

# **Audit of Brevard County Cleanup Contract GC889**

## **Division of Waste Management**

### **Report: A-1617DEP-034**

#### **Office of Inspector General**

#### **Internal Audit Section**

#### **Florida Department of Environmental Protection**

**December 6, 2017**

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Division of Waste Management



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The Office of Inspector General (OIG) conducted an audit of Contract GC889 (Contract) between Brevard County (County) and the Florida Department of Environmental Protection Division of Waste Management (Division) Petroleum Restoration Program (PRP). This audit was initiated as a result of the Fiscal Year (FY) 2016-2017 Annual Audit Plan.

## **Scope and Objectives**

The scope of this audit included a review of activities performed under the Contract Task Assignment 1 during FY 2016-2017, as well as development of Task Assignment 2. The objectives were to:

- determine whether Task Assignment amounts and contract payments were based on an accurate calculation of costs as specified in Task Assignment 1
- evaluate management oversight of the County's performance of cleanup site activities

## **Methodology**

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors, and under the authority of Section 20.055, Florida Statutes (F.S.). Our procedures included review of the Contract, Task Assignment 1, and Sections 376.3071 and 376.3073, F.S. We reviewed support documentation for the Task Assignment and invoice calculation. We also interviewed PRP and County management and reviewed documentation related Contract activities.

## **Background**

According to Section 376.3073(1), F.S., *the Department shall, to the greatest extent possible and cost-effective, contract with local governments to provide for the administration of*

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*departmental responsibilities through locally administered Programs.* Section 376.3073(3), F.S. states, *upon approval of its application, an eligible local government shall be entitled, through written contract with the Department, to receive sufficient funds to administer the local programs.* Contracts for local program clean-up services have been established with 13 counties. PRP's prior local program contracts provided compensation for the counties' cost of administration, investigation, rehabilitation, and other related activities, which were paid from the Inland Protection Trust Fund (IPTF). These contracts expired June 20, 2016.

PRP entered into new local program contracts on July 1, 2016, for a 5-year period. To promote performance and efficient site management, PRP structured the new contracts to provide compensation for each Task Assignment on the basis of both fixed price and performance incentives. According to the Task Assignment, *fixed costs include all expenses associated with vehicle operation and maintenance, lease, or rental (including vehicle maintenance cost for field visits and operation and maintenance (O&M) inspections; all travel costs associated with Department training and/or meetings with Department representative(s) within Florida) all costs for staffing, including salaries, fringe benefits, rent, utilities, any overhead and indirect expenses; general administrative expenses and all other costs related to the performance of the work specified in the Attachment A of the Contract.* For Task Assignment development, PRP obtains the counties' cost analysis and a listing of sites to manage. The PRP uses the counties' cost estimate as the initial basis for the task budget. Adjustments are made for an estimated level of effort according to site funding categories and clean-up phases. A portion of the task amount is allocated for performance incentives.

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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, including site assessment, active cleanup, and monitoring. Level of effort adjustments are further made between program and non-program sites<sup>1</sup>.

In Task Assignment 1, a base level of effort amount of \$3,750 per non-LSA site was established for the County. This amount was allocated for all sites listed in site assessment phases. Sites listed in active cleanup phases were allocated two times the base amount and sites listed in monitoring phases were allocated 60% of the base amount. For all non-program sites, the same level of effort factors were applied with a 25% reduction.

For LSA sites, an estimate of sites was made for the number of LSA purchase orders expected in the task year. Sites under LSA were to receive a one-time payment of \$3,750 once the first LSA purchase order was issued. For the first year of the new Contract, LSA sites continuing from the prior year were awarded a one-time payment of \$1,875 (50% of the base amount) per site. Compensation for continuing LSA sites was limited to Task Assignment 1 only. All subsequent Task Assignments were to be compensated only when the first LSA purchase order is issued.

Final funding calculation for Task Assignment 1 consisted of two fixed amounts and two performance estimate amounts. The first fixed amount was the calculated level of effort of all non-LSA program and non-program sites. The second fixed amount was the calculated level of effort of all continuing LSA sites from the prior year. For the fixed amount, the County was

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<sup>1</sup> Remediation activities for program sites are funded through PRP. Remediation activities for non-program sites are not funded through PRP and therefore require less level of effort.

