



Department of Environmental Protection Office of Inspector General

November 17, 2022

Report A-2122DEP-020

Audit of Petroleum Restoration Program Agency Term Contract Purchase Order B8F79C for Operation and Maintenance Activities with Imperial Testing and Engineering, Inc.

INTRODUCTION

The Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of the Division of Waste Management (Division) Petroleum Restoration Program (PRP) Agency Term Contract GC766 (Contract) Purchase Order B8F79C for Operation and Maintenance Activities with Imperial Testing and Engineering, Inc. (Contractor). This audit was initiated as a result of, the Fiscal Year (FY) 2021-2022 Annual Audit Plan.

BACKGROUND

The Inland Protection Trust Fund (IPTF) was created under Section 376.3071, Florida Statutes (F.S.), to provide funding for the Department to respond to incidents of inland contamination related to the storage of petroleum products. PRP manages activities necessary to prioritize, assess, and cleanup facilities contaminated by discharges of petroleum and petroleum-based products from stationary petroleum storage systems. In accordance with Section 376.3071, F.S., the Department has implemented rules and procedures to administer the PRP through Agency Term Contractors and other contracted professional services. The PRP oversees environmental remediation cleanup activities from petroleum-based contamination on State-funded facilities under several cleanup programs and initiatives. These facilities are assigned Site Managers to manage all aspects of oversight for work performed. The Division utilizes Site Manager Standard Operating Procedure (SOP) guides to assist Site Managers and other program staff with navigating PRP sites through the cleanup and closure process.

The Pensacola Petroleum previously owned the site which operated as a convenience store from 1974 to 1985. In 1977, Polk County Health Department documented a 500 to 9000-gallon product loss at the site. On April 6, 1984, a Discharge Notification Form (DNF) was submitted to the Department for Facility 8628342, Adcock Petroleum. The convenience store closed permanently in 1985. On August 22, 1988, the site discharge was determined eligible for state funding under the Early Detection Incentive (EDI) program. The site had a discharge score of 81. Several remediation contractors worked on the site at different times.

Audit of Petroleum Restoration Program Agency Term Contract Purchase Order B8F79C for Operation and Maintenance Activities with Imperial Testing and Engineering, Inc

During the period, it was discovered that Sorrells Grove (Facility 538624172) had wells containing petroleum contaminants. It was determined that the contamination was part of the Adcock Petroleum plume. The decision was made to treat the separate facilities as one cleanup based on the commingled plume. A Remedial Action Plan (RAP) Modification was approved on February 1, 2019, for the site. The construction drawing and bid specifications were approved on April 24, 2019.

The site work was put out for bid (e.g., e-Quote) and the work was awarded to the Contractor on October 30, 2019. On January 31, 2020, the Contractor submitted the Level 2 RAP Modification for the site. With approval, the construction of the remediation systems began. The start-up of the remediation systems began January 12, 2021. The start-up report was submitted on February 17, 2021, and approved March 18, 2021.

Purchase Order B8F79C¹ was issued to the Contractor on April 23, 2021, to perform Operation and Maintenance (O&M) at the Adcock Petroleum site. The Scope of Work (SOW) included three tasks as follows:

Task	Description	Total
1	Health and Safety Plan Update	\$0.00
2	Perform Months 4, 5, and 6 O&M per the O&M (System) Parameters Table and Soil and Air Sampling Table and quarterly groundwater monitoring per the Water Sampling Table. Prepare the O&M Report, Quarterly.	\$60,399.25
3	Perform Months 7, 8, and 9 O&M per the O&M (System) Parameters Table and Soil and Air Sampling Table and quarterly groundwater monitoring per the Water Sampling Table. Prepare the O&M Report, Quarterly.	\$63,399.25
Total		\$123,798.50

The following Change Orders were issued for the Purchase Order.

