



OFFICE OF INSPECTOR GENERAL

FLORIDA DEPARTMENT OF TRANSPORTATION

605 Suwannee Street • Tallahassee, FL 32399-0450
(850) 410-5800 • www.dot.state.fl.us/inspectorgeneral

Robert E. Clift
Inspector General

Joint Participation Agreement APC30 between
District Five and the Sanford Airport Authority
Attestation Report No. 12I-3003

November 13, 2012

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) conducted an examination of Joint Participation Agreement (JPA) APC30 between the Florida Department of Transportation (department) and the Sanford Airport Authority (SAA). The purpose of the amended JPA was for the design and construction of a large aircraft hangar. We conducted the examination as part of the OIG's annual work plan.

The total cost of the project was \$5,091,229. The department reimbursed the SAA \$2,500,000 (50%) based on the amended estimate of \$5,000,000.

Our examination concluded the SAA complied, in all material respects, with JPA APC30 and applicable governing authorities. Based upon examination of the sampled invoices and supporting documentation, costs charged to the JPA were presented fairly and costs billed to the department were accurately represented by supporting documentation.

However, we noted one finding relating to the District Five monitoring of JPA APC30. District Five personnel deleted two significant areas of monitoring, provisions 12.10 "Third Party Agreements" and 15.00 "Plans and Specifications," from the JPA prior to the execution of the agreement. Therefore, we concluded that District Five did not conduct adequate monitoring procedures to determine whether state resources were used: in a manner consistent with the department's mission; in compliance with laws and regulations; with a minimum of waste and mismanagement; and in an efficient and effective manner. This increases the risk of waste or misuse of state resources.

We recommend the District Five Intermodal Systems Development Manager ensure future Public Transportation JPAs are executed using the full version which includes all monitoring provisions to ensure department resources are used efficiently and effectively.

District Five indicated they agreed with the finding that certain provisions of the JPA were deleted; however, they did not agree with the conclusions drawn as a result of the deletions. District Five stated the district Aviation Unit will take the initiative to work with the central and district aviation units statewide, along with the Central and District Five legal offices, to review the requirements of the JPA. Through this review, a determination will be made on what changes can be made to the JPA while maintaining efficiencies and effective monitoring.

Based on the results of this review, the District Five Intermodal Systems Development Manager should ensure future aviation JPAs are executed in a consistent manner with Central Office guidance.

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BACKGROUND AND INTRODUCTION

The SAA and the department entered into JPA APC30 on October 21, 2008. The purpose of the JPA was for the expansion of a general aviation hangar to accommodate large aircraft at the Orlando Sanford International Airport. The original estimated cost of the project was \$3,100,000 with the department contributing 50 percent (\$1,550,000) and the SAA contributing 50 percent (\$1,550,000).

The JPA had one supplemental agreement dated December 8, 2008, increasing the project estimate \$1,900,000, of which \$950,000 was the departments share. The supplemental agreement requested additional funds in order to amend the project description to design and construct a large aircraft hangar.

The total amended estimated cost of the project was \$5,000,000 with the department contributing 50 percent (\$2,500,000) and the SAA contributing 50 percent (\$2,500,000).

According to the SAA, the total capitalized cost for the general aviation hangar was \$5,091,229. Although the capitalized cost exceeded the contract amount, the department's contributions did not exceed the \$2,500,000 pursuant to the amended JPA.

INDEPENDENT ACCOUNTANT'S REPORT

We have examined SAA's records for the period October 21, 2008 through April 8, 2011, in accordance with JPA APC30 and specified requirements.

SAA's management is responsible for compliance with these requirements. Our responsibility is to express an opinion on SAA's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to Attestation Engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Accordingly, this engagement included examining, on a test basis, evidence of SAA's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on SAA's compliance with the specified requirements. In our opinion, SAA's billings for JPA APC30 present, in all material respects, allowable amounts due for the period October 21, 2008 through April 8, 2011, in conformity with the terms of the JPA.