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compensated monthly for 1/12<sup>th</sup> of the total, less retainage<sup>2</sup>. The two performance amounts were for the estimated number of new LSA site purchase orders and an estimate for performance activity incentives. These activities included Site Rehabilitation Completion Orders (SRCO), Low Score Site Initiative No Further Action (NFA) Approval Orders issued, site transition from an active clean up to a monitoring phase, completion of a Remediation Action Plan (RAP), and completion of site assessment.

Task Assignment 1 funding for the period of July 1, 2016, through June 30<sup>th</sup> 2017, was \$1,016,069.00. As of July 13, 2017, payments to the County for Task Assignment 1 totaled \$934,967.23.

Task Assignment 1	Level of Effort Fixed Cost		Level of Effort Variable Cost		Total
	Non-LSA	LSA (Continuing)	LSA (Estimated)	Performance Incentives	
Category	191	85	40		<b>316</b>
Number of Sites	191	85	40		<b>316</b>
Budgeted Amounts	\$663,563	\$159,375	\$150,000	\$43,131	<b>\$1,016,069</b>

Development for FY 2017-2018 Task Assignment 2 included the following cost.

Task Assignment 2	Level of Effort Fixed Cost	Level of Effort Variable Cost		Total
		Non-LSA	LSA (Estimated)	
Category	238	35		<b>273</b>
Number of Sites	238	35		<b>273</b>
Budgeted Amounts	856,245	\$136,500	\$55,656	<b>\$1,048,401</b>

<sup>2</sup> Retainage consisting of 5% of the non-LSA site compensation fixed amount was withheld monthly. Of this amount, 80% was released the following month if the County met the requirements of four performance measures relating to document turnaround times and data entry.

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## **Results**

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

We reviewed processes and documents used to develop Task Assignment 1, as well as support for invoiced costs. This included the County's cost estimate and site listing submitted to PRP in March 2016, as well as support detail included with the monthly invoice.

#### County Cost Estimate

To verify calculation of the Task Assignment, we obtained the County's estimate for the local program cost, which was provided to PRP from the County as an Employee Compensation and Benefits Spreadsheet. These costs included annual salaries for 10.31<sup>3</sup> Full Time Equivalent (FTE) employees consisting of nine employees dedicated full time to the program, one employee allocated at 60%, six employees allocated at 11%, and one employee allocated at 5%. Of the full time employees, one employee was listed twice. Total salary cost provided with allocated percentages was \$532,044.10.

From the County's estimate, PRP developed a cost analysis for use as a basis for the Task Assignment funding. The PRP cost analysis included annual salaries for 9.9 FTE. Although the duplicate employee was removed in the cost analysis, the salary amounts and percentage allocations were increased to reflect a greater total cost of \$575,249.82. Of the eight employees dedicated full time to the program, salary cost was increased by 10% for four and 5% for three.<sup>4</sup> For the employee allocated at 60%, the salary was increased by 5% and the allocation percentage increased to 85%. For the six employees allocated at 11%, the allocation was increased to

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<sup>3</sup> This includes position percentages of staff whose duties also support other programs.

<sup>4</sup> The duplicate employee was removed and the salary amounts for one of the eight full time employees and the employee allocated at 5% were the same as submitted by the County.

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17.25%. In addition to these rates, a 3% cost of living allowance was added to all salary costs.

Due to changes in Contract management staff during our audit, the Contract Manager was uncertain of the causes for the cost estimate salary increases.

<b>Fiscal Year 2016-2017 County Estimated Cost</b>	
Annual Salaries	\$575,249.85
Travel	\$3,200.00
Vehicle	\$10,800.00
<b>Total</b>	<b>\$589,249.85</b>
Standard Multiplier	2.13
<b>Total Cost Estimate</b>	<b>\$1,255,102.18</b>

A standard multiplier of 2.13 was carried over from the cost estimates used in the prior contract. With the exception of 1 FTE who left in September 2016 and was not replaced, the number of FTE was consistent with the number of employees listed on the monthly invoice documents.