Change Order	Date	Task	Description	Amount
1	August 5, 2021	4	Addition of a Level 1 Limited Scope Remedial Action Plan or RAP Modification Plan to address modification to the remedial system to cleanup impacts demonstrated by MW-48 including Professional Engineer Review, Evaluation, and Certification	\$2,284.53
2	October 20, 2021	5	Another month of O&M to transition and continue active remediation. Move contingency funding from Task 3 to Task 5	\$17,401.50
Total				\$19,686.03

¹ An eQuote was not required due to the SOW not exceeding \$325,000.

Audit of Petroleum Restoration Program Agency Term Contract Purchase Order B8F79C for Operation and Maintenance Activities with Imperial Testing and Engineering, Inc

The Purchase Order final cost was \$139,073.77. Four payments were made for completed work as follows:

Payment	Date	Amount
1	September 27, 2021	\$56,204.01
2	December 8, 2021	\$57,214.34
3	January 14, 2022	\$2,170.30
4	February 14, 2022	\$23,485.12
	Total	\$139,073.77

RESULTS OF AUDIT

Change Orders

Two Change Orders were approved during the course of the Purchase Order. Change Order 1 added Task 4 and a Limited Scope Remedial Action Plan (LSRAP) Modification to address cleanup impacts demonstrated by Monitoring Well 48. The LSRAP Modification was requested by the Site Manager in the O&M approval letter of the previous Purchase Order O&M report. Change Order 2 was requested by the Contractor and added Task 5 and an additional month of O&M to help transition and continue active remediation.

Invoice Testing

Schedule of Pay Items (SPI) and allowed amounts - According to the Contract, the Contractor's SOW is supported by a detailed SPI that includes the project specific pay items, number of units, and negotiated pay item prices. We reviewed paid invoices for each task to identify the SPI and amounts paid. We compared the amounts paid to the negotiated item price from Amendment No. 9 of the Contract to determine whether the amounts paid were allowable. Based on this review, all SPI amounts within the Purchase Order were consistent with the Contract rates.

Required Documentation for SPI Invoicing - For each invoiced pay item, the Contractor is required to submit specific support documentation. We compared each invoiced item to the SPI required documents under the Contract. Based on this review, we identified several SPI's not supported by the required documentation for invoicing.

Retainage - The Purchase Order's Description defines the amount of retainage held from each invoice payment until the completion and approval of all tasks as 5%. The Contractor submitted four invoices for payment under the Purchase Order. We verified that 5% retainage was withheld from the first three approved payments to the Contractor. The Contractor submitted a Release of Claims form as required by the Contract with the final invoice and was paid for the retainage withheld.

Audit of Petroleum Restoration Program Agency Term Contract Purchase Order B8F79C for Operation and Maintenance Activities with Imperial Testing and Engineering, Inc

Oversight of Deliverables

We reviewed the deliverables for each task as identified in the Purchase Order's SOW and Change Orders. The deliverable due dates were compared to the dates submitted. The dates submitted were compared to the dates the Site Manager reviewed and approved using the PRP Staff Deliverable Review Turnaround Time (TAT) table. The dates the deliverables were approved were compared to the dates the Contractor invoiced for the effort. Based on our review, all deliverables were received prior to the due dates. In addition, three of five (60%) deliverables were reviewed within the review time allowed by the TAT sheet. Finally, the tasks were invoiced by the Contractor within 30 days of receipt of approval letter/e-mail.

Subcontracted Work

Under the Purchase Order, two subcontractors provided services/commodities for Operations and Maintenance Activities and were reported on the *Revised Subcontractor Utilization Report Form for Commodities/Services* (Subcontractor Utilization Report). Based on our review of the PRP Contractor Authorized Subcontractor List, one subcontractor identified in the Purchase Order was authorized and the other was not. In addition, there was no documentation provided showing the Contractor had requested to add the subcontractor to the PRP Contractor Authorized Subcontractor List or that the Contractor had obtained and submitted quotes for the subcontractor. As a result of a previous audit finding² regarding use of unapproved subcontractors, PRP trained all Site Managers on the requirements for all subcontractors to be listed on the Contractor's approved subcontractor list or included on the subcontractor quote form. The training was held on May 26, 2022. In addition, PRP provided a written reminder to all Agency Term Contractors on June 27, 2022.