RESULTS OF EXAMINATION

During this examination, we reviewed a sample of 29 invoices submitted by the SAA to the district as supporting documentation for reimbursement. This sample included one invoice from each of the 29 different subcontractors/vendors used by the SAA for this project. This sample represented costs totaling \$1,637,128 or 32.74% of \$5,000,000, the total amended amount of the project. No significant issues were identified relating to the costs that were reimbursed by the district. However, while reviewing the requirements of JPA APC30, we noted one finding related to monitoring by the district. This finding is further detailed below.

Finding 1 – JPA Monitoring Procedures

Objective	Determine if District Five conducted adequate oversight of the project.
Conclusion	District Five personnel did not provide adequate monitoring of the JPA.
Condition (Supporting Evidence)	The Public Transportation JPA contains language regarding monitoring activities for the district. In provision 12.10 “Third Party Agreements,” the district is required to review and approve third party agreements executed by the agreement agency. While provision 15.00 “Plans and Specifications” requires the review and approval of the plans and specifications related to this project by the district, the executed JPA between District Five and SAA had these two provisions removed. James Wikstrom, Aviation & Seaport Supervisor, in District Five stated that these requirements were removed prior to execution of the JPA because of staffing issues at the district.
Criteria	The department’s Project Management Handbook, Chapter 4, Monitoring and Control, states, “The proper stewardship of state resources is a fundamental responsibility of Department managers and staff. Resources must be used in a manner consistent with the department’s mission, in compliance with law and regulation, and with a minimum of waste and mismanagement.” This section also describes the following monitoring efforts of all project managers: objectives, budget, schedule and quality.

	<p>The department’s Project Management Handbook, Chapter 7, Responsibilities and Roles of Project Managers, states, “Department employees must ensure that resources are used efficiently and effectively to achieve the intended results.” This section also describes the following areas of responsibility of all project managers: scope, contract, cost, time, quality, risk, communication and human resources.</p>
Cause	<p>Monitoring activities required by provisions 12.10 “Third Party Agreements” and 15.00 “Plans and Specifications” of the Public Transportation JPA were removed from this JPA prior to execution.</p>
Effect (Impact)	<p>District Five did not conduct adequate monitoring procedures to determine whether state resources were used: in a manner consistent with the department’s mission; in compliance with laws and regulations; with a minimum of waste and mismanagement; and in an efficient and effective manner. This increases the risk of waste or misuse of state resources.</p>
Recommendation	<p>We recommend the District Five Intermodal Systems Development Manager ensure future Public Transportation JPAs are executed using the full version which includes all monitoring provisions to ensure department resources are used efficiently and effectively.</p>

APPENDIX A – Purpose, Scope and Methodology

Sections 20.055 and 20.23, Florida Statutes (F.S.), require the OIG to conduct audits, examinations, investigations and management reviews related to programs and operations of the department. This examination was performed as part of the OIG's mission to promote accountability, integrity and efficiency for the citizens of Florida by providing objective, timely audit and investigative services.

The purpose of the examination was to assess the SAA's and District Five's compliance with applicable terms of JPA APC30, regulations and department procedures. This includes determining whether costs charged to the project were allowable, reasonable and in accordance with the terms of the JPA and other governing authorities as well as ensuring that both the SAA and District Five provided adequate oversight of the project.

The scope of our examination consisted of examining financial records and other documentation related to the costs invoiced for JPA APC30 from October 21, 2008 through April 8, 2011.

Our methodology consisted of:

- reviewing the JPA to obtain adequate understanding of the applicable requirements;
- reviewing Procedure No. 725-000-005-h, Public Transportation Joint Participation Agreement;
- reviewing Procedure No. 725-040-040-j, Aviation Program Management;
- reviewing the department's Aviation Project Handbook;
- reviewing the department's Project Management Handbook;
- reviewing Sections 112.061(6)(a)(1), 112.061(7)(d)(1), 215.97, 332.007(6), and 339.135(6)(a) F.S.;
- examining and testing supporting documentation for claimed and reimbursed costs; and
- interviewing appropriate SAA and department staff.