Site Listing

To determine the level of effort adjustments for task funding, the County submitted a listing of all sites, categorized by program and either current or projected phase for the task year. According to the final invoice of the prior County contract submitted in July 1, 2016, the County reported a total of 291 sites managed through June 30, 2016. Task Assignment 1 included 316 sites for FY 2016-2017, including 191 non- LSA and 125 LSA source properties<sup>5</sup>. PRP added an estimated projection of 40 new LSA sites for Task Assignment 1 per the following table.

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<sup>5</sup> For the first year of the Contract, PRP allowed all continuing LSA sites from the prior year to be compensated in Task Assignment 1 at a rate equivalent to half of the one-time amount (\$1875.00) for all newly issued LSA purchase orders (\$3750.00).



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<b>Task Assignment 1</b>	<b>Level of Effort Fixed Cost</b>		<b>Level of Effort Variable Cost</b>		<b>Total</b>
Category	Non-LSA	LSA (Continuing)	LSA (Estimated)	Performance Incentives	
Number of Tasked Sites	191	85	40		316
Budgeted Amounts	\$663,563	\$159,375	\$150,000	\$43,131	\$1,016,069

These amounts were developed beginning with a base cost per site of \$3,750, and applying a multiplier to the number of sites categorized as non-LSA or LSA, program or non-program, and remediation phase<sup>6</sup>. The following table represents the number of sites included in each category to calculate the final task funding amount. The number of sites designated in several categories and phases differed from the County’s submitted site listing.

Task 1	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	Continuing LSA 50% Base	Total Sites	Non-LSA Annual Cost	LSA Annual Cost	Estimate for Performance Incentives 6.5% of Non- LSA Cost
Base Cost Per Site	Sites in SA Phases 1X Base	Sites in Active Cleanup Phases 2X Base	Sites in Monitoring Phases 60% Base	Sites in SA Phases 1X Base	Sites in Active Cleanup Phases 2X Base	Sites in Monitoring Phases 60% Base								
\$3,750	76	21	69	7	4	14	191	40	85	316	\$663,563	\$309,375	\$43,132	\$1,016,070
<b>Sites Categorized per the County Site Listing for FY 2016-2017</b>														
\$3,750	62	30	74	4	7	14	191	40	85	316	\$698,250	\$309,375	\$45,386	\$1,053,011

Under the current contract structure, the designation of site categories and phases substantially impacts the task amount. From discussions with Contract management, the cause of differences between task calculation and site list was unclear.

<sup>6</sup> The county submitted a listing of 270 sites, including 185 non LSA and 85 continuing LSA sites.

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### Invoiced Site Activity

According to the June 2017 final invoice, the County reported cumulative activity for 298 sites during FY 2016-2017. Activity for 303 sites was supported by either the monthly invoice detail, or by detail in OCULUS<sup>7</sup>. According to Task Assignment 1, the County was to receive a one-time payment of \$3,750 per site once the LSA purchase order was issued. Between July 2016 and June 2017, the County invoiced for 20 LSA site purchase orders. However, monthly invoice detail during FY 2016-2017 only identified LSA purchase orders issued for 17 sites. The invoice detail listing these purchase orders did not specify the site facility identification for the purchase orders. In total, the County was compensated a one-time amount for 105 of the total 125 LSA sites budgeted under the Task Assignment.

Task Assignment 1 specified that a performance incentive of \$750 would be paid for completion of the following activities.

- SRCO, or NFA Approval Order issued.
- Purchase order issued moving one or more sites at a source property out of Operating and Maintenance (O&M) and into a monitoring phase.
- RAP completed and Approved.
- Non-LSA site completes site assessment, and a site assessment approval letter is issued.

Based on our review, the amounts invoiced monthly for performance incentive activities were not consistently supported by the invoice detailed reports per the following table.

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<sup>7</sup> OCULUS is the Department's web-based document management system.

