



MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jorge M. Gonzalez, City Manager
VIA: Kathie G. Brooks, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: September 29, 2010
AUDIT: Boys & Girls Club – South Beach Audit
PERIOD: October 1, 2007 through January 31, 2010

This report is the result of a regularly scheduled audit of the Boys & Girls Club – South Beach covering the receipt and disbursement of grant monies administered through the City and their compliance with selected terms in the grant and management agreements.

INTRODUCTION

The Boys & Girls Club of Miami –Dade operates five separate clubs within the county with one being located in the south end of the City of Miami Beach. According to the Boys & Girls Clubs of Miami-Dade, Inc.'s or BGCM-D's website, their mission is to inspire and enable young people, especially those who need us most, to reach their full potential as productive, caring and responsible citizens. To help achieve their mission, the following beneficial programs are offered to children aged five years and older at the South Beach club:

- The After School program components include quality homework assistance, computer academic enhancement, academic and behavioral monitoring, leisure enrichment time, arts and crafts, dance, game room activities and outdoor activities.
- The Teacher Work Day program provides children whose parents work with a full day of activities for learning and enjoyment when school is out where they are monitored by qualified staff members who also interact and assist in developing activities.
- Sports programs are designed to provide a safe and healthy environment so that children can learn team skills, increase self-esteem, build character, and become positive role models and increase motivation as well as specific skills related to the sport.
- Spring Break Camp program is designed to provide children with a full week of activities that will enrich their learning and growth.
- The Summer Camp program allows children to learn values such as friendship, honesty and teamwork by providing a safe and secure environment in which they can express and develop such relationships.

The fees charged to these programs participants are minimal as shown by charging a \$50 fee for up to 180 days attendance in the After School program and \$35 excluding field trips for up to 40 days attendance in the Summer Camp program. Included in these prices registered children also receive snacks and lunches at no charge as well as bus service from their respective Miami Beach school to the facility located at 1200 Michigan Avenue in Flamingo Park for the After School Program.

The South Beach Club was first authorized by the City Commission through Resolution No. 95-21465 to operate in Flamingo Park. Their lease terms have been amended and extended several times since with the most recent commencing with the City Commission's adoption of Resolution No. 2008-26939 authorizing BGCM-D to manage and operate the South Beach club between 11/01/08 and 10/31/38. If the listed terms are satisfied, then this agreement shall be automatically renewed for a maximum of two additional ten year terms. A few of the deemed more important

We are committed to providing excellent public service and safety to all who live, work, and play in our vibrant, tropical, historic community.

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points covered in the signed agreement are summarized as follows:

- A new facility is to be built on the existing premises at the sole cost and responsibility of the BGCM-D, which once completed would be owned by the City but operated by BGCM-D.
- The program is available to all Miami Beach youth, ages 5 through 14 with no child turned away because of financial difficulties.
- The City will be provided annually with such documents as a report of all uses, services, programs, events and activities accompanied by the number of persons participating; and a detailed line item operating budget.
- BGCM-D at its sole cost and expense shall keep, maintain and repair the South Beach club.
- BGCM-D is responsible to pay for all licenses, permits, utilities, taxes and assessments imposed by law.

A majority of BGCM-D's monies used to help fund operations and to keep costs low for needy families are derived from grants, fundraisers and donations. During the audit period covering 10/01/07 through 01/31/10, the City paid the following grant monies to BGCM-D:

- \$16,606 annually from the City's general fund was included in the City's approved budgets to be used by BGCM-D as needed. These monies are paid annually upon the Finance Department's receipt of an invoice requesting payment of the designated monies. All these monies have been paid by the City to date.
- \$27,000 in Community Development Block Grant or CDBG monies was approved during the 2007/08 and 2008/09 fiscal years as well as \$22,012 in the current fiscal year. These monies are slated for the juvenile program which provides an after school and summer camp program for approximately 300 youth ranging in ages from 5 to 14. During our audit, none of the monies pledged for the 2009/10 fiscal year have been paid as the agreement was recently signed and the non-profit organization has yet to submit any documentation of eligible expenditures for reimbursement to the City's Community Development Specialist.
- \$5,000 out of an approved \$100,000 in CDBG funds were paid during the 2007/08 fiscal year to reimburse BGCM-D for architectural design costs incurred in the planning of their new facility. Another \$200,000 in CDBG funds were subsequently pledged in the 2008/09 fiscal year for the construction of the new South Beach club. Lastly, \$50,000 more in CDBG monies for the current 2009/10 fiscal year were approved to help fund construction. The remainder of these monies (\$345,000) will be reimbursed when construction begins and valid expenditures are submitted and approved.

