

**Audit of Contract GC725 with
Northstar Contracting Group, Inc.**

Division of Waste Management

Report: A-1718DEP-008

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

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The Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Contract GC725 (Contract) between Northstar Contracting Group, Inc. (Contractor) and the Division of Waste Management (Division) Petroleum Restoration Program (PRP). This audit was initiated as a result of the Fiscal Year (FY) 2017-2018 Annual Audit Plan.

Scope and Objectives

The audit scope included activities performed under the Contract Task Assignment 001AF (TA001AF) during FY 2016-2017, as well as activities under Task Assignment 001AG (TA001AG). The objectives were to:

- determine the cost justification and support for task funding and the accuracy of paid invoices.
- evaluate management oversight of the Contractor's staffing level, workload, and level of performance under the Task Assignment.

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 statutory and Contract requirements, as well as invoices, support documentation, and activities conducted under the Contract Task Assignments and change orders. We also interviewed Department and Contract staff.

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Background

The Inland Protection Trust Fund was created in 1986 as a funding source for cleanup of sites contaminated by discharges of petroleum and petroleum products from stationary petroleum storage systems. In accordance with section 376.3071, F.S., PRP is established to provide technical oversight, management, and administrative activities necessary to prioritize, assess, and cleanup discharges on these sites. According to the PRP Monthly Dashboard Update as of February 2018, the progress made on all identified eligible discharges as well as discharges awaiting rehabilitation is as follows.

February 2018 Status	Discharges	Percentage
Rehabilitated	10,026	52%
Undergoing Rehabilitation	6,550	34%
Awaiting Rehabilitation	2,763	14%
Total Eligible Discharges	19,339	100%

Priority Score (as of February 2018)	Discharges	Percentage
≤ 19	2,399	86.8%
20-29	246	8.9%
30-45	92	3.3%
46-74	20	.7%
≥ 75	6	.2%
Total	2,763	100%

During FY 2017-2018 through the end of February 2018, PRP reported a total of 463 closures. These closures have been obtained through the following means.

Closure Type	Discharges Closed
Low Score Site Initiative (No Further Action/Limited No Further Action)	17
No Further Action/Site Rehabilitation Cleanup Order	432
No Further Action with Condition	11
Cleanup Not Required	3
Total	463

Section 376.3071(g), F.S., requires that PRP be implemented in a manner that reduces costs and improves the efficiency of rehabilitation activities to reduce the significant backlog of contaminated sites eligible for state-funded rehabilitation and the corresponding threat to the public health, safety, and welfare, water resources, and the environment. PRP is responsible for

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the technical oversight, management, and administrative activities necessary to prioritize, assess, and cleanup these sites. For this purpose, the PRP is supported by the following Division and contracted staff.

Staffing Source	Number of Funded Positions	Percentage
Division PRP (Executive and Teams 1 through 4)	50	16.6%
Team 5 (Contract)	49	16.3%
Team 6 (Contract)	45	15.0%
Administrative Service (Contract)	11	3.7%
Local Government Programs (Contract)	146	48.5%
Total Positions Funded	301	

Contract GC725¹ was executed on January 25, 2010, for a five-year term for petroleum contamination site cleanup management services. The Contract was amended December 9, 2014, to provide an additional five-year renewal, and will expire January 24, 2020. The Contract incorporates, by reference, the original Solicitation number 2009017C, dated January 16, 2009, and the Contractor's response as part of the Contract.

Under the Scope of Services, the Contractor is tasked with performing all aspects of site cleanup management services in conformance with the same standards of professional conduct required of Department staff. Positions funded under the Contract primarily serve PRP organizationally as Team 5; however, several positions are organizationally embedded within the other PRP Teams.

The following table represents the current and past five fiscal years' Task Assignment funding and staffing levels.

¹ The Contract was executed with WRS Infrastructure & Environment, Inc. on January 25, 2010. On December 9, 2014, the Contract was amended, as a portion of the assets of WRS Infrastructure & Environment, Inc. were acquired by Northstar Contracting Group, Inc.