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Performance Incentive Activity	SRCO/ NFA	O&M Completed to Monitoring	RAP Completed	Completed Site Assessment (for non-LSA)	Total Performance Activities at \$750 each
Reported Per Invoice	30	3	8	9	\$37,500
Supported Per Invoice Detail or OCULUS Documents	24	0	4	4	\$24,000

Task Assignment 2 Development

During the review period, PRP developed Task Assignment 2 based on the cost estimate and site listing provided by the County for FY 2017-2018. Funding for Task Assignment 2 is \$1,048,400.93 for 273 sites, including 238 non-LSA sites and 35 LSA sites per the following table.

Task Assignment 2	Level of Effort Fixed Costs	Level of effort Variable Costs		Total
Category	Non-LSA	LSA (Estimated)	Performance Incentives	
Number of Tasked Sites	238	35		<b>273</b>
Budgeted Amounts	\$856,245	\$136,500	\$55,656	<b>\$1,048,401</b>

The site list submitted in March of 2017 for development of Task Assignment 2 included 245 sites, with 176 non-LSA and 69 LSA sites. The 69 LSA sites included on this listing were also included in the prior year listing from which, a one-time compensation amount was paid during FY 2016-2017. Using the PRP task development methodology, sites included in funding calculation for Task Assignment 2 were compared with the submitted site list.

Task 2	Non-LSA Sites							LSA Sites						
	Program Sites			Non-Program Sites (Funded at 75% of Program Site Rate)										
Base Cost Per Site	Sites in SA Phases 1X Base	Sites in Active Cleanup Phases 2X Base	Sites in Monitoring Phases 60% Base	Sites in SA Phases 1X Base	Sites in Active Cleanup Phases 2X Base	Sites in Monitoring Phases 60% Base	Total Non- LSA	Projected New LSA 1X Base	Total Sites	Non-LSA Annual Cost	LSA Annual Cost	Estimate for Performance Incentives 6.5% of Non- LSA Cost	Total Task Amount	
\$3,900	123	17	69	13	4	12	238	35	273	\$856,245	\$136,500	\$55,656	\$1,048,401	
<b>Sites Categorized per the County Site Listing for FY 2017-2018</b>														
\$3,900	50	32	65	10	7	12	176	35	211	\$687,360	\$136,500	\$44,678	\$868,538	

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For Task Assignment 2, the County is to only receive a one-time funding amount for new LSA sites once the purchase order is issued. Unlike Task Assignment 1, there is no compensation specified for continuing LSA sites, as the provision was allowed only during the first year of the contract. Based on the submitted site list, calculation for Task Assignment 2 funding contained category discrepancies including a substantial overstatement of non-LSA sites tasked. Since the County will no longer receive a one-time compensation for the 69 continuing LSA sites listed, the overstatement of non-LSA sites effectively provides more funding for less sites in Task Assignment 2 than in Task Assignment 1. According to PRP Management, the additional sites included in the estimate was due to the anticipation of a lowered site score from 30 to 27 for funding. However, the majority of the LSA site scores were less than 20.

### **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. Based on our review of monthly invoice summaries submitted by the County, the documented number of sites worked on during the month was generally supported by the attached site detail report. However, reported activities associated with additional payment, such as LSA purchase orders or performance activities were not consistently specified in the attached site detail report for verification.

Under the new Contract, 5% of the monthly amount for non-LSA compensation is withheld as retainage. Of this amount, 80% is released the following month if performance measures are met. These include turnaround times for deliverable reviews, change orders, and data entry. These are self-reported by the County, but the Contract Manager reviews 25% of

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these with each monthly invoice. The results of the Contract Manager's performance review determine how much of the past month's retainage is awarded to the County in the subsequent invoice. We reviewed the County's invoice for the month of September 2016 to verify performance measure results per the table below.

<b>Performance Measure</b>	<b>PRP Review</b>	<b>OIG Review</b>
Deliverable Review Turnaround Time	99%	94%
Change Order Turnaround Time	99%	94%
STCM Entry	100%	92%
OCULUS Entry	100%	86%
<b>Average Monthly Performance Rating</b>	<b>99%</b>	<b>92%</b>

The average performance rating obtained by PRP differed from our review by 7%. The differences did not affect the overall required metric of 90%. The performance measure requirements were met each month during the FY 2016-2017 and retainage was released.

