

**Audit of Contract GC896 with Palm Beach County  
Board of County Commissioners**

**Division of Waste Management**

**Report: A-2021DEP-015**

**Office of Inspector General**

**Internal Audit Section**

**Florida Department of Environmental Protection**

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3900 Commonwealth Boulevard, MS 40  
Tallahassee, Florida 32399-3000

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The Office of Inspector General (OIG) conducted an audit of Contract GC896 (Contract) between the Palm Beach County Board of County Commissioners (County) and the Florida Department of Environmental Protection (Department) Division of Waste Management (Division) Petroleum Restoration Program (PRP). This audit was initiated as a result of the Fiscal Year (FY) 2020-2021 Annual Audit Plan.

## **Scope and Objectives**

The scope of this audit included activities associated with the Contract Task Assignment 5 during FY 2020-2021. The objectives were to:

- determine whether Task Assignment amounts, and approved invoice payments were based on an accurate calculation of costs as specified in Task Assignment 5.
- evaluate management oversight of the County's compliance with the Contract and Task Assignment 5.

## **Methodology**

This audit was conducted under the authority of Section 20.055, Florida Statutes (F.S.), and in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Our procedures included review of the Contract and Task Assignment 5, as well as Task Assignment 5 development support documentation, approved invoices, payments, and site activities. We also interviewed and obtained information from Division and County staff.

## **Background**

Section 376.3073(1), F.S. directs the Department to contract with local governments to provide for the administration of departmental responsibilities for the PRP through locally administered petroleum cleanup programs. Contracts provide funding for reasonable costs of

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administration, investigation, rehabilitation, and other related PRP activities from the Inland Protection Trust Fund (IPTF) created under Section 376.3071 F.S. Contracts for local program clean-up services are active for 12 local programs.

The Department entered into the Contract with the County for a five-year period from July 1, 2016 to June 30, 2021. The Contract was renewed on July 1, 2021. Task Assignments for annual funding are assigned at the beginning of each fiscal year. For Task Assignment development, PRP obtains the County's listing of sites managed and financial documents to create the County's cost analysis<sup>1</sup>, which estimates future County costs using the amount of staff and their salaries. PRP uses the cost analysis as the initial basis for the task budget. Adjustments are made according to the listed site categories and clean-up phases for the estimated level of effort. A portion of the task amount is also allocated for performance incentives.

County sites are categorized as either non-Low Score Assessment (LSA) source properties or LSA source properties. Non-LSA source properties are further categorized according to the phase of clean-up. Level of effort adjustments are further made between program and non-program sites<sup>2</sup>.

The final funding calculation for Task Assignment 5 consisted of a fixed cost base amount and a performance incentive amount. For the fixed cost amount, the County was compensated monthly for 1/12th of the total annual amount, less retainage. Performance incentives were issued for the completion of Site Rehabilitation Completion Orders (SRCO) and Low Score Site Initiative No Further Action (NFA) Approval Orders.

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<sup>1</sup> Cost analysis includes estimated salaries, travel, and vehicle costs.

<sup>2</sup> Remediation activities for program sites are funded through PRP. Remediation activities for non-program sites are not funded through PRP and therefore require a lower level of effort.

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<b>Task Assignment 5</b>	<b>Fixed Cost</b>	<b>Variable Cost</b>	<b>Total</b>
Category	Non-LSA	Performance Incentives	
Budgeted Amounts	\$478,000	\$23,900	\$501,900

Task Assignment 5 funding, beginning on July 1, 2020, was \$501,900. It included an annual fixed cost base of \$478,000 for the management of 140 source properties, and \$23,900 for performance incentives. Change Order 1 was issued on August 24, 2020, to reduce funding by \$22,900 to remove performance incentives due to budget restrictions. On June 24, 2021, Change Order 2 was issued to reinstate the performance incentives funding. Total payments to the County for Task Assignment 5 were \$492,000.01.