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Fiscal Year	Task Assignment Amount	Number of Staff Per Task Assignment
2012-2013	\$3,271,595.06	21
2013-2014	\$2,995,142.78	23
2014-2015	\$3,294,477.91	20
2015-2016	\$5,433,101.08	39
2016-2017	\$6,068,420.91	44
2017-2018	\$6,584,416.64	49

A prior limited review of the Contract was conducted in September 2013 (A-1213DEP-037), which focused on the Division’s use, controls, and monitoring of contracted services. The review included a recommendation for the Division to establish consistent and permanent deliverables in monthly summary reports that are specific, quantifiable, measurable, and verifiable for each Task Assignment. In response, the Division began including a description of the monthly deliverables and criteria for the performance measures in subsequent Task Assignments.

Results

Accuracy of Paid Invoices

We reviewed the Contractor’s monthly invoices submitted under TA001AF for the months of February and May 2017. Invoiced costs for direct labor were consistent with the labor rates and multipliers specified in the Contract. Hours billed per invoices were supported by staff timesheets. Amounts billed for travel were supported by Department Vouchers for Reimbursement of Travel Expenses and applicable receipts.

Contract Funding for Task Assignments – Rates and Multipliers

Payments under the Contract are based on a combination of fee schedule/fixed price/cost reimbursement plus fixed fee as outlined in each Task Assignment. Payments are made for

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direct labor costs, which consist of an hourly base labor rate with added multipliers for fringe benefits, overhead, General and Administrative (G&A), completion fee, and other direct costs.

Multipliers added to base labor rates include the following:

Description	Multiplier	Basis of Multiplier Application
Fringe Benefits	27.9%	Direct Labor
G&A	7.96%	Direct Labor + Fringe
Overhead	61.60%	Direct Labor + Fringe + G&A
Completion Fee	10%	Direct Labor + Fringe Benefits + Overhead + G&A
Other Direct Costs	5%	Direct Labor

According to Paragraph 8.B.2., of the Contract, *All multipliers used (i.e. fringe benefits, overhead, and/or general and administrative rates) shall be supported by audit. If the Department determines that multipliers charged by the Contractor exceeded the rates supported by audit, the Contractor shall be required to reimburse such funds to the Department within thirty (30) days of written notification.* As part of the original Contract negotiations, PRP agreed to the rates currently in place by allowing the use of rates established under a federal Indirect Cost Rate Agreement dated January 6, 2009, with the United States Environmental Protection Agency (EPA). Under Paragraph 3 of this agreement, the rate for overhead was 61.6% and for G&A was 7.96%. The effective period of the agreement was from January 1, 2007, to December 31, 2007. The agreement did not specify rates for fringe benefits, completion fees, or other direct costs. Paragraph 6.a. *Special Remarks* of the Indirect Cost Rate Agreement states, *the indirect cost rates contained in Paragraph 3 of this agreement are “billing” rates which apply only to the existing contracts and subcontracts and should not be construed to be forward pricing rates. The rates should not be used as a substitute for examining and analyzing indirect cost rates contained in current cost proposals.* An audit was not provided by the Contractor for the

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application of these rates, and the Contractor did not provide access to this information for the purpose of audit during our review.

According to Attachment B, paragraph B.12., of Solicitation 2009017C, contract selection was conducted under the authority of section 287.055, F.S. In accordance with section 287.055(4), F.S., the Department requested Statements of Qualifications for evaluation and award of the Contract. Section 287.055(5)(a), F.S., states, *The agency shall negotiate a contract with the most qualified firm for professional services at compensation which the agency determines is fair, competitive, and reasonable. In making such determination, the agency shall conduct a detailed analysis of the cost of the professional services required in addition to considering their scope and complexity.* PRP Management could not provide documentation to demonstrate that a detailed cost analysis was conducted during procurement.

Contract and Solicitation 2009017C Provisions

According to Attachment C *Scope of Services* of the Contract, the Contractor is required to provide sufficient technical and support staff to properly manage the assigned sites. Such staff are to be provided on a dedicated full-time basis for the work described in the Task Assignment. Attachment B, Paragraph B.12. *Description of Work Being Procured* of Solicitation 2009017C stated, *Of particular concern to the DEP is the appearance of a conflict of interest related to the petroleum cleanup preapproval program. The selected contractor(s) and their parent companies, affiliates, or subsidiary, if applicable, shall not be involved in any state funded petroleum cleanup preapproval work and shall assure the DEP that there is no potential conflict of interest, or the appearance of a conflict of interest, during the term of the contract resulting from this solicitation. Nor may an owner of the company, its affiliates or subsidiaries, have any financial or other interest in any company or its affiliates or subsidiaries which is conducting*

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work on a petroleum cleanup state funded site. The solicitation also contained a question from a separate engineering and environmental service provider seeking clarification of this requirement. The Division's response stated, *the consultant, their parent company, affiliates or subsidiaries is prohibited from being involved in any state funded petroleum cleanup work, including preapproval work.*

The Contractor is currently under a separate contract with the Florida Department of Transportation (FDOT) for Contamination Assessment, Remediation, and Environmental Support Services (BE149). This includes assessment and remediation due to petroleum contamination. In addition, representations made under the Contractor's FDOT contract regarding percentages of professional staff availability included several staff also budgeted on a full-time basis under the Contract TA001AF during FY 2016-2017 and TA001AG during FY 2017-2018.

