



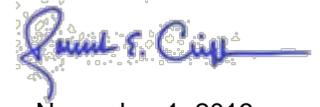
OFFICE OF INSPECTOR GENERAL

FLORIDA DEPARTMENT OF TRANSPORTATION

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Robert E. Clift
Inspector General

Joint Participation Agreement AO819 between
District One and the Manatee County Port Authority
Attestation Report No. 13I-3001



November 1, 2013

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) conducted an examination of Joint Participation Agreement (JPA) AO819 between the Florida Department of Transportation (department) District One (district) and the Manatee County Port Authority (Port). The purpose of the JPA was to provide financial assistance for the construction of a dry storage warehouse at the Port of Manatee located in the eastern Gulf of Mexico at the entrance to Tampa Bay. We conducted the examination as part of the OIG's annual audit plan.

The final cost of the project was \$12,284,598 with the district contributing \$6,142,299. The district contribution was 50% of the final cost as prescribed by the agreement.

Our examination concluded costs charged to the JPA presented, in all material respects, allowable amounts due for the period December 30, 2005 through July 1, 2011, in conformity with the terms of the JPA. District One complied with applicable JPA terms and department procedures except:

- the district project file did not have documented approvals for third party agreements or project plans and specifications;
- there is no documentation of district project monitoring in the project file; and
- the district reimbursed the Port \$1,836,693 (50% match \$3,673,386) for invoiced costs which did not have supporting documentation.

We recommend the district:

- project managers document and maintain, within the project file, approvals provided to recipients for third party contractors and project plans;
- Intermodal Systems Development Manager implement procedures for documenting oversight and monitoring of projects in the project file; and
- Intermodal Systems Development Manager implement more effective procedures for approval of invoiced costs.

District One management concurred with the findings and recommendations and initiated corrective action.

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RESULTS OF EXAMINATION

On December 30, 2005, the district and the Port entered into JPA AO819, which provided funding for a dry storage warehouse. The original agreed-upon total cost of the project was \$11,000,000, with the district's maximum total amount of participation being \$2,000,000, and the Port's participation set at \$9,000,000. A contract status change was executed on December 28, 2007, in order to extend the contract's expiration date from July 1, 2007 to July 1, 2008. An additional status change was implemented on January 2, 2008, to further extend the contract until July 1, 2009.

On January 7, 2008, a supplemental agreement was signed for the purpose of providing additional funds. The supplemental agreement increased the district's contribution by \$2,950,000, for a total contribution of \$4,950,000 and decreased Port participation to \$8,000,000. Another agreement was signed on June 26, 2008 to reflect a new expiration date of July 1, 2011. Finally, on February 23, 2009, a concluding JPA was executed to adjust Port participation from \$8,000,000 to \$6,600,000. Also, this last JPA amended the district's financial participation up to \$6,350,000. Total project cost was then estimated at \$12,950,000.

Final Invoice Summary Three on April 6, 2009, reports the total project cost was \$12,284,598, with the district's contribution at \$6,142,299. This amounts to a final Port contribution of \$6,142,299, and is in compliance with JPA 50% matching requirements. The financial breakdown of expenses in the department's Enterprise Information Portal indicates that the contract was completed on July 1, 2011, and district expenditures amounted to \$6,142,299.

During this examination, we reviewed a sample of invoices submitted by the Port to the district as supporting documentation for reimbursement. The district did not have enough supporting documentation for us to review. Therefore, we obtained Port records and our total population then consisted of all general ledger transactions entered into the project's exclusive account, for its entire duration. The sample size population consisted of 25 total items from the 350 ledger transactions, for a population size of 8%. The 25 selected items represent \$2,125,415 of the \$12,770,220 in total expenses, or 17%.

The examination of JPA AO819 disclosed three findings detailed below.

Finding 1 – Third Party Agreements and Plans and Specifications

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| Objective | Determine if District One complied with applicable terms of the JPA, laws, rules, regulations and department procedures. |
| Conclusion | District One complied with applicable terms and other requirements except the district project file did not have documented approvals for all of the third party agreements or project plans and specifications. |
| Condition (Supporting Evidence) | <p>Documentation confirming the project manager’s approval of third party agreements was not included within the District One project file; documentation for only one-of-two third party agreements (Halfacre Construction) was submitted. We did not find an approval for CH2M Hill, Inc., the other third party agreement.</p> <p>Documentation confirming the project manager’s approval of the plans and specifications of the project was not included within the District One project file, and an email from the current project manager confirmed that the written approval was unavailable.</p> |
| Criteria | <p>JPA AO819 Terms:</p> <ul style="list-style-type: none">• 12.10 – agency shall not execute or obligate JPA funds to a third party without the written approval of the department.• 15.00 – agency will submit plans and specifications to department for written approval. |
| Cause | During the period of this deficiency, the project had a different manager and the current District One project manager stated she was not aware of the reason for lack of documented approvals. |
| Effect (Impact) | The monitoring procedures found in paragraphs 12.10 “Third Party Agreements” and 15.00 “Plans and Specifications” allow the district to properly determine whether state resources are utilized in an efficient and effective manner. |
| Recommendation | We recommend District One project managers document and maintain, within the project file, approvals provided to recipients regarding third party contractors and project plans. |