Contractor Evaluation

In accordance with paragraph 45 of the Contract, the Contractor Performance Evaluation (CPE) must be completed by the Site Manager within 30 days of the final invoice payment for each Purchase Order. The Site Manager completed a CPE as required. The evaluation was uploaded to both the Storage Tank Contamination Monitoring (STCM) and OCULUS databases³ as required. The CPE was completed within 30 days of the final invoice payment for the Purchase Order.

Site Visits

During the Purchase Order scope, generally two field inspections were conducted almost monthly.⁴ Each property (e.g., Adcock Petroleum and Sorrells Groves) had a separate remediation system. Our review of the inspection reports found that separate reports were prepared for each remediation system. The reports reflected the machine

² The finding was previously addressed by the Division in the OIG Audit Report A-2122DEP-011.

³ STCM database is used to maintain data associated to the registration of petroleum facilities, data associated to petroleum cleanup efforts and state funds spent on cleanup; and, track historical compliance information. OCULUS database is PRP's electronic document management system for site files.

⁴ Site inspections were found for May, June, July, August, September, November, and December 2021.

Audit of Petroleum Restoration Program Agency Term Contract Purchase Order B8F79C for Operation and Maintenance Activities with Imperial Testing and Engineering, Inc

readings and label dated pictures of the remediation equipment. The inspection reports were uploaded to the OCULUS database.

Utility Payments

On August 3, 2020, Department of Health, Polk County submitted the form letter to Lakeland Electric to solicit power for the treatment system. The treatment system was comprised of two remediation systems and the systems (e.g., Adcock Petroleum and Sorrells Groves) had different addresses. On October 21, 2020, the power was resolved with assigned remedial system site addresses for each entity. We obtained a list of the utility payments from PRP accounting and matched the payments to the amounts logged into the STCM database.

CONCLUSION

Based on our review of documentation and discussions with PRP staff, the activities and financial records associated with Purchase Order B8F79C for remediation activities at the Adcock Petroleum/Sorrell's Grove (Facility 8628342) generally demonstrated management oversight of the Purchase Order, Facility, and Contractor. Our findings and recommendations are contained in the remainder of this report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Documentation for SPI

Attachment B-Revision2-SPI-538628342-OM (2) of the Purchase Order lists the pay items and the required documentation for invoicing. Based on our comparison of the pay item requirements and the deliverables submitted, payments were approved for several pay items without adequate documentation. Specifically,

- Task 3 – Pay Items 9-27, 9-30, and 9-36 were listed as 16 samples, which was the planned number of well samples. However, one well (MW-55) was identified as destroyed in Task 2. The well was removed from Task 2 sampling. In Task 3, four off-site wells were added to the well sampling; however, MW-55 was not removed.
- Task 2 and Task 3 – Pay Item 21-8 was for Professional Engineer (P.E.) Project Oversight for Remediation System Operation and Maintenance. The documentation required for this pay item was *Field Notes and work performed in accordance with Scope*. The P.E. was not identified in the field notes or other documents provided with the deliverables. The Site Manager indicated that he was in constant communication with the Contractor's P.E. of record during performance of the Purchase Order; however, there was no documentation provided to support the communication.

Audit of Petroleum Restoration Program Agency Term Contract Purchase Order B8F79C for Operation and Maintenance Activities with Imperial Testing and Engineering, Inc

The combined questioned costs are as follows:

Questioned Schedule of Pay Items					
Task	Pay Item	Pay Item Description	Required Support Documents	Units	Total Amounts
2	21-8	Professional Engineer - - Project Oversight	Field Notes and work performed in accordance with scope	3	\$3,551.40
3	9-27	Water, BTEX + MTBE	Per Sample	1	\$48.00
3	9-30	Water, Polycyclic Aromatic	Per Sample	1	\$93.33
3	9-36	Water, Total Recoverable	Per Sample	1	\$73.37
5	21-8	Professional Engineer - - Project Oversight	Field Notes and work performed in accordance with scope	1	\$1,183.80
				Total	\$4,949.90

In accordance with the Contract, proper documentation is required to justify the payment of invoiced costs while assuring that the work is performed.

