



# OFFICE OF INSPECTOR GENERAL

## FLORIDA DEPARTMENT OF TRANSPORTATION

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

Robert E. Clift  
Inspector General

Joint Participation Agreement AO525 between  
District Four and the Port of Palm Beach District  
Attestation Report No. 13I-3002

January 14, 2014

### EXECUTIVE SUMMARY

---

The Office of Inspector General (OIG) conducted an examination of Joint Participation Agreement (JPA) AO525 between the Florida Department of Transportation (department) District Four (district) and the Port of Palm Beach District (Port). The purpose of the JPA was to provide financial assistance for the construction of new south gate access into the Port, including a new security checkpoint with a cargo receiving facility. We conducted the examination as part of the OIG's annual audit plan.

The final cost of the project was \$14,192,192, with \$10,644,144 contributed by the district. As prescribed by the agreement, the district contribution was 75% of the final project cost.

Our examination concluded costs charged to the JPA presented, in all material respects, allowable amounts due for the period December 30, 2005 through June 30, 2013, in conformity with the terms of the JPA. District Four complied with applicable JPA terms and department procedures with the exception of the following: the district project file did not have documented approvals for third party agreements or project plans and specifications

We recommended the District Four Modal Development Management ensure district project managers maintain, within the project file, documents to verify compliance with applicable JPA terms.

District Four concurred with the finding and recommendation and has completed corrective action.

**TABLE OF CONTENTS**

---

<b><u>RESULTS OF EXAMINATION</u></b>	3
Finding 1 – Third Party Agreements and Plans and Specifications	4
<b><u>APPENDIX</u></b>	
A. Independent Accountant’s Report	5
B. Purpose, Scope and Methodology	6
C. Port Response	7
D. Management Response	8
<b><u>DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE</u></b>	9

## **RESULTS OF EXAMINATION**

---

On August 10, 2005, the district and the Port entered into JPA AO525 which provided funding for access to their South Gate property and other related improvements. The department agreed to a maximum contribution of 75% or \$10,837,500, and an expiration date of July 31, 2007. Subsequent memos extended the expiration date to June 30, 2013. Upon payment of Final Invoice Summary Nineteen on June 15, 2011, project costs totaled \$14,192,192, with the district's contribution at \$10,644,144. This amounts to a final Port contribution of \$3,548,048 or 25%, and is in compliance with the applicable JPA terms.

During this examination, we reviewed a sample of invoices and the supporting documentation submitted by the Port to the district for reimbursement. The testing was completed using the population of general ledger transactions entered into this project's exclusive account by the Port. Project costs from four vendors (out of 39) represent \$13,643,814 or 97% of the total claimed project costs. We selected one claimed cost from each of the top four vendors and randomly selected a sample of 10 claimed costs from the remaining vendors. The dollar value of the sample (\$2,527,218) is 17.84% of the total project costs.

No significant issues were identified relating to the costs that were reimbursed by the district. However, one minor issue was noted in the Port records. The Port claimed costs of \$2,629 in fees related to project engineering expenditures incurred prior to the effective date of the agreement, and the district reimbursed these expenses. Section 4.10 of JPA AO525 states that any costs incurred prior to the effective date of the agreement will not be eligible for reimbursement. Due to the immateriality of the reimbursement this issue is not considered a finding. We discussed this issue with the district project manager and the Port's controller.

While reviewing the project file for JPA AO525, we noted an insufficiency of documented evidence verifying district monitoring. The district project manager confirmed physical documentation of monitoring activities was not maintained, but stated that site visits were frequently conducted. Furthermore, during interviews, Port staff verified the District Four project manager did conduct site visits throughout the duration of this project. The importance of maintaining documentation of monitoring activities in the project file was discussed with the project manager during the fieldwork.

There is one finding related to district compliance with the terms of the JPA. This finding is further detailed below.

## Finding 1 – Third Party Agreements and Plans and Specifications

<b>Objective</b>	Determine if District Four complied with applicable terms of the JPA, laws, rules, regulations and department procedures.
<b>Conclusion</b>	District Four complied with applicable terms and other requirements except the district project file did not have documented approvals for the third party agreements or project plans and specifications.
<b>Condition (Supporting Evidence)</b>	Documentation confirming the project manager’s approval of third party agreements was not included within the District Four project file. Furthermore, documentation confirming the project manager’s approval of the plans and specifications of the project was not included within the project file.
<b>Criteria</b>	<p>To verify compliance with the following terms of JPA AO525, the district would need to maintain documentation within the project file:</p> <ul style="list-style-type: none"><li>• 12.10 – agency shall not execute or obligate JPA funds to a third party without the written approval of the department.</li><li>• 15.00 – agency will submit plans and specifications to department for written approval.</li></ul>
<b>Cause</b>	District Four does not have a process in place to document the written approvals within the project files.
<b>Effect (Impact)</b>	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.
<b>Recommendation</b>	We recommend District Four Modal Development Management ensure district project managers maintain, within the project file, documents to verify compliance with applicable JPA terms.