Finding 2 - District Monitoring

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| Objective | Determine if District One conducted monitoring of the project. |
| Conclusion | District One did not maintain documentation to verify monitoring had been conducted on the project. |
| Condition (Supporting Evidence) | Documentation of project monitoring, such as site visits or other forms of communication, was not found within District One's project file. The current district project manager indicated the district did not maintain physical documentation of monitoring activities, but stated site visits are conducted. During interviews, Port staff indicated the district made site visits. |
| Criteria | <p>To verify the following provisions of the department's Project Management Handbook, the district would need to maintain documentation within the project file.</p> <p>Chapter 4, Monitoring and Control, describes the project manager's responsibility for proper stewardship of state resources; use of resources in a manner consistent with the department's mission and in compliance with regulations; and with a minimum of waste and mismanagement.</p> <p>Chapter 7, Responsibilities and Roles of the Project Manager, states department employees must ensure 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 | During the period of this deficiency, the project had a different manager and the current District One project manager stated she was not aware of why monitoring documentation was not maintained. |
| Effect (Impact) | The district cannot verify the proper stewardship of state resources; use of resources in a manner consistent with the department's mission and in compliance with regulations; and with a minimum of waste and mismanagement. |
| Recommendation | We recommend the District One Intermodal Systems Development Manager implement procedures for documenting monitoring of projects in the project file. |

Finding 3 – Invoiced Costs

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| Objective | Determine if invoiced costs are reasonable, allowable and adequately supported. |
| Conclusion | Costs are reasonable, allowable and adequately supported except District One reimbursed the Port \$1,836,693 of invoiced costs for which they did not have supporting documentation. |
| Condition (Supporting Evidence) | The JPA was a matching agreement where the district was participating in 50% of the project costs. The district reimbursed the Port \$6,142,299 of \$12,284,598 for the project. However, the district only received supporting documentation for project costs of \$8,610,673. The district reimbursed for 50% of the unsupported costs or \$1,836,963. The district should have \$12,284,598 in documentation to support the 50% matching payment. We were able to document the full \$12,284,598 in costs while onsite at the Port. |
| Criteria | The Project Management Handbook, Chapter 7, Responsibilities and Roles of Project Managers, states department employees must ensure 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. |
| Cause | During the period of this deficiency, the project had a different manager and the current District One project manager stated she was not aware of why invoice reviews were not performed. |
| Effect (Impact) | Without proper supporting documentation the district was at risk of reimbursing invoiced costs which were not allowed on this project. |
| Recommendation | We recommend the District One Intermodal Systems Development Manager implement more effective procedures for approval of project costs. |

APPENDIX A – Independent Accountant’s Report

We received and examined Port records for this project that began on December 30, 2005 and extended through July 1, 2011, in accordance with JPA AO819 and specified requirements.

The Port’s management is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Port’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 the Port’s compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Port’s compliance with the specified requirements. In our opinion, the Port billings for JPA AO819 presented, in all material respects, allowable amounts due for the period December 30, 2005 through July 1, 2011, in conformity with the terms of the JPA.

APPENDIX B – Purpose, Scope and Methodology

Section 20.055, Florida Statutes, requires 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 compliance with the provisions of JPA AO819, the reasonableness and allowability of the claimed and reimbursed costs and adequacy of documentation to support claimed and reimbursed costs. This included assessing District One’s monitoring of this project.

The **scope** of our examination consisted of examining documentation relative to the costs invoiced to the department for JPA AO819 from December 30, 2005 through July 1, 2011.

Our **methodology** consisted of:

- reviewing JPA AO819 and all change orders;
- reviewing Section 311.07, F.S., Florida seaport transportation and economic development funding;
- reviewing Title 2, Part 225, Code of Federal Regulations, Cost Principles for State, Local, and Indian Tribal Governments;
- reviewing the department’s Project Management Handbook;
- examining and testing supporting documentation for the JPA; and
- interviewing appropriate staff.