Other grant monies were also received from the Children's Trust and Miami-Dade County. These grantors have their own signed grant agreements with the BGCM-D specifying the terms and conditions upon which the agreed upon amounts will be disbursed.

Another BGCM-D revenue source is fundraisers which include monies raised from the sale of Christmas trees, golf tournaments, galas, dinners, silent auctions, etc. These events are held at various times throughout the year and typically benefit all five Boys & Girls Clubs currently located in Miami-Dade County. Thirdly, donations are received from individuals, businesses, United Way, etc. who wish to help a specific club, program or the organization as a whole.

Finally, the City's Community Development Specialist monitors BGCM-D's compliance with the signed CDBG agreements while the Redevelopment Coordinator is responsible for ensuring adherence to the terms detailed in the signed management agreement.

OVERALL OPINION

The Boys & Girls Clubs of Miami-Dade, Inc. (BGCM-D) stages a number of programs to benefit the Miami Beach community's children. Internal controls were found to be generally sufficient and the documentation maintained was well organized and complete. Sampled expenditures submitted for reimbursement were eligible and were not also submitted to other grantors for reimbursement. Also, received City grant monies were deposited intact into the grantee's general operating bank account during the audit period. Despite these positive findings, the following items were noted during testing and are in need of improvement:

- Although construction of a new facility is anticipated to begin in September 2010, the South Beach club's current maintenance levels were found to be lacking as the building's forty year recertification process and annual certificates of use and fire inspections were not conducted. A 03/11/10 fire inspection was performed at Internal Audit's request whereby seventeen different violations were noted that needed repair.
- The City did not prepare a grant agreement for fiscal year 2009/10 specifying the terms and conditions upon which their \$16,606 annual contributions were to be spent.
- Documentation shortcomings are addressed which include not executing Community Development Block Grant agreements timely and the grantee's incomplete monthly submittals of reimbursable expenditures.
- The grantee's submitted insurance to the Community Development Specialist was not given to the City's Risk Manager for his review and approval. Once done, it was determined that their current automobile insurance coverage did not name the City as an additional insured in adherence with section 20 of the signed agreement.
- Although audits were completed by an independent accounting firm for the fiscal years ending May 31, 2008 and May 31, 2009, they were not completed by the November 27th due date specified in section 20 of the signed Community Development Block Grant agreements.
- Section 5.3 of the management agreement states that the club's normal hours of operation shall be from 12:00pm to 8:00pm during school days and from 7:30am to 6:30pm during teacher work days, school breaks and summer but actual operating hours were found to be less.

PURPOSE

The purpose of this audit was to determine whether the Boys & Girls Clubs of Miami-Dade, Inc. complied with tested requirements listed in the signed grant agreements and management agreement in effect during the audit period of October 1, 2007 through January 31, 2010; whether maintained accounting records and supporting documentation are properly organized, complete and sufficient; whether monies received from various sources were properly safeguarded and deposited intact; whether eligible expenditures for reimbursement were submitted timely, sufficiently documented and properly approved; and whether sampled business tax receipts, permits, licenses, utilities, etc. were current.