## **Results**

### **Task Assignment and Invoiced Costs**

#### Task Assignment Development

Task Assignment amounts are developed by using a base cost per site and applying multipliers to the base cost amount per number of sites, site type, and by remediation phase. Once PRP contract management reviews the County's site listing, funding of the prior Task Assignment, and estimated costs for salaries, travel, and vehicle costs, a base cost per site is estimated for the County, given the total amount of annual line-item funding for local programs. As an estimate, there is no set methodology of how PRP uses the information obtained to develop the base cost amount. The base cost per site for the County has been \$4,000 for the past three Task Assignments. It was raised to \$4,050 for Task Assignment 6. While submitted salary information does not directly determine the base cost per site, we verified that reported amounts were supported by County payroll documents.

While salary and other cost estimates are analyzed for the estimated base cost during

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Task Assignment development, funding is determined by the number of sites assigned as well as the site’s phase of clean up. To determine the level of effort funding adjustments for the Task Assignment, the County submitted a listing of all sites, categorized by program category and the current or projected phase for the task year. The projected phases were self-reported by the County. During task development, PRP management reviewed a sample of 25% of the listed sites to verify the current or projected phase. Based on this review, PRP management made adjustments to correct noted discrepancies in cleanup phases. Task Assignment 5 included 140 non-LSA sites for FY 2020-2021.

We compared the number of sites listed in the funding calculation to the County’s submitted site list. The number of sites designated in the County’s site listing were consistent with PRP’s funding calculation as follows.

Task 5	Non-LSA Sites							LSA Sites					
	Program Sites			Non-Program Sites (Funded at 75% of Program Site Rate)					Total Non-LSA	Projected New LSA 1X Base	Total Sites	Non-LSA Annual Cost	LSA Annual Cost
Base Cost Per Site	Sites in SA Phases 100% Base	Sites in Active Cleanup Phases 200% Base	Sites in Monitoring Phases 60% Base	Sites in SA Phases 100% Base	Sites in Active Cleanup Phases 200% Base	Sites in Monitoring Phases 60% Base							
\$4,000	43	12	57	12	2	14	140	0	140	\$478,000	\$0	\$23,900	\$501,900

We reviewed a sample of 21 sites included in the County’s approved site list. Within these 21 sites reviewed, we noted one included under an incorrect site phase. This site had not been part of PRP management’s sampled sites.

Invoiced Site Activity

According to the Contract, the County was required to submit a Monthly Invoice Summary Sheet form along with a Monthly Invoice Site Report Table, Monthly Invoice

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Employee Report, and a Monthly Status Report. We reviewed monthly invoice documents for the sampled months of July 2020 through April 2021. Based on this review, the County provided all required monthly documentation, and the invoiced amounts were supported by the invoice detailed reports provided by the County as required.

On a quarterly basis, the Contract required the County to submit a list of source properties visited or inspected each quarter within 30 calendar days from the end of the quarter. We reviewed quarterly documents from July 2020 through March 2021. Based on our review, the County provided all required quarterly documentation.

According to the Contract, the County was required to submit annual documentation including a list of sites assigned to the County, staff identified by name and position, staff qualifications, assigned staff duties, the number of source properties assigned to each employee, and a list of employee OSHA certifications. We reviewed the required annual documentation provided by the County for Task Assignment 5 as well as Task Assignment 6. Based on our review, the County generally provided all required annual documentation.

According to the June 2021 final invoice, the County reported cumulative activity for 142 sites during FY 2020-2021. Activity for these sites were supported by either the monthly invoice detail or by detail in OCULUS<sup>3</sup>. According to Task Assignment 5, the County was to receive a performance incentive of \$1,000 for issuance of an SRCO or NFA Approval Order but only if the order was submitted to the Department within 60 days of the no further action proposal approval or well abandonment report, whichever is later. Change Order 1, issued in August 2020, removed the ability to receive performance incentives. However, Change Order 2, issued on June

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<sup>3</sup> OCULUS is the Electronic Document Management System used by the Department to electronically store public records.

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24, 2021, reinstated the performance incentives.