According to Task Assignment 1, the remaining 20% of retainage withheld was to be released at the end of the Task Assignment if 98% of all assigned source properties were visited or inspected. This was to be self-reported by the County and verified by the Contract Management. The County reported site visits on 268 sites in quarterly reports during the Task Assignment. From the original list of 276 sites assigned to the County, 39 sites were not included in the site visit quarterly reports. Monthly invoices submitted during the Task Assignment reflected multiple changes to the original site list, with many sites added and some deleted. For the 39 sites from the original site list not included in the quarterly reports, we verified site visit related documents in OCULUS for 30. Of the remaining nine, one<sup>8</sup> had a SRCO issued in the

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<sup>8</sup> Facility ID 8501323 – SRCO issued in prior task year.

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prior task year, and two<sup>9</sup> had no site activity since 2015. As of the June 2017 invoice, all of the retainage was released; however, PRP Contract performance documentation in OCULUS did not indicate the process by which the number of site visits were verified for release of the remaining retainage.

## **Conclusions**

Overall, task funding calculations and invoiced amounts were not supported consistently with the site list, County cost estimates, and invoice documents for Task Assignment 1. This included discrepancies in the salary amounts and position funding allocations. It also included discrepancies in the number of sites under program categories and phases used to develop the Task Assignment, as well as inconsistent support of billed activities. The number of performance activities and LSA purchase orders invoiced was not consistently specified in attached detail reports.

Based on interviews and review of Contract documents, Contract management demonstrated active involvement in overseeing County activities and performance measure requirements for the monthly release of retainage. The results of monthly performance reviews were addressed with the County and documented in the invoice review records. However, the new Contract includes a complex compensation structure. To ensure Task Assignment compensation requirements are met, additional process controls and verification processes are needed for effective oversight.

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<sup>9</sup> Facility ID 8501259 – Facility ID 8512534.

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## **Finding and Recommendation**

### **Finding: Task Compensation and Management Oversight**

In order to encourage more efficient site cleanup, PRP restructured the local program contracts and task assignments to provide compensation through a combination fixed price and performance based fee structure. During our review, we noted areas of control weakness that diminishes the purpose and effective management of the Contract. These areas influence Task Assignment funding and include the following:

- Cost analysis used for Task Assignment development reflected salary amounts and partially funding position allocations greater than those in cost estimates submitted by the County.
- The calculated funding for Task Assignments 1 and 2 were based on the number of sites in categories that differed from the County's site listings. Since Task Assignment 2 contains no provisions for continuing LSA sites, the number of non-LSA sites was significantly overstated. As a result, more funding was provided for management of less sites in Task Assignment 2 than in Task Assignment 1.
- During Task Assignment 1, County invoices containing amounts requested for LSA Purchase Orders issued were not consistently supported by invoice detail specifying the purchase orders issued. Since the funding for LSA sites is limited to a one-time payment when the purchase order is issued, PRP lacks information necessary to determine which sites have received compensation going forward.

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LSA sites that were listed as either continuing or were added during Task Assignment 1 were included on the site list for Task Assignment 2.

- During Task Assignment 1, County invoices containing amounts requested for performance incentive activities were not consistent with invoice detail reports.
- Retainage of 5% of the non-LSA compensation level of effort amount was withheld each month. Performance measures were determined to be met each month, and 80% of this amount was released the following month. The remaining 20% was to be released at the end of the task year if 98% of the assigned sites were visited or inspected. Per quarterly reports submitted by the County, 268 site visits were made during FY 2016-2017. However, from the initial listing of 276 sites, we could not verify site visits for nine. Of these, one had a (SRCO) issued in the prior task year, and two had no site activity since 2015.

While the new contracts were developed to incentivize performance, they include a complex compensation structure based on site listings, categories, phases, and activities that are difficult to track, time consuming to verify, and reliant in many areas on self-reporting. Funding amounts for Task Assignments 1 and 2 were not consistent with site lists. Task funding can be adjusted by altering submitted County cost estimates as well as site category and phase counts, thereby diminishing the accuracy of Task Assignment funding structure. Contract management mechanisms have not demonstrated tracking mechanisms necessary to ensure that Task Assignment funding is based on accurate reporting of County costs and site activity lists. Paid invoices and released retainage also does not demonstrate an accurate report of performance activities.