## **APPENDIX A - INDEPENDENT ACCOUNTANT'S REPORT**

---

We received and examined Port records for this project that began on August 10, 2005 and extended through June 30, 2013, in accordance with JPA AO525 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 AO525 present, in all material respects, allowable amounts due for the period August 10, 2005 through June 30, 2013, in conformity with the terms of the JPA, except for the noted concerns in the examination results.

## **APPENDIX B – Purpose, Scope and Methodology**

---

Section 20.055, Florida Statutes (F.S.), 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 AO525, the reasonableness and allowability of the claimed and reimbursed costs and adequacy of documentation to support claimed and reimbursed costs. This included assessing District Four's monitoring of this project.

The **scope** of our examination consisted of examining documentation relative to the costs invoiced to the department for JPA AO525 from August 10, 2005 through June 30, 2013.

Our **methodology** consisted of:

- reviewing JPA AO525 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**

---

On November 12, 2013, Paul Zielinski, Deputy Port Director, provided a reply to the draft report stating that the Port had no formal comments. The response further stated the Port would continue diligently monitoring project expenses and providing all requested documentation to the district.

## APPENDIX D – Management Response

On December 20, 2013, Nancy A. Ziegler, District Four Modal Development Administrator, provided the following response.

		
<i>Florida Department of Transportation</i>		
RICK SCOTT GOVERNOR	3400 West Commercial Boulevard Fort Lauderdale, Florida 33309-3421	ANANTH PRASAD, P.E. SECRETARY
December 18, 2013		
<p>Joe Gilboy, Audit Manager Office of Inspector General Florida Department of Transportation 605 Suwannee Street Tallahassee, FL. 32399-0450</p>		
<p>Subject: District Four Response to Attestation Report No. 131 - 3002 Joint Participation Agreement AO525</p>		
<p>Dear Mr. Gilboy:</p>		
<p>The following is provided in response to the finding identified as a result of the examination of Joint Participation Agreement AO525.</p>		
<p><b>Finding 1 – Third Party Agreements and Plans and Specifications</b></p>		
<p>Office of Inspector General Recommendation: We recommend District Four Modal Development Management ensure district project managers maintain, within the project file, documents to verify compliance with applicable JPA terms.</p>		
<p>Response (to finding): We concur with the finding and recommendation.</p>		
<p>Corrective Action (to address finding): Corrective action has been taken. Procedures have been put in place to ensure project managers document and maintain, within the project file, approvals of third party agreements, plans and specifications. A checklist of all required compliance documents, including approval of third party agreements, plans and specifications, has been developed and distributed to project managers within the Modal Development Office. Random quarterly audits of project files are conducted to ensure project managers are completing the checklists in a timely, complete, and accurate manner.</p>		
<p>Please contact Lauren Rand, Transportation Specialist, at 954-777-4499 or by email at <a href="mailto:Lauren.Rand@dot.state.fl.us">Lauren.Rand@dot.state.fl.us</a> should you have any questions concerning this matter.</p>		
<p>Sincerely,</p> 		
<p>Nancy A Ziegler District Modal Development Administrator District Four</p>		
<p>NZ/lr</p>		
<p>cc: James Wolfe, District Four Secretary Gerry O'Reilly, Director of Transportation Development</p>		
<p><a href="http://www.dot.state.fl.us">www.dot.state.fl.us</a></p>		 RECYCLED PAPER

---

## **DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE**

---

### **Action Official Distribution:**

James A. Wolfe, P.E., District Four Secretary  
Gerry O'Reilly, P.E., Director of Transportation Development  
Nancy Ziegler, District Modal Development Administrator  
Lauren Rand, Transportation Specialist

### **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  
Manuel Almira, Executive Director, Port of Palm Beach District  
Daniel Kirchman, Controller, Port of Palm Beach District

### **Project Team:**

Engagement was conducted by Melynda Childree, Auditor-in-Charge  
Under the supervision of:  
Joseph W. 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.