SCOPE

1. Confirm that all funding received from the City annually was deposited intact, properly

- documented and correctly recorded.
2. Confirm that supporting documentation maintained is complete, well organized and sufficient.
 3. Confirm that monies were properly expended for specified programs and were not duplicated in expenditures reported to other funding agencies.
 4. Confirm that sampled expenditures were properly approved, paid timely and for legitimate business purposes in satisfaction of the organization's mission statement.
 5. Confirm that the facility is properly maintained so that it is reasonably safe for its inhabitants.
 6. Confirm that annual budgets, certified reports and financial statements were timely submitted to the City in accordance with the management agreement.
 7. Confirm that the non-profit organization is current on all City business tax receipts, permits, licenses, utilities, etc.
 8. Confirm that appropriate insurance coverage is maintained and approved by the City's Risk Manager.
 9. Confirm the status of the proposed new building and that it is meeting the terms and timelines specified in the management agreement.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding: *The Forty Year Building Recertification, Certificates of Use and Fire Inspections were not Performed Raising Concerns as to the Safety of the Building*
Although the South Beach club did not come into existence until January 13, 1995, the City owned building that it operates from was initially constructed in either the 1920's or 1930's per inquiries with Boys & Girls Clubs of Miami-Dade, Inc. (BGCM-D) management. The City's Building Department has been unable to date to determine exactly when the facility was built.

Since the building is more than forty years old and apparently meets the other required criteria, Internal Audit believes that it should comply with Section 8-11(f) of the South Florida Building Code which summarized requires the submittal of a written Recertification Report prepared by a Florida registered professional engineer or architect certifying that the building is structurally and electrically safe for the specified use for continued occupancy. However, review of the Permits Plus system did not find any indication that the recertification process was initiated.

In addition, BGCM-D is exempt from having to pay for a business tax receipt (formerly known as an occupational license) annually per section 205 of the Florida Statutes as they are considered a charitable organization. For whatever reason, the property was not subsequently entered into either the City's Permits Plus or Eden systems whereby a business tax receipt certificate showing a \$0 amount due was issued.

As a result, the City did not require BGCM-D to annually pay for and obtain a certificate of use and a fire inspection as the need to acquire these items is presently based on the customer's attainment of a business tax receipt. Consequently, the City's Building and Fire Departments did not physically inspect the premises to help ensure its inhabitants' safety as required to obtain the certificates of use and fire inspections respectively.

Section 9.2 of the signed agreement summarized states that BGCM-D at its sole cost and expense shall keep, maintain and repair the South Beach club, and all improvements, fixtures, and equipment thereon, in good, clean and sanitary order. During a March 2, 2010

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site visit, Internal Audit noted roof leaks, rotted interior doors, clusters of low hanging electrical cords plugged into electrical outlets, a broken leg on a gaming table, etc. Also, pictures were provided by the South Beach club's unit director showing more than a foot of water inside the building during last summer's heavy rains.

Furthermore, section 9.3 requires that any alterations, additions or improvements to the premises shall require the prior written approval of the City Manager. Internal Audit was shown instances whereby electrical work was done by staff, metal bars were added to the windows, a computer lab was created by cordoning off a portion from the main gaming room, an outside eating area was constructed on the south side of the building, etc. Yet, no record of any permits garnered in either the Permits Plus or Eden systems could be found. These building modifications and repairs may have been done properly and permits may not be necessary but annual interior inspections for the certificate of use and fire inspection would most likely have determined their necessity. At Internal Audit's request, a City Fire inspector went to the premises on March 12, 2010 and documented seventeen fire violations that needed repair.

Internal Audit realizes that it looks promising that a new South Beach club will start construction later this fiscal year as BGCM-D management claims that they have the necessary funding and they provided exterior pictures of the designed facility and blue prints of the interior. Their intentions are to raze the old facility and to elevate and pour the new facility's foundation so that the new 11,000 square foot two story prefabricated building can be delivered shortly afterwards. Plans are to have the new South Beach club completely operational prior to the close of the 2011/12 fiscal year.

Recommendation(s):

The Public Works Department needs to coordinate with the Building Department to insure that all City buildings are in compliance to the forty year recertification. Absent a demolition permit, the South Beach club building should have the forty year recertification process performed. Until the current building is demolished, the certificate of use and fire inspection processes should also be complied with. The outcome of the Building and Fire Departments' analyses should dictate whether the current facility continues to be inhabited or an alternate temporary facility needs to be found. Finally, the Building and Finance Departments should establish a practice whereby non-profit organizations are billed, inspected and issued certificates of use and fire inspection fees thru the business tax receipt system.