APPENDIX B – Sanford Airport Authority Response

From: Bryant Garrett [<mailto:bgarrett@osaa.net>]
Sent: Tuesday, August 28, 2012 11:24 AM
To: Gilboy, Joseph
Cc: Don Poore; Larry Dale
Subject: RE: Draft Report, Engagement 12I-3003 JPA APC30 between District Five and the Sanford Airport Authority

Mr. Gilboy:

I apologize for not sending you a response to your letter of August 10th, 2012. I did not respond simply because I have nothing additional to submit. Hopefully, this e-mail will suffice in documenting that point.

Thank you for the work and effort that your team produced on this audit.

Respectfully,

bwg

Bryant W. Garrett, AAE
Sanford Airport Authority
Orlando Sanford International Airport (SFB)
Vice President & Chief Financial Officer / Airport Chief of Police
1200 Red Cleveland Boulevard
Sanford, Florida 32773

bgarrett@osaa.net

Office Phone – (407) 585-4007
Cellular Phone – (407) 417-4007

APPENDIX C – District Response



Florida Department of Transportation

RICK SCOTT
GOVERNOR

719 South Woodland Blvd.
DeLand, FL 32720

ANANTH PRASAD, P.E.
SECRETARY

MEMORANDUM

DATE: October 18, 2012

TO: Mr. Joseph W. Gilboy, Office of Inspector General

FROM: *for* Noranne Downs, P.E., District Five Secretary *ND*

COPIES: Frank J. O'Dea, Susan Sadighi, Jim Wikstrom

SUBJECT: Joint Participation Agreement APC30 between District Five and the Sanford Airport Authority - Attestation Report No. 12I-3003

In regards to the subject audit, District Five appreciates your review of our Aviation program and the opportunity to comment on your findings and recommendations.

The subject report noted that District Five deleted two areas of monitoring, namely requirements stated in the Public Transportation Joint Participation Agreement (JPA) boilerplate form Sections 12.10 "Third Party Agreements" and 15.00 "Plans and Specifications". The report concludes that as a result of the deletion of these items, District Five did not conduct adequate monitoring procedures to determine whether state resources were used:

in a manner consistent with the department's mission;
in compliance with laws and regulations;
with a minimum of waste and mismanagement;
and in an efficient and effective manner.

District Five Aviation unit has a monitoring process in place for all JPA's that include:

- the review and approval of all scopes of services and fees prior to JPA initiation;
- invoice processing which includes detailed billing and backup documentation to ensure the project is being done in accordance with the scope of services and the costs are eligible for reimbursement;
- the review of all deliverables stated in the scope of services prior to invoice payments;
- attendance at pre-construction meetings to ensure the project is proceeding per the scope of the project;
- periodic on-site inspections of the project based on current aviation procedures and based on completed portions of the project;
- review and approvals of all change orders and scopes beyond the original budget and scope of services prior to any JPA amendments;
- final inspection of the project prior to the final invoice payment.
- attends project status meetings on occasion and attends other project meetings as requested by the agencies.

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These monitoring processes performed by the District Aviation unit reflect an effective monitoring process meant to insure that state resources are used consistent with the Department mission, in compliance with laws and regulations, in an effective manner that minimizes waste and mismanagement.

In the 2002-2003 timeframe, the District Five Aviation Unit identified the inability to effectively apply the Joint Participation Agreement boilerplate requirements pertaining to Sections 12.10 "Third Party Agreements" and 15.00 "Plans and Specifications." as written and interpreted. Based on Procedure 725-000-005, Public Transportation Joint Participation Agreement, and with the concurrence of Department legal staff, the District amended these two sections.