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## **Recommendation:**

Given the complex Task Assignment compensation structure, we recommend the Division consider whether a simplified compensation model could provide a more manageable contract yet still encourage and incentivize efficient site cleanup. Such a compensation model could incorporate added review and verification of costs, sites, and activities at the beginning and end of the Task Assignment in order to promote uniform monthly invoice payment.

If the Division continues the current Contract and Task Assignment structure, we recommend the following verification and tracking processes to ensure County compliance.

1. Review and verification of County cost estimates and site listing categories and phases to ensure Task Assignment funding is calculated on actual costs and accurate site listing information.
2. Verification of site detail for reported and invoiced performance activities prior to payment.
3. Documented verification of required site visits or inspections from assigned sites prior to approval of final retainage payment.
4. Establishment of a mechanism for tracking site cleanup progress and payment incentives by facility to avoid duplicate payments and improve the accuracy of site listings.

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*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 LeAnne Johnson 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 <http://www.dep.state.fl.us/ig/reports.htm>. 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*



# Florida Department of Environmental Protection

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## Memorandum

**TO:** Valerie J. Peacock, Director of Auditing  
Office of Inspector General

**FROM:** F. Joseph Ullo, Jr., P.E., Director  
Division of Waste Management

**SUBJECT:** Response to Audit Report A-1617DEP-034  
Brevard County Cleanup Contract GC889

**DATE:** December 4, 2017

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The Division of Waste Management has reviewed the Audit of the Brevard County Cleanup Contract GC889, Report A-1617DEP-034. The Division concurs with the Findings and Recommendations presented in the preliminary report regarding the site cleanup program operated by Brevard County.

### **Office of Inspector General Findings and Recommendations**

#### **Finding 1: Task Compensation and Management Oversight**

*In order to encourage more efficient site cleanup, PRP restructured the local program contracts and task assignments to provide compensation through a combination fixed price and performance based structure. During our review, we noted areas of weakness that diminishes the purpose and effective management of the Contract. These areas influence Task Assignment funding and include the following:*

- *Cost analysis used for Task Assignment development reflected salary amounts and partially funding position allocations greater than those in cost estimates submitted by the County.*
- *The calculated funding for Task Assignments 1 and 2 were based on the number of sites in categories that differed from the County's site listings. Since Task Assignment 2 contains no provisions for continuing LSA sites, the number of non-LSA sites was significantly overstated. As a results, more funding was provided for management of less sites in Task Assignment 2 than in Task Assignment 1. .*
- *During Task Assignment 1, County invoices containing amounts requested for LSA Purchase Orders issued were not consistently supported by invoice detail*

*specifying the purchase orders issued. Since the funding for LSA sites is limited to a one-time payment when the purchase order is issued, PRP lacks information necessary to determine which sites have received compensation going forward. LSA sites that were listed as either continuing or were added during Task Assignment 1 were included on the list for Task Assignment 2.*

- During Task Assignment 1, County invoices containing amounts requested for performance incentives were not consistent with invoice detail reports.*
- Retainage of 5% of the non-LSA compensation level of effort amount was withheld each month. Performance measures were determined to be met each month, and 80% of the amount was released the following month. The remaining 20% was to be released at the end of the task year if 98% of the assigned sites were visited or inspected. Per quarterly reports submitted by the County, 268 site visits were made during FY 2016-2017. However, from the initial listing of 276 sites, we could not verify site visits for nine. Of these, one had a (SRCO) issued in the prior task year, and two had no site activity since 2015.*

*While the new contracts were developed to incentivize performance, they include a complex compensation structure based on site listings, categories, phases, and activities that are difficult to track, time consuming to verify, and reliant in many areas on self-reporting. Funding amounts for Task Assignments 1 and 2 were not consistent with site lists. Task funding can be adjusted by altering site categories and phase counts, thereby diminishing the accuracy of Task Assignment funding structure. Contract management processes have not demonstrated tracking mechanisms necessary to ensure that Task Assignment funding is based on accurate report of County costs and site activity lists. Paid invoices and released retainage also do not demonstrate an accurate report of performance activities.*

Recommendation:

Given the complex Task Assignment compensation structure, we recommend the Division consider whether a simplified compensation model could provide a more manageable contract yet still encourage and incentivize efficient site cleanup. Such a compensation model could incorporate added review and verification costs, sites, and activities at the beginning and end of the Task Assignment in order to promote uniform monthly invoice payment.