Management Oversight of Scope of Services and Performance Criteria

We reviewed the Scope of Services and Performance Criteria outlined in TA001AF and TA001AG. Based on this review, the Contractor had not provided a monthly summary of activities in detail as required in the Scope of Services under TA001AF. Sites managed by type did not include site listings and the number managed per employee as required. Listings of monthly field inspections did not include the number of field notifications received for the month as required. However, deliverables submitted under TA001AG as of February 2018, have been revised to include this information.

According to Attachment B, *Performance Criteria* of the Task Assignments, the Contractor's monthly report is submitted to the Contract Manager for review and comment. This review is part of the Contract Manager's monthly and quarterly assessment of the Contractor's

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performance. The Contract Manager also evaluates monthly timesheets, travel vouchers, and verifies the Contractor has performed at least 55 inspections per month as required.

Prior to invoice approval, the Contract Manager provides a review letter stating whether the Contractor met established timeframes on a monthly and quarterly basis. The number of deliverables, events, or invoices processed may not exceed required turnaround timeframes for more than 5% of the activities reviewed for the quarter. Retainage of up to 10% may be withheld if the average exceeds 5%. There are no required timeframes with regard to purchase orders; therefore, the Contractor's process average is evaluated with respect to the average for PRP. Based on quarterly review letters, the Contractor's performance was as follows:

FY 2016-2017 Quarterly Deliverable Review				
Quarter	Average Deliverable Review Turnaround (Percent Exceeded)	Average Invoice Review Turnaround (Percent Exceeded)	Contractor's Average Purchase Order Turnaround (Days)	PRP Average Purchase Order Turnaround (Days)
First	3.41%	.24%	35	32
Second	3.76%	.31%	37	31
Third	3.06%	1.22%	27	27
Fourth	4.26%	.30%	39	25
FY 2017-2018 Quarterly Deliverable Review				
First	1.71%	0%	30	29
Second	4.11%	.56%	29	25

During FY 2016-2017 and the first two quarters of FY 2017-2018, the Contractor's quarterly average was below the allowed percent of error for events with required timeframes. The Contractor also conducted more than the required site inspections. However, the Contractor's average turnaround time for purchase orders exceeded the average for PRP during five of the six quarters.

According to section 9 of the Contract, the Contract Manager has five working days to inspect and approve services for payment. During FY 2016-2017, each month after invoices and deliverable summaries were received, the Contract Manager notified the Contractor that the

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review timeframe had been temporarily suspended due to needed corrections. Identified circumstances were related to inconsistencies in reported information, incorrect travel vouchers, deliverables missing from the tracking spreadsheet, and timesheet errors. Once the noted errors were corrected, invoices were approved for payment.

The Scope of Services also requires the Contractor to maintain the Division's remedial equipment inventory and auction items. This includes processing surplus, transfer or missing equipment paperwork, ensuring inventory matches Department records, and reconciling errors. Based on discussions with Contract staff, the remedial equipment inventory is maintained in the Contractor's proprietary inventory database. The records are provided to PRP; however, the Contractor had not reconciled the records to ensure inventory matched Department records.

The majority of sites assigned to the Contractor are sites which are part of the Low Score Site Initiative² (LSSI) and Springshed Initiatives³. Requirements for participation in LSSI are specified under section 376.3071(12)(b), F.S. These requirements include completion of site assessment and remediation within specific timeframes as well as site funding limits. The Task Assignment Scope of Services and Performance Criteria does not include a performance component to assess the Contractor's oversight of work in adherence to these requirements.