In regards to Section 12.10, "Third Party Agreements", the District does not have the resources to review and approve all third party agreements. Every public agency has their own experienced procurement, financial, engineering and legal staffs to more appropriately review and approve contracts. Therefore, we rely on the agencies to effectively review and approve all their contracts. In addition, every agency has their individual set of rules and procedures for procuring, reviewing and approving contracts that are either the same or more stringent than what the state requires under Section 287.055 and 287.057 F.S.

In regards to Section 15.00 "Plans and Specifications", again the District does not have the resources to effectively review and approve all plans and specifications. Each agency has their own experienced engineering staff that reviews and approves all project plans and specifications. The District Aviation Unit however does require an Engineer's Certification in lieu of department review and approvals that require all plans and specifications comply with specific design criteria.

By altering these two sections in the JPA, we are providing efficiencies as a result of reduced resources while still maintaining effective monitoring by other means that the District Aviation Unit can adequately and effectively perform.

An April 2009 audit was initiated for an aviation project at Orlando International Airport, reference Attestation Report No. 09T-6101. Supplemental number 1 to the applicable JPA dated May 13, 2004 included the revised language as is currently used in this project. The auditor at that time also questioned these two sections as to the nature of their revision and our response to them was the same as discussed above. The report did not note any problems involving this revised language. As a result, our district has been working on the premise that this revised language, and how we were proceeding, was acceptable and appropriate.

The existing JPA has been in use for quite some time, and a review of all the requirements is warranted. The District Five Aviation Unit will take the initiative to work with the central and district Aviation units statewide, along with our legal office, in reviewing all the requirements in the JPA. Through this review, a determination will be made on what can and cannot adequately and effectively be performed. District Five will work with the Central Aviation Office and recommend changes through the Department's legal office with the intent of maintaining, if not increasing department efficiencies and effective monitoring.

If the District is required to include these provisions into future JPA's, the Department would be forced to contract additional resources to perform the reviews required by the deleted provisions. As mentioned earlier, the District has been using these modified JPA's for a decade. It appears the monitoring processes as implemented have not resulted in any known misuse of Department resources or funds. That being the case, the value of adding these additional review costs needs to be determined.

In summary, while we agree with the finding that certain provisions of the JPA were deleted, we do not necessarily agree with the conclusions drawn as a result of that deletion.

Thank you for allowing this reply and we appreciate the additional time your office granted for the review as we discussed the findings with the Central Aviation and Legal offices.

ND:FJO:n

DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE

Action Official Distribution:

Noranne Downs, P.E., Secretary, District Five Secretary
Frank O'Dea, P.E., District Five Director of Transportation Development
Susan Sadighi, P.E., Intermodal Systems Development Manager
James Wikstrom, District Five Aviation & Seaport Supervisor

Information Distribution:

Copies distributed to:

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Robin Naitove, Comptroller
Brian Blanchard, P.E., Assistant Secretary for Engineering and Operations
Francis Gibbs, Chief of Staff
Larry A. Dale, Chief Executive Officer, Sanford Airport Authority
Bryant Garrett, Chief Financial Officer, Sanford Airport Authority

Project Team:

Engagement was conducted by:
Jared Deason, Auditor in Charge
Carlos Mistry, Auditor
Under the supervision of:
Joseph W. Gilboy, Audit Manager;
Kristofer Sullivan, Audit Director; and
Approved by: Robert E. Clift, Inspector General

Statement of Accordance

The mission of the department is to provide a safe transportation system that ensures the mobility of people and goods, enhances economic prosperity, and preserves the quality of our environment and communities.

The mission of the Office of Inspector General is to promote integrity, accountability and process improvement in the Department of Transportation by providing objective fact-based assessments to the DOT team.

This work product was prepared pursuant to Section 20.055, Florida Statutes, in accordance with the applicable Principles and Standards for Offices of Inspectors General as published by the Association of Inspectors General and the American Institute of Certified Public Accountants and standards contained in Government Auditing Standards issued by the Comptroller General of the United States.

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