



## Department of Environmental Protection Office of Inspector General

May 29, 2024

Report A-2324DEP-016

### ***Audit of Purchase Order B9DF31 with E.R. Albert Enterprises, Inc.***

#### **INTRODUCTION**

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Purchase Order B9DF31 (Purchase Order) issued to E.R. Albert Enterprises, Inc. (Facility Owner). This audit was initiated as a result of the OIG Annual Audit Plan for Fiscal Year 2023-2024.

#### **AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY**

The scope of this audit includes activities and financial records associated with the Purchase Order, issued for covering the costs of replacement of petroleum storage tanks, integral piping, or ancillary equipment damaged, or subject to damage, by the storage of fuels blended with ethanol or biodiesel. The Purchase Order was awarded to the Facility Owner for the Prime Stop Food Store #1006, Facility ID 108503304 (Facility), with Advanced Environmental Technologies performing the work as the Pollutant Storage System Contractor (PSSC).

The objectives of the audit were to:

1. Determine whether approved payments were supported by sufficient documentation.
2. Determine whether the Facility Owner and PSSC complied with the requirements of § 376.3071(15), Florida Statutes (F.S.) and the Purchase Order.
3. Evaluate management oversight over the Purchase Order, Facility Owner, and PSSC.

To achieve our audit objectives, our methodology included:

- Reviewing applicable statutes, regulations, and internal operating procedures.
- Reviewing the Purchase Order, including the Ethanol/Biodiesel application, invoice, and supporting documentation.
- Interviewing appropriate Division staff and management regarding the processes and controls used in the procurement and contracting process.

#### **BACKGROUND**

Section 376.3071(15) F.S., established for each fiscal year, \$10 million of the Inland Protection Trust Fund would be allocated to *fund for the costs of labor and equipment to repair or replace petroleum storage systems that may have been damaged due to the storage of fuels blended with ethanol or biodiesel, or for preventative measures to reduce the potential for such damage.* The Division of Waste Management (Division) created the Ethanol/Biodiesel Program (Program Area) within the Permitting and Compliance Assistance Program (PCAP) to administer this funding. In accordance with the statute, the Program Area established a two-part application process for the petroleum storage system owner or operator to apply for funding. The Program Area is tasked with reviewing these applications and issuing purchase orders in an amount reflecting the cost of the application's scope of work, minus a 25% deductible, that will be paid to the owner once the scope of work has been completed in substantial conformity with the purchase order. This work

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must be completed and owner payment to the PSSC must be made within 180 days of the purchase order's start date. The statute further specifies that purchase order payments may not be made to the owner of facilities not in compliance with PCAP's storage tank rules.

The PSSC submitted an application on April 29, 2021, which included a scope of work with a cost estimate of \$36,376.79. Upon reviewing this application, the Program Area issued an approval order followed by the Purchase Order. The work authorized in this Purchase Order was to be completed at the Facility, located at 3622 Peoria Road, Orange Park, Florida, 32065. This Purchase Order was issued with a start date of September 17, 2021, an end date of March 16, 2022, and for a total amount of \$27,282.59. No change orders were issued during this Purchase Order and an invoice was submitted on May 10, 2022, with a total cost of \$20,536.43.

<b>Document</b>	<b>Date</b>	<b>Total</b>
Ethanol/Biodiesel Application	April 29, 2021	\$36,376.79
Purchase Order B9DF31	September 17, 2021 – March 16, 2022	\$27,282.59
Invoice for Purchase Order B9DF31	May 10, 2022	\$20,536.43

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**RESULTS OF AUDIT**

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During the audit, we reviewed documents and records related to the Facility Owner's application, invoice, Purchase Order requirements, the PSSC's completion of the scope of work, payment disbursement, and applicable laws and statutes. Based on our review we found the following:

**Application Submission**

To receive funding through the Program Area, a Facility Owner must first submit an application to the Division. Section 376.3071(15), F.S. outlines specific criteria that must be met in this application. These requirements include:

- An affidavit from a PSSC attesting to the damage and a proposal for either repair, replacement, or the implementation of preventative measures.
- Inspection reports that document the damage or potential for damage.
- A proposal showing the proposed scope for either repair, replacement, or preventative maintenance from this same PSSC. In the case of repair or replacement, provisions for preventative measures and the adoption of a maintenance plan are required, and
- In instances of the replacement of any storage tanks or piping, a statement from a certified public accountant must be included.