Management Response (Public Works):

Property Management Division preformed a life /safety walk through of the facility on May 20, 2010. Any identified deficiencies were repaired. Since this facility is scheduled to be demolished, it is not warranted to pursue the forty year certification.

Management Response (Real Estate, Housing and Community Development):

BGCM-D was granted a certificate of appropriateness to demolish the existing facility on January 13, 2010. During the week of June 8, 2010, BGCM-D met with Planning and Building to begin to formulize construction plans, targeting early August to obtain a full building permit. Demolition and groundbreaking on the new project is scheduled for August, with substantial completion expected by early 2011. It should be noted that the forty year recertification of the building is not only the City's responsibility but was due well before BGCM-D entered into its lease in July 2006. Based on the City's records, the structure was built in 1950. It is further our understanding that once the full permit is issued in August, the

recertification requirement will become a moot issue. It is further our understanding that the fire violations fall within the City's purview to address as well, but once the building is demolished, the violations will also become irrelevant.

Internal Audit Observation

While we agree with Public Work's response that it doesn't make sense to perform the forty year certification for this building since it is scheduled for demolition, the critical issue is whether the city is timely addressing the forty year certifications for all of its facilities. Public Works Department needs to coordinate with the Building Department to insure that all City buildings are in compliance to the forty year recertification.

2. Finding: Grant Agreements Not Prepared for the City's Annual \$16,606 Contribution
The City's annual adopted budgets authorized the BGCM-D's South Beach club to receive \$16,606 in grant funds each fiscal year during the 2007/08 and 2008/09 fiscal years included in the audit period. Starting in fiscal year 2009/2010, the City initiated grant agreements for agencies receiving funding from Citywide funds to detail the responsibilities of each party as to how these monies were to be spent. However, the grant agreement for this fiscal year was not prepared. One is currently being prepared by the City's Office of Community Services for the 2009/10 fiscal year, which will be subsequently sent to the grantee for approval before any monies are disbursed.

Testing showed that these monies were deposited intact into the BGCM-D's general operating account to be used as needed in funding any Miami-Dade County operations. Therefore, Internal Audit could not prove or disprove whether the City's annual \$16,606 contributions were spent on the South Beach club and Miami Beach children. Although one could argue that the South Beach club costs more than all the monies given by the City to operate so that the City's contributions ultimately benefitted Miami Beach children.

Recommendation(s):

The City should prepare grant agreements for these annual monetary payments made to BGCM-D. The agency should maintain separate accounting records for the spending of funds received from this grant agreement.

Management Response (Real Estate, Housing and Community Development):

Recipients of Citywide funding receive agreements. However, at the time of this audit review, the contract was not executed. Subsequent to the audit, the City's Office of Community Services has prepared an agreement and it has been executed by the Grantee. The agreement included a budget that specifically outlines how the funds are to be spent, which will provide a means of tracking whether or not Miami Beach children have benefited.

3. Finding: Reimbursements Made when Additional Expenditure Documentation is Warranted
For the most part, the Community Development Block Grant or CDBG agreements were nearly identical for the 2007/08, 2008/09 and 2009/10 fiscal years but they were frequently not completed and signed until well into the fiscal year. For example, four of the six tested CDBG agreements were not signed until at least January 3rd which is more than ninety days after the beginning of the fiscal year when eligible expenses typically start being incurred by the non-profit organization.

Once the City Commission approves the funding and grant agreements are executed, BGCM-D is to submit monthly documentation (vendor invoices, cancelled checks, progress reports, etc.) to the City by the tenth of each month requesting reimbursement for the listed

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expenditures. The City is not affected since the Department of Housing & Urban Development retains all authorized grant monies until the City requests these funds to reimburse approved expenditures.

These documents are reviewed and approved by the City's Housing and Community Development Division before a corresponding check is issued by the Finance Department. Review of all months' submitted documentation found that the early months of October 2007 through January 2008 were missing either bank statements and/or the supporting documentation for payroll and tax payments.

