC’s price. During the audit period, the City procured goods and services from Easy Grass in the total amount of \$1,688,665 of which \$488,294 was spent on SynLawn 256.

Additionally, we noted that the Sweetwater Easy Grass contract does not have an expiration date. As a result, the prices for purchases under the agreement do not reflect current market prices.

**RECOMMENDATION 3.1: PROCUREMENT DEPARTMENT**

We recommend that the Procurement Department seek competitive bids, in accordance with provisions of the City Procurement Code, for the products listed in the Easy Grass contract, for known estimated usage volumes and expenditures, and separately solicit competitive bids for large-scale projects.

- **Auditee Response:** Procurement will be competitively soliciting for these services in one contract, not multiple solicitations and contracts as this is not feasible. Additionally, this solicitation will include a “Most Favored Nations” clause that entitles the City of Miami to receive and be governed by the most favorable terms and conditions that the vendor grants now or in the future to a similarly situated local government.
- **Implementation Date:** We will issue a solicitation by March 2021.

**RECOMMENDATION 3.2: PROCUREMENT DEPARTMENT**

We recommend that the Procurement Department identify all existing contracts without expiration dates and re-evaluate each contract for reasonableness.

- **Auditee Response:** In 2019 Procurement launched in Oracle the Contract Database module to offer more transparency to our internal and external clients and the public. When contracts were uploaded into the database we were actively mindful to identify contracts, if any, with no expiration dates that were not construction, as these contracts end when the project is completed. Procurement will continue to be mindful of ensuring that contracts have definitive dates.
- **Implementation Date:** On-going.

**FINDING 4: IMPROVE CONTROLS AND PROCEDURES OVER THE ACCEPTANCE OF SINGLE BID CONTRACTS FROM OTHER GOVERNMENT ENTITIES**

City Code of Ordinances § 18-111 Contracts of Other Governmental Entities, states:

“The City may, in lieu of other city competitive bidding procedures, accept a competitive bid which has been secured by or on behalf of any federal, state, county or municipal government or from any other governmental entity, state funded institutions and not-for-profit organizations, subject to a determination by the chief procurement officer that the contract was entered into pursuant to a competitive process in compliance with city laws, policies and procedures.”

During the December 12, 2013 meeting of the City Commission, the Procurement Department (Procurement) requested and obtained approval of Resolution #13-0499 authorizing the purchase of artificial turf and installation services from Easy Grass on a citywide, as-needed contractual basis under the existing City of Sweetwater (Sweetwater) request for proposal (RFP) contract No. 2013-01, effective on April 18, 2013. According to the Sweetwater contract, seven entities expressed interest in RFP 2013-01. However, Easy Grass was the sole bidder, and the Sweetwater City Commission waived the city’s three-bid requirement to accept their bid.

Procurement’s standard operating procedures (SOP) state in Section 10.D, “Should only one response to an IFB, RFP, RFQ, or RFLI be received, the City shall have the following options: a) Accept the offer that was made, if the price is fair and reasonable; b) Negotiate an acceptable contract with the sole bidder; c) Reject the offer as non-competitive and re-bid making changes to allow more competition. The changes may be, but are not limited to, the specifications, mailing list, and the advertising medium.” Additionally, the SOP states that the chief procurement officer is required to send a survey to the vendors to determine if there was a hindrance to competition and why bidders/proposers did not respond. Sample survey questions are provided in the SOP.

However, in cases such as Sweetwater’s single-bid Easy Grass contract, there is no requirement that Procurement personnel document that a price obtained by an outside entity from a single-bidder is fair and reasonable, prior to accepting the offer. Also, there is no requirement that Procurement obtain surveys from the outside entity that were sent to vendors to determine if there was a hinderance to competition, and why the vendors did not respond to the solicitation. Finally, the checklist “Accessing Competed Co-Op and Governmental Contracts” does not require Procurement personnel to submit documentation that they determined the single-bid prices obtained by an outside entity were fair and reasonable, and reasons why only one entity submitted a bid.

Without performing this analysis, there is a risk that the City will accept prices that are in excess of what other local municipalities have received, and that the City is not maximizing the value of public funds.

#### **RECOMMENDATION 4: PROCUREMENT DEPARTMENT**

We recommend that the Procurement Department update their Standard Operating Procedures (SOP) Section 31.A. to require that a determination be made as to whether the price obtained by another governmental entity from a single-bid contract is fair and reasonable, and require that the determination be documented, with supporting evidence, prior to accepting the offer.

Additionally, we recommend that the Procurement Department update their SOP to require that prior to accepting a single-bid contract obtained by an another governmental entity, that the department obtain surveys sent by the other entity to non-responsive vendors to determine if there was a hinderance to competition and why the bidders/proposers did not respond to the solicitation.

Lastly, we recommend that the Procurement Department update the checklist “Accessing Competed Co-Op and Governmental Contracts” to include the aforementioned survey as a required document and documentation supporting the department’s determination that the price offered by a single-bidder in a piggybacked contract is fair and reasonable.

- **Auditee Response:** In May 2020, Procurement launched GovQuote a national database that governmental entities can use to receive quotes, and get PO and contract data from other entities for market research purposes, particularly for cost comparison purposes. Procurement has been using this tool to compare pricing for goods and services when conducting market research. Procurement is in agreement that our SOP needs to be updated to reflect that for a single Bidder/Proposer that market research will be conducted to determine that the pricing offered is fair and reasonable. Procurement agrees to update the checklist to include a cost comparison when there is a sole Bidder/Proposer in a contract the City is accessing.

Procurement does not agree with the second recommendation as it relates to a survey as it is impossible for Procurement to “force” another governmental entity to conduct a survey to determine if there was a hinderance to competition if there was only a single Bidder/Proposer. The survey is a sound practice that the Director of Procurement instituted in the City; however, other entities are not required to institute this practice.

- **Implementation Date:** March 2021