Based on our review, the application contained all the statutorily required documentation. Once an Ethanol/Biodiesel application has been submitted, § 376.3071(15), F.S., requires the Department review the application and evaluate the completeness, accuracy, and reasonableness of costs. The Department has 30 days from the receipt of the application to conduct this review and either approve, deny, or request modification or additional information. In this instance, the application was submitted on April 29, 2021, and the Program Area issued an acceptance letter that notified the Facility Owner of the acceptance on June 2, 2021, a span of 33 days.

**Invoice Submission**

**Supporting Documentation**

The requirements for documentation within an Ethanol/Biodiesel invoice are listed in both § 376.3071(15) F.S. and in the Purchase Order. The statute states the applicant may request

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payment following completion of the work authorized by the Department. The statute also states, *The request must include a sufficient demonstration that the work has been completed in substantial compliance with the purchase order and that the costs have been fully paid.* The Purchase Order requires, *Upon completion of the work, the applicant shall submit an itemized invoice and backup documentation for work completed by [the PSSC]. Failure to provide all services, or failure to provide services which are satisfactory, shall result in non-payment or termination of the PO [purchase order].* The Purchase Order also states, *The request must include sufficient demonstration that the work has been completed in substantial compliance with the PO and that the costs have been fully paid.* Further, the Purchase Order states, *Invoice(s) must include the following: 1) Standardized invoice with all costs listed and detail of work performed, including specific dates of service/work performed, and, Each invoice request must contain all documentation of performance as specified above.*

One invoice was submitted under this Purchase Order. We reviewed the invoice and supporting documentation submitted to determine whether each individual line-item was supported by the required documentation as specified in the Purchase Order and statute. Based on our review, none of the line-item charges were supported by sufficient documentation to demonstrate the work had been completed. As such, the actual completion of the work authorized under the Purchase Order could not be verified. Below is a summary of our review of each line-item.

Line-Item	Quantity and Units	Invoiced Cost	Comments
Labor Crew (2 person)	80 [man hours]	\$10,400.00	No documentation was provided, including names, dates or times the man hours were incurred.
Truck	8 [per day]	\$1,000.00	No documentation was provided for this charge. With no supporting documentation or a breakdown of the charges, we could not determine when or how many trucks were used. For example, was one truck used for eight days, eight trucks for one day, or some other calculation.
Trailer	8 [per day]	\$800.00	No documentation was provided. Similarly to the line-item for the truck – there is no way to determine how this charge was calculated.
Per diem (hotel and meals)	8 [man days]	\$2,400.00	No documentation was provided, including no travel vouchers, no documentation of who was claiming the per diem or when, or where they stayed.
Red Jacket "Red Armor" 1.5 HP Motor Assembly #4410149 or FE Petro equal	1 [each]	\$2,958.64	Photos were included, but they are not sufficient in proving that a) the photos are of this specific model of motor assembly or b) that the photos are from this facility.
Red Jacket Leak Detector #116-058-5/058-5 or FE Petro equal	1 [each]	\$206.24	Photos were included, but they are not sufficient in proving a) that the photos are of this specific leak detector or b) that the photos are from this facility.

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Electrical Supplies - Stainless	1 [estimated]	\$1,000.00	No documentation was provided.
Miscellaneous Fittings – Stainless	1 [estimated]	\$1,000.00	No documentation was provided.
Emco Wheaton A1005-518GP Spill Bucket	3 [each]	\$2,213.88	Photos were included, but they were not sufficient in proving a) that the photos are of this model of spill bucket or b) that the photos are from this facility.
Emco Wheaton A1005-517 Spill Bucket	2 [each]	\$1,015.20	No documentation was provided.
OPW 71SO Drop Tube	3 [each]	\$1,769.13	No documentation was provided.
Epoxy (2 part) Rust Inhibitor Coating - Part A	1 [each]	\$219.95	Some product information was included in the invoice, but the price, quantity, nor purchase information was provided.
Epoxy (2 part) Rust Inhibitor Coating - Part B	1 [each]	\$168.87	Some product information was included in the invoice, but the price, quantity, nor purchase information was provided.
4-inch Riser - Stainless	6 [each]	\$1,080.00	Photos were included, but there was no receipt to demonstrate the expense and we could not verify the units purchased or whether the photos were from this facility.
Mobilization	2 [each]	\$900.00	No documentation was provided.
Shipping	1 [estimated]	\$250.00	No documentation was provided.
<b>Total</b>		<b>\$27,381.91</b>	
<b>Minus 25% Deductible</b>		<b>\$20,536.43</b>	

While the invoice did include some itemized information, the required supporting documentation demonstrating the work performed, including specific dates that the work was performed, was not provided. Documentation, mostly in the form of photos, were submitted alongside the itemized invoice; however, the photos are not captioned and cannot be reconciled with specific line-items. Due to the absence of captions, the location that the photos were taken cannot be determined. The non-photographic documentation disclosed that onsite work occurred from February 14-16, 2022, but did not detail what work was completed each day. Furthermore, the units claimed for each of the line-items could not be verified through the provided documentation.