Recommendation(s):

Although there is typically extenuating circumstances delaying the annual completion and signing of the grant agreements attributable to both parties, the grantee still has underlying expenditures associated with the programs that need to be paid. This delay could cause the grantee economic hardship unless they have sufficient reserves and capital to pay these expenses first, knowing that reimbursement will come at a later date. Future grant agreements should be drafted and approved close to the beginning of the year so that the monies can be made available more quickly to the grantee.

The Housing and Community Development Division should more closely examine each month's submitted documentation to determine if there are any shortcomings. If so, BGCM-D should be immediately notified so that they can make the necessary corrections before any grant funds are disbursed.

Management Response (Real Estate, Housing and Community Development):

During FY 2008, HUD conducted an audit which determined that the boilerplate CDBG contract language required certain amendments. This necessitated the development of a new boiler plate language, which resulted in delaying contract execution.

Furthermore, CDBG fund commitments for October 1 – September 30 fiscal year are appropriated by the Commission in July. HUD is notified of the City's planned award by August 15 via an Action Plan. Contracts are drafted by staff and dated October 1 to coincide with the HUD fiscal year. However, HUD does not actually make funds available until January. At the same time, staff is able to open HUD/IDIS accounts and begin to process reimbursement requests.

Future documentation will be more closely examined. The Department is in the process of hiring an experienced CDBG monitor and new operating policies are being established, which include project monitoring throughout the fiscal year.

4. Finding: Insurance Policies Not Reviewed by the City's Risk Manager and the Automobile Insurance Coverage did not Name the City as an Additional Insured
Section 20 of the signed management agreement and section 21 of the CDBG agreement respectively list the insurance coverage that shall be maintained at all times and its required submittal to the City's Risk Manager annually for approval. Testing found that the grantee had submitted the policies annually to the City's Redevelopment Coordinator where they were forwarded to the City's Risk Manager for his review and approval.

However, the submitted insurance policies did not include BGCM-D's automobile coverage. Once submitted by Internal Audit to the City's Risk Manager, it was learned that the maintained coverage was incomplete as it did not list the City as an additional insured.

Once notified, the oversight was corrected and the policy was promptly approved by the City's Risk Manager.

Recommendation(s):

The Redevelopment Coordinator and/or Community Development Specialist should ensure that all insurance coverage addressed by the applicable agreements is maintained and subsequently forwarded to the City's Risk Manager for his review and approval. The corresponding grantee should be promptly notified of any found deficiencies and given a designated time period upon which to rectify any shortcomings.

Management Response (Real Estate, Housing and Community Development):

The current Lease Agreement requires Comprehensive General Liability coverage of \$1 Million per occurrence and must name the City of Miami Beach as an additional insured. The current certificate, approved by the City's Risk Management on 3/29/10, provides \$3 Million in general aggregate and \$1 Million per occurrence as required by the lease. It also names the City as an additional insured.

The CDBG Agreement does require automobile insurance coverage, which must be reviewed and approved by the City's Risk Manager. As outlined by the Internal Auditor, this matter has been addressed and corrected. Future documentation will be more closely examined. The Department is in the process of hiring an experienced CDBG monitor and new operating policies are being established, which include project monitoring throughout the fiscal year.

5. Finding: Annual Financial Statement Audits Not Completed Timely

Section 20 of the five CDBG agreements signed between the City and MBCDC during the audit period states "*Audits shall be conducted annually and shall be submitted to the City 180 days after the end of the Provider's fiscal year {May 31st}*". BGCM-D properly had audits of their consolidated financial statements for the 2007/08 and 2008/09 fiscal years by the independent accounting firm of Verdeja & De Armas, LLP. Both of these audits contained unqualified opinions which summarized means that the financial statements were presented fairly, in all material respects, the financial position of BGCM-D its subsidiaries for the audited periods.

However, the 2007/08 fiscal year audit was submitted to the City's Community Development Specialist on 12/23/08 or twenty-six days past the November 27th annual due dates specified in the aforementioned section 20. Although the 2008/09 fiscal year audit was signed by the external auditors on 09/10/09, it had not yet been submitted to the City. Upon notification of the inadvertent omission, BGCM-D's Grants Development Director e-mailed the independent auditors' report on 03/05/10 to the City's Community Development Specialist.