Recommendation

We recommend the Division work with PRP and the Site Manager to review the questioned SPI and request reimbursement for the SPI costs where required documentation was not provided.

Management Response

Per the OIG's recommendation, PRP issued a letter on October 21, 2022 to the contractor instructing them to reimburse the Department for the items where documentation was not provided. This was reiterated via email on October 25, 2022 in response to the contractor's submittal of additional items in response to the audit as these items were submitted after the period of service of the purchase order.

Audit of Petroleum Restoration Program Agency Term Contract Purchase Order B8F79C for Operation and Maintenance Activities with Imperial Testing and Engineering, Inc

Finding 2: Oversight of Deliverables

The Purchase Order had five deliverables established by either the Purchase Order SOW or Change Order. None of the five deliverables were returned to the Contractor with comments. The Task 4 and 5 deliverables were established by Change Order.

Task	Deliverable	Due Date	Date Deliverable Received	Required Review TAT (days)	Date Deliverable Reviewed by Site Manager
1	Health and Safety Plan	May 28, 2021	April 27, 2021	5	April 28, 2021
2	O&M Report, Quarterly	September 28, 2021	August 10, 2021	30	September 9, 2021
3	O&M Report, Quarterly	December 28, 2021	October 29, 2021	30	November 22, 2021
4	Level 1 RAP Modification	November 29, 2021	November 17, 2021	45	January 13, 2022
5	Field Notes	January 28, 2022	January 12, 2022	5	February 11, 2022

The Task 4 deliverable was received on November 17, 2021 and approved by the Site Manager on January 13, 2022 (57 days). The Site Manager exceeded the deliverable review allowance (TAT) of 45 days. The Task 5 deliverable was received on January 12, 2022 and approved by the Site Manager on February 11, 2022 (30 days). The Site Manager exceeded the deliverable review allowance (TAT) of 5 days.

Recommendation

We recommend the Division work with PRP Site Managers to review the requirements for completing deliverable reviews.

Management Response

Per the OIG's recommendation, in the next PRP teleconference scheduled for November 10, 2022, PRP will train site managers on deliverable review turnaround times and evaluation of required items for invoicing.

**Audit of Petroleum Restoration Program Agency Term Contract
Purchase Order B8F79C for Operation and Maintenance Activities
with Imperial Testing and Engineering, Inc**

***APPENDIX A - PURPOSE, SCOPE, OBJECTIVES, AND
METHODOLOGY***

The purpose of this engagement was to assess management oversight of the Purchase Order B8F79C, Facility (8628342), and Contractor (Imperial Testing and Engineering).

The scope of the audit included Purchase Order B8F79C for Facility 8628342 (Adcock Petroleum), managed by Department of Health Polk County. The scope included activities and financial records associated with Purchase Order B8F79C for remediation activities at the Adcock Petroleum. The scope included related Purchase Orders, Facility, and Contractor.

The objectives were to:

- Determine whether approved payments were supported by documentation as required for the Schedule of Pay Items and deliverable completion.
- Determine whether the Contractor complied with the requirements of the Purchase Order and Contract GC766.
- Evaluate management oversight of the Purchase Order, Facility, and Contractor.

To achieve our audit objectives, our methodology included:

- Reviewing applicable statutes, regulations, and internal operating procedures;
- Reviewing procurement activities for Department contracts and purchase orders; and,
- Interviewing appropriate Department staff and management regarding the processes and controls used in the procurement and contracting process.

**Audit of Petroleum Restoration Program Agency Term Contract
Purchase Order B8F79C for Operation and Maintenance Activities
with Imperial Testing and Engineering, Inc**

STATEMENT OF ACCORDANCE

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 Section 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 Randal C. Stewart and supervised by Candie M. Fuller.

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