If the Division continues the current Contract and Task assignment structure, we recommend the following verification and tracking processes to ensure County compliance.

1. Review and verification of County cost and site listing categories and phases to ensure Task Assignment funding is calculated on actual costs and an accurate site listing information.

2. Verification of site detail for reported and invoiced performance activities prior to payment.
3. Document verification of required site visits or inspections from assigned sites prior to approval of final retainage.
4. Establishment of a mechanism for tracking site cleanup progress and payment of incentives by facility to avoid duplicate payments and improve the accuracy of site listings.

Division Response:

1. Site listing categories for a Task Assignment start with the County providing a site list showing categories and phases of sites, assigned to them, on March 1st of the fiscal year prior to the Task Assignment. PRP reviews the list to determine whether sites are properly categorized and works with the County to estimate the number of low score assessment sites (LSAs) that the county can manage and to estimate new sites that may be assigned to the County due to a potential funding score drop or obtaining site access agreements on sites that are in funding range. Since there are several factors that go into development of a Task Assignment, PRP will prepare a task development summary document at the time the Task Assignment is issued to detail how the Task Assignment was developed. The summary document will be available in OCULUS.

Under the old grant agreements, local programs were required to provide year-end financial statements (YEFs) which could then be reconciled. Based on the YEFs, reimbursement was requested for any funds paid that exceeded the local programs' total expenses for the given fiscal year.

To promote program accuracy and efficiency, the payment structure of the current contracts was designed to not only consider the number and type of sites managed, but also to include financial consequences if certain performance measures are not met, and performance incentives when certain milestone are met.

For each task assignment under the new contracts, the local program is contacted to determine how much funding they anticipate needing under that task assignment. A cost analysis is prepared and then compared to the amount the local program requested, the number of sites the local program currently manages plus any anticipated new sites, and to historical local program funding data. If the information aligns, a task assignment is prepared. Under the current performance/incentive based arrangement, yearly reconciliation was not anticipated, nor is it expected by the local programs.

The Division understands OIG's concerns regarding task assignment funding. With that, the Division will request local programs provide YEFs each fiscal year going forward and for fiscal year 2016/2017. The Division will consider including the provision of the YEFs as part of the next task assignment as a non-compensated deliverable. In addition to the information on the cost analysis and comparison discussed above, YEFs will be considered when preparing future task assignments. Analysis of the YEF in regard to task development will be included in the task development summary document. The YEFs will be filed in OCULUS and be available for public inspection as well.

2. PRP has developed a County invoice review procedures document (see Attachment A) so that it is clear to staff what steps are required to review monthly invoices.
3. PRP has developed guidance for County site visits (see Attachment B) which details the minimum documentation that is acceptable. In addition, the annual Task Assignment will include a list of facility identification numbers (FAC ID #s) detailing which sites must be inspected to receive retainage. Due to changes in personnel at fiscal year-end, staff reviewing site inspections for Task 1 were not aware that 98% of the sites needed to be inspected in order to release retainage for site inspections. Staff are now fully trained on this issue.
4. To ensure that incentive payments are tracked, PRP will require that Counties provide on invoice Attachment L, the FAC ID # and incentive type for any site where the County is requesting an incentive payment. Starting with Task Assignment 2, PRP will keep a spreadsheet showing FAC ID #, month incentive was paid, type of incentive, and the discharge date tied to the incentive (see Attachment C). This spreadsheet will be sorted by FAC ID # and checked before any incentive is paid to avoid duplicate payments.

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## **OIG Comment Regarding Division's Response**

The Division's response included attachments in support of the indicated action taken.