Recommendation(s):

In the future, BGCM-D should submit their annual audits within the time frame specified in section 20 of the signed grant agreements. If the audit deadline is deemed unobtainable and acceptable to both parties, then next year's grant agreements should be revised to extend the audit's due date for the grantor. Whatever the due dates specified in future grant agreements, BGCM-D (if awarded grant monies) should make a more concerted effort to comply. Finally, the Redevelopment Coordinator should use the Eden System's Contract Management module to centralize and help monitor all relevant contract requirements (insurance, independent auditors' reports, maintenance inspections, etc.).

Management Response (Real Estate, Housing and Community Development):

Future documentation will be more closely examined. The Department is in the process of hiring an experienced CDBG monitor and new operating policies are being established, which include project monitoring throughout the fiscal year. Additionally, revisions will be made to future contracts if the current compliance deadlines cannot be achieved in the grantee's normal preparation of its audits.

6. Finding: Open Less Hours than the Times Specified in the Signed Management Agreement's Section 5.3

Section 5.3 of the signed management agreement states *"The City and BGCM-D herein agree that normal hours of operation for the Club shall be from 12:00PM to 8:00PM, Monday through Fridays during school days, and 7:30AM to 6:30PM during teacher work days, school breaks, and summer."* Yet, inquiries discovered that the after school program is held daily between the hours of 2:00PM and 7:00PM, which is three less hours per day than required per the agreement.

Furthermore, it was learned that the South Beach club is open from 8:00AM till 6:00PM during teacher work days, school breaks and summer. These daily operating hours are in total sixty minutes less than required to be open per the signed agreement.

The management agreement further specifies that in no event shall the Club's hours of operation be shorten without the prior written consent of the City Manager. BGCM-D could not provide any evidence that this request was made and granted.

Recommendation(s):

The Club should obtain written approval from the City Manager as to the changes in operating hours.

Management Response (RHCD):

BGCM-D informed us that the hours of operation have always corresponded to their programming, which runs from 2:00pm to 7:00pm during the school days and from 8:00am to 6:00pm during teacher work days. Staff recommends addressing this change in the form of a Letter agreement between the Landlord and the BGCM-D, providing an "at minimum" hours of operations, using the time noted by BGCM-D as the benchmark. It is anticipated that such Agreement can be executed by the City Manager or his designee.

Management Response (BGCM-D):

The reasoning behind having our hours of operation for the South Beach Club as 12:00 PM to 8:00 PM, Monday through Fridays during school days is so staff may be able to clean, organize and plan for the after-school program and the clients we serve. If we did not have two hours of prep time prior to children's arrivals then there would be no time to clean dirty floors, unclog bathrooms and arrange furniture & equipment. Additionally the club maintains it is open till 8:00 PM in the case where a child has yet to be picked up by his/her parent. As to Teacher Work Days, school breaks, and summer, the hours the club is open to our clients is 8:00 AM- 6:00 PM but staff are required to be at the club from 7:30 AM- 6:30 PM for the reasons previously stated. Were we to agree to an amendment of our hours, then were there an instance where we needed to be open longer, than it could be stated that we are in breach of our agreement, if personnel or clients were inside our club 5 minutes earlier or later.

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Based on our response, Boys & Girls Clubs of Miami-Dade does not deem it necessary for any changes to be made in the hours of operation within our agreement with the City of Miami Beach.

EXIT CONFERENCE

An exit conference was held on June 22, 2010 at the Housing and Community Development Division's offices. Participants included Anna Parekh (Director Real Estate, Housing and Community Development), Mercedes Roviroso (Community Development Specialist), James Sutter (Internal Auditor) and Mark Coolidge (Senior Auditor). Minor revisions were made and the audit report was subsequently sent to BGCM-D for their review. Management responses were solicited from both the Housing and Community Development Division and BGCM-D. They were received shortly thereafter and were included in this report.

JS:MC:mc

(Audit performed by Mark Coolidge, Senior Auditor)

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