The itemized invoice includes per diem, which is also governed by § 112.061, F.S. This statute requires a travel voucher form, provided by the Department of Financial Services, be included when travel expenses are submitted for approval and payment. As noted in the above table, no travel voucher was included in the invoice to support the per diem claimed and because this information is absent, it cannot be determined who or how many people traveled to the Facility and are claiming per diem, nor on what dates.

Invoice Submission Timing

According to the Purchase Order, *The applicant must submit an invoice within 30 days of the completion of work.* According to the Underground Storage System Installation and Removal

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Form for Certified Contractors included in the invoice, work concluded on February 16, 2022, and the invoice was submitted on May 10, 2022, which exceeded the 30 day time frame.

**Owner Payment to the PSSC**

The Facility Owner is responsible for paying the PSSC for the work performed. In accordance with § 376.3071(15)(b), F.S., *If an application is approved the department shall issue a purchase order... [and the Purchase Order shall] ...specify that the work authorized in the purchase order must be substantially completed and paid for by the petroleum storage system owner or operator within 180 days after the date of the purchase order. After such time, the purchase order is void.* This same language is included in the Purchase Order. The Purchase Order's start and end dates were September 17, 2021, through March 16, 2022, which is a 180-day time frame. Our review found a wire transfer was made from the Facility Owner to the PSSC and dated April 25, 2022. This payment occurred after the 180-day time frame and as such, the Purchase Order would have been considered void and payment of \$20,536.43 would not have been made to the Facility Owner.

**Division Oversight**

Based on our review, Division oversight of the Program Area could be improved. During the Ethanol/Biodiesel application and Purchase Order process, there were instances in which specific timeframes were not adhered to, and the Purchase Order was paid without sufficient supporting/backup documentation to prove that the work was completed. The time frames provided in § 376.3071(15) F.S. and the Purchase Order that were not adhered to were:

- The requirement that the Program Area review an Ethanol/Biodiesel Application within 30 days of the application submission.
- The requirement that the Facility Owner pay the PSSC within 180 days of the issuance of the Purchase Order.
- The requirement that the invoice be submitted to the Program Area within 30 days of the completion of the work outlined in the scope of work.

Notwithstanding that the Purchase Order should have been considered void due to the Facility Owner's late payment to the PSSC, the invoice and supporting documentation did not provide sufficient evidence that the work had been completed.

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**CONCLUSION**

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Based on our review of documentation, discussions with Program Area staff, and the activities and financial records associated with the Purchase Order, we noted areas where Division oversight and internal controls could be strengthened in the areas of payment compliance, reviewing supporting documentation, and application review timelines. Our findings and recommendations are listed below.

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**FINDINGS AND RECOMMENDATIONS**

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**Finding 1: Payment Non-compliance – The Facility Owner received payment even though they did not pay the PSSC within 180 days of Purchase Order issuance, thus voiding the Purchase Order.**

The Facility Owner is responsible for paying the PSSC for the work performed. In accordance with § 376.3071(15)(b), F.S., *If an application is approved the department shall issue a purchase*

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order... [and the Purchase Order shall] ...specify that the work authorized in the purchase order must be substantially completed and paid for by the petroleum storage system owner or operator within 180 days after the date of the purchase order. After such time, the purchase order is void. This same language is included in the Purchase Order. The Purchase Order's start and end dates were September 17, 2021, through March 16, 2022, which is a 180-day time frame. Our review found a wire transfer was made from the Facility Owner to the PSSC and dated April 25, 2022. This payment occurred after the 180-day time frame and as such, the Purchase Order would have been considered void and payment of \$20,536.43 would not have been made to the Facility Owner.

**Recommendations:**

- 1.1 We recommend the Division work with the Program Area to ensure payment requirements are adequately reviewed prior to approving payment.
- 1.2 We recommend the Division work with the Program Area to review payments made under the Purchase Order and seek reimbursement for payment made after the Purchase Order was statutorily void.