Contract Workload

We reviewed Contract funding, staffing levels, and site workload. The number of sites assigned to teams fluctuates throughout the year as sites enter and are closed during the

² Under section 376.3071(12)(b), F.S., LSSI is a voluntary program intended to bring discharges at low-scored sites to closure. A total of \$15,000,000 of annual funding may be used from the PRP's appropriation for LSSI. Funding for any one site is limited to no more than \$35,000 for assessment, and an additional amount of no more than \$35,000 for limited remediation if the assessment and/or limited remediation will likely result in a determination of "No Further Action".

³ PRP implemented the springshed initiative to prioritize funding for petroleum discharges located within springshed areas. PRP has identified facilities with petroleum discharges within these areas.

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remediation process. Since FY 2012-2013, the Department has increased funding under the Contract⁴. The following table includes annual task amounts, number of staff, and end of the year site workload since FY 2012-2013.

Fiscal Year	Task Assignment Amount	Number of Staff Per Task Assignment	Site Workload included in the June 30 Deliverable
2012-2013	\$3,271,595.06	21	822
2013-2014	\$2,995,142.78	23	711
2014-2015	\$3,294,477.91	20	819
2015-2016	\$5,433,101.08	39	1291
2016-2017	\$6,068,420.91	44	982
2017-2018	\$6,584,416.64	49	865 ⁵

Based on the Contractor's end of the year monthly invoices, documented site workload has generally decreased since FY 2015-2016. According to the FY 2017-2018 task budget request, the increased funding was due to PRP's lowering the score for site funding eligibility in addition to the expanded funding for LSSI and Springshed sites below funding range. The teams are required to supplement the additional workload and to assist PRP with processing and other priorities to meet procurement allocation objectives. Additional staff have been used to supplement other PRP teams, assist with obtaining property site access, review of electronic laboratory data, administrative staff support, and work on other special projects. Since FY 2015-2016, a portion of the staff working under the Contract have been located in the Contractor's offices in Tampa and Orlando. The Contractor's deliverable for the month of February 2018 included the following sites.

⁴ For FY 2012-2013 through FY 2016-2017 the site workload information was obtained from the June deliverable.

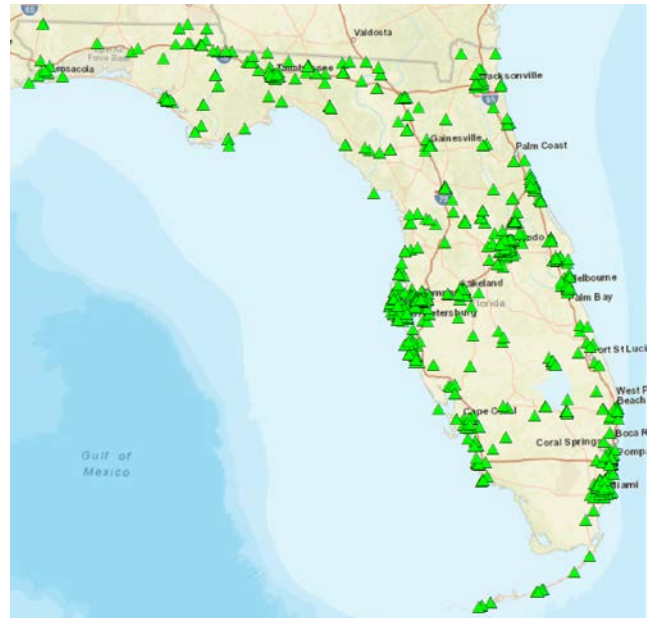
⁵ The site workload for FY 2017-2018 was as of the February 2018 deliverable.

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Site Category	Number	Percentage
Procurement	71	8.2%
Springshed	159	18.4%
LSSI	447	51.7%
Low Score Assessment	182	21.0%
Voluntary Cleanup	6	.7%
Total Sites	865	

Of the 49 staff included under TA001AG during February 2018, sites were assigned to 33 for an average of 26 sites assigned per staff. The following map⁶ shows the location of the Contractor's assigned sites from the February 2018 deliverable.



According to the Contract Manager, site assignments are made between the PRP contracted local programs and team contracts, depending on available staffing. Once the contracted local programs reach workload capacity, sites are assigned to the contracted teams. The cost of staff provided under the local programs is generally less than staff provided under the Contract. However, additional workload has been assigned to the Contractor due to the flexibility in adjusting staffing levels.

⁶ This map includes facilities from the February 2018 deliverable as indicated on the Department Contamination Locator Map (CLM). The CLM did not have 15 of these sites registered which may have been closed or were undergoing preliminary screening.