APPENDIX C – Port Response



September 10, 2013

Mr. Joe Gilboy
Audit Manager
605 Suwannee Street
Tallahassee, FL 32399-0450

RE: Joint Participation Agreement (JPA) AO819 examination

Mr. Gilboy,

Thank you for the opportunity to respond to Attestation Report No. 131-3001 relating to JPA AO819. Specifically, below are our responses to the findings:

- the district project file did not have documented approvals for third party agreements or project plans and specifications;
Port response: Port Manatee understands the importance of receiving FDOT approval for third party agreements. Our procedure has always been to request FDOT approval and will continue to do so.
- there is no documentation of district project monitoring in the project file;
Port response: Port Manatee recalls FDOT monitoring certain projects. We will document monitoring dates/projects and will assist FDOT with any requests pertaining to providing documentation.
- the district reimbursed the Port \$1,836,693 (50% match \$3,673,386) for invoiced costs which did not have supporting documentation.
Port response: Port Manatee's reimbursement requests always include supporting documentation and will continue to provide supporting documentation. Port Manatee and the Clerk of Circuit Court grant finance department, which perform pre-audit of all grant submissions, keep a copy of all submitted invoices and applicable supporting documentation.

Sincerely,

A handwritten signature in black ink that reads "Carlos Buqueras".

Carlos Buqueras
Executive Director

Manatee County Port Authority
300 Tampa Bay Way, Palmetto, FL 34221-6608 941-722-6621 Fax: 941-729-1463
www.portmanatee.com

APPENDIX D – Management Response



Florida Department of Transportation

RICK SCOTT
GOVERNOR

801 North Broadway Avenue
Bartow, FL 33830

ANANTH PRASAD, P.E.
SECRETARY

October 14, 2013

Mr. Joseph Gilboy
Audit Manager
Office of Inspector General
605 Suwannee Street
Tallahassee, Florida 32399-0450

**RE: District Response
Examination of Joint Participation Agreement AO819**

Dear Mr. Gilboy:

The following are provided in response to the three findings identified as a result of the examination of joint participation agreement (JPA) AO819:

Finding One – Third Party Agreements and Plans and Specifications

Response: District One concurs with finding.

Corrective Action: Corrective action already taken. Procedures are in place to ensure project managers document and maintain, within the project file, approvals provided to recipients regarding third party contractors and project plans.

Finding Two – District Monitoring

Response: District One concurs with finding.

Corrective Action: Corrective action already taken. Procedures for documenting the monitoring of projects in the project file are in place.

Finding Three – Invoiced Costs

Response: District One concurs with finding.

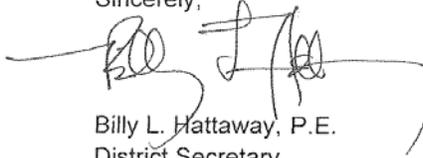
Corrective Action: Corrective action already taken. More effective procedures for the approval of project costs are in place.

If there are any questions or additional information is require, please advise.

www.dot.state.fl.us

Mr. Joseph Gilboy
October 14, 2013
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Sincerely,

A handwritten signature in black ink, appearing to read "Billy L. Hattaway". The signature is stylized and includes a long horizontal line extending to the right.

Billy L. Hattaway, P.E.
District Secretary

BH/kas

cc: Chris Smith, Director of Transportation Development
Jennifer Stults, AICP CTP, Intermodal Systems Development Manager
Terry Beacham, District Modal Development Administrator
Kristi A. Smith, Senior Modal Project Manager

DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE

Action Official Distribution:

Billy Hattaway, P.E., District One Secretary
Chris Smith, Director of Transportation Development
Terry Beacham, District Modal Development Administrator
Kristi A. Smith, District One Senior Modal Project Manager

Information Distribution:

Ananth Prasad, P.E., Secretary
Jim Boxold, Chief of Staff
Richard Biter, Assistant Secretary for Intermodal Systems Development
Juan Flores, State Freight and Logistics Administrator
Meredith Dahlrose, Seaport Office Manager
Brian Peters, Assistant Secretary for Finance and Administration
Robin Naitove, Comptroller
Brian Blanchard, P.E., Assistant Secretary for Engineering and Operations
Carlos Buqueras, Executive Director of Manatee County Port Authority
Denise Stufflebeam, Business Manager, Manatee County Port Authority

Project Team:

Engagement was conducted by Melynda Childree, Auditor-in-Charge
Under the supervision of:
Joe Gilboy, Deputy Audit Director; and
Kris Sullivan, Director of Audit
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.

This report is intended for the use of the agency to which it was disseminated and may contain information that is exempt from disclosure under applicable law. Do not release without prior coordination with the Office of Inspector General.

Please address inquiries regarding this report to the department's Office of Inspector General at (850) 410-5800.