**Management Response:**

- 1.1 Since the time of issuance and processing of PO# B9DF31, and with OGC guidance, the Program developed language that more specifically lists required invoicing documentation (see below). Having more specific language about these requirements allows us to require items such as hotel receipts, cost breakdowns of lump sum items, etc. that were not specified in the statutory language. This language is now included in every Ethanol/Biodiesel PO.

New language: The itemized invoice and backup documentation are submitted to the Department. Backup documentation shall include, at a minimum, field notes detailing daily site arrival and departure times, vehicles/mobilizations used, pictures of work performed, including before and after of any components repaired or replaced, original receipts for each requested line-item payment, and documentation detailing personnel travel, including hotel receipts.

- 1.2 All invoices are now screened for timeliness in relation to PO completion (i.e. work completed, payment made to contractor, and pre-invoicing deliverable submitted to the Department within 30 days of completion of work), none of which should exceed 180 days.

**Finding 2: Invoice Timeliness and Supporting Documentation – The Facility Owner received payment even though they did not timely submit an invoice nor did the invoice contain sufficient backup documentation.**

Our review found the Facility Owner did not timely submit the invoice for payment. According to the Purchase Order, *The applicant must submit an invoice within 30 days of the completion of work.* According to the Underground Storage System Installation and Removal Form for Certified Contractors included in the invoice, work concluded on February 16, 2022; however, the invoice was submitted on May 10, 2022, which exceeded the 30 day time frame.

Our review found the invoice submitted did not include sufficient supporting documentation to demonstrate the work had been completed. The requirements for documentation within an Ethanol/Biodiesel invoice are listed in both § 376.3071(15) F.S. and in the Purchase Order. The statute states the applicant may request payment following completion of the work authorized by

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Additionally, the itemized invoice included per diem, which is also governed by § 112.061, F.S. This statute requires a travel voucher form, provided by the Department of Financial Services, be included when travel expenses are submitted for approval and payment. As noted in the table below, no travel voucher was included in the invoice to support the per diem claimed and because this information is absent, it cannot be determined who or how many people traveled to the Facility and are claiming per diem, nor on what dates. Below is a summary of our review of each line-item included in the invoice.

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**Recommendations:**

- 2.1 We recommend the Division work with the Program Area to ensure invoices contain sufficient supporting documentation to demonstrate the work has been completed prior to approving payment, as statutorily required.
- 2.2 We recommend the Division work with the Program Area to review payments made under the Purchase Order and seek reimbursement for payment made for unsupported charges.



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**Management Response:**

- 2.1 Please see response to 1.1. In addition, the Program now conducts multi-person reviews of all information provided to ensure that the Scope of Work (SOW) was fully completed, and that costs accurately reflect the work performed.
- 2.2 The Program will identify and request reimbursement for charges that are not adequately justified for payment under this PO.

Barring any additional information in a response provided by the contractor to the preliminary audit, the Program will discuss with OGC and request reimbursement for charges not adequately justified for payment.

**Finding 3: Application Review Timeliness – The Program Area exceeded the 30-day timeframe for application review.**

Once an Ethanol/Biodiesel application has been submitted, § 376.3071(15), F.S., requires the Department review the application and evaluate the completeness, accuracy, and reasonableness of costs. The Department has 30 days from the receipt of the application to conduct this review and either approve, deny, or request modification or additional information. In this instance, the application was submitted on April 29, 2021, and the Program Area issued an acceptance letter that notified the Facility Owner of the acceptance on June 2, 2021, a span of 33 days.

**Recommendations:**

- 3.1 We recommend the Division work with the Program Area to ensure application reviews are completed timely in accordance with Florida Statutes.

**Management Response:**

- 3.1 Based on the last review of the Ethanol/Biodiesel Program, the Program's tracking system was made more comprehensive through the addition of fields for request and response dates, PO information, issuance dates, and a color -coding system added for easy review of pending tasks. To date, these improvements have eliminated instances of delayed review and response to any application.

**STATEMENT OF ACCORDANCE**

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**Statement of Accordance**

The Mission of the OIG is to promote accountability, integrity, and efficiency by providing quality audits, investigations, management reviews, and technical assistance.

This work product was prepared pursuant to § 20.055, Florida Statutes, in accordance with the *Principles and Standards for Offices of Inspectors General* as published by the Association of Inspectors General and the *International Standards for the Professional Practice of Internal Auditing*, as published by the Institute of Internal Auditors, Inc. The audit was conducted by Shelby Bremigan and supervised by Susan Cureton.

This report and other reports prepared by the OIG can be obtained through the Department's website at <https://floridadep.gov/oig> or by contacting:

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