The amount of SRCOs or NFA Approval Orders were included on the invoices for each month. However, due to Change Order 1, no performance incentives were paid from August 2020 to May 2021. For the last invoice of FY 2020-2021, the County received prior performance incentives that were met from August 2020 to June 2021. For FY 2020-2021, we verified the County issued a total of 16 SRCOs or NFA Approval Orders and received \$14,000 for performance incentives. The two site closures that did not receive the performance incentive had not been submitted on time for payment of the incentive.

### **Management Oversight of County Performance**

With each invoice, Contract Management uses a Monthly Invoice Package Review Checklist for verification of the monthly level of effort and retainage calculation and verification of reported site activity to attached site detail reports. We reviewed the Monthly Invoice Package Review Checklist for the sampled month of March 2021. Based on our review, PRP contract management completed all items within the checklist.

According to the Financial Consequences for Task Assignment 5, 5% of the monthly fixed cost amount is withheld as retainage each month. Based on the level to which performance measures are met, up to 80% of this retainage can be released the month after the invoice is submitted. These performance measures include data entry and turnaround times for deliverable reviews and change orders. These are self-reported by the County, but PRP Contract management reviews 25% with each monthly invoice. The results of the PRP performance review determine how much of the past month's retainage is awarded to the County in the subsequent invoice.



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We reviewed the County’s invoice and PRP’s review to verify performance measure results for the month of March 2021. For March 2021, PRP reviewed nine out of 47 (19.15%) documents with turnaround times. When discussed with PRP management, the staff member conducting the review was not aware that non-program sites were also reviewed but is now including such sites in the review. A comparison of our review to PRP’s review is detailed in the table below<sup>4</sup>.

<b>Performance Measure</b>	<b>PRP Review</b>	<b>OIG Review</b>
Deliverable Review Turnaround Time	100%	89%
Change Order Turnaround Time	100%	100%
STCM <sup>5</sup> Data Entry	100%	100%
OCULUS Data Entry	100%	89%
<b>Average Monthly Performance Rating</b>	<b>100%</b>	<b>94%</b>

An average monthly rating of 90% or greater of all four performance measures qualifies the County for the full 80% retainage. The average performance rating obtained by PRP differed from our review by 6%; however, this difference would not have affected the County’s retainage for March 2021. Under Task Assignment 5, performance measure requirements were met and 80% of retainage was released for each month.

According to Task Assignment 5, the remaining 20% of retainage is withheld from each monthly payment and released at the end of the Task Assignment if 98% of all assigned source properties are visited or inspected during the fiscal year. This is self-reported by the County and verified by PRP Contract management. Of the original sites assigned to the County, 138 of the 140 (98.57%) were listed as receiving inspections. As of the June 2021 invoice, all withheld retainage was released.

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<sup>4</sup> Both reviews were based on the same documents and source properties.

<sup>5</sup> Storage Tank Contamination Monitoring database

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## Conclusion

Based on our audit, Task Assignment 5 funding and approved invoiced payments were based on information submitted by the County as required under the Contract and Task Assignment 5. While the base site cost is not tied directly to County costs, the cost information provided was supported by County payroll documents. Task Assignment 5 funding calculations were generally based on the approved site list and site phases consistent with direction in the Task Assignment. In addition, the County submitted reports as required on a monthly, quarterly, and annual basis. PRP contract management conducted monthly invoice reviews of the submitted information and released retainage accordingly.

*To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our audit was conducted under the authority of Section 20.055, F.S., and in conformance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. The audit was conducted by Sarah Beal and supervised by Valerie J. Peacock.*

*Please address inquiries regarding this report to the OIG's Audit Director by telephone at (850) 245-3151. Copies of final reports may be viewed and downloaded via the internet at <https://floridadep.gov/oig/internal-audit/content/final-audit-reports>. Copies may also be obtained by telephone (850) 245-3151, by fax (850)245-2994, in person or by mail at Department of Environmental Protection, Office of Inspector General, 3900 Commonwealth Boulevard, Mail Station #41, Tallahassee, FL 32399.*

*Valerie J. Peacock,  
Director of Auditing*

*Candie M. Fuller,  
Inspector General*