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Change Orders

Under TA001AF during FY 2016-2017, five change orders were issued resulting in a total increase of \$220,844.44 per the following table.

Task Assignment/ Change Order	Date	Description	Net Increase of Task Assignment	Total Task Amount with Change Order
TA001AF	6/24/2016	Original Task Assignment July 1, 2016, through June 30, 2017 (44 staff tasked at 2,024 hours each; total hours - 89,056)		\$6,068,420.91
TA001AF-1	7/27/2016	Addition of one (1) full-time embedded Administrative Assistant to assist with purchase requisition and creation, change orders, Oculus ⁷ , and modifications to MFMP ⁸ .	\$92,481.20	\$6,160,902.11
TA001AF-2	10/21/2016	Addition of one (1) full-time embedded Staff Scientist I to assist with ADaPT ⁹ to perform reviews of electronic laboratory and sampling data.	\$62,269.05	\$6,223,171.16
TA001AF-3	2/14/2017	Addition of one (1) full-time embedded Administrative Assistant II to assist with purchase requisition and creation, change orders, Oculus, and modifications to MFMP.	\$33,023.89	\$6,256,195.05
TA001AF-4	3/13/2017	Addition of one (1) full-time embedded Administrative Assistant to assist with purchase requisition and creation change orders, Oculus, and modifications in MFMP.	\$26,487.91	\$6,282,682.96
TA001AF-5	4/7/2017	Add funds to the travel budget for training purposes. PRP training for new site managers; attendance mandatory.	\$6,582.39	\$6,289,265.35
Total			\$220,844.44	

Of the five change orders, three were issued to add administrative staff and one was issued to add a Staff Scientist. Based on discussions with the Contract Manager, these additional staff were requested by PRP management. Change order TA001AF-5 provided additional funds for staff training, which was documented as mandatory. However, based on discussions with the Contract Manager and PRP staff, the training was not mandatory. According to Attachment C of the Contract, *the Contractor shall be responsible for ongoing training of their personnel in regard to State law, DEP rules and guidance and preapproval program standard operating procedures.*

⁷ Oculus is the Department's web-based document management system.

⁸ MyFloridaMarketPlace (MFMP) is the state-wide centralized source for electronic procurement activities.

⁹ Automated Data Processing Tool; a Microsoft Access application used by the Division to evaluate analytical chemistry data from water, soil, and air samples.

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E-Verify

Based on Amendment No. 1 of the Contract dated January 3, 2012, and pursuant to State of Florida Executive Orders Nos.11-02 and 11-116, the *Contractor is required to utilize the Department of Homeland Security's E-Verify system to verify the employment of all new employees hired by the Contractor during the Contract term.* We verified E-Verify Employment Eligibility search documentation for 50 of the 51¹⁰ employees on staff under TA001AF.

Contractor Qualifications

Attachment D of the Contract lists the minimum qualifications for classifications of Contract staff. We verified the current licenses of all Contract Professional Engineers and Professional Geologists through records maintained by the Department of Business and Professional Regulations. Per request, the Contractor provided qualification documentation for 48 of the 51¹¹ employees working under TA001AF, as well as qualification documents for an additional three employees currently on staff under TA001AG. Of the 51 employee qualification documents reviewed, 13 did not provide information sufficient to demonstrate the employee met the required minimum qualifications. In addition, one¹² employee's resume indicated the employee serves as the Assistant Contract Manager for a FDOT contract and a Senior Project Geologist for a separate Department contract.

¹⁰ This number differs from the total funded positions due to staff changes during the task period.

¹¹ Qualification documents included a combination of resumes and employee biographies.

¹² 1,804 hours were billed for this employee under TA001AF. The employee also is currently billed under TA001AG.

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Conclusions

Based on our review, Contract invoices were supported by costs authorized under the Task Assignments and change orders. However, the rates and multipliers used for these costs were not supported by audit and PRP had not documented a detailed cost analysis during the Contract's procurement.

During the course of our audit, monthly deliverable summaries had been revised to provide Contract activity detail as required. Required deliverable and invoice turnaround times were met on a quarterly basis; however, the Contractor's average turnaround time for purchase orders exceeded the overall average for PRP during five of the six quarters reviewed during FY 2016-2017 and FY 2017-2018. Monthly invoices and submitted deliverables contained errors that resulted in delayed invoice payments. Once errors were corrected, invoices were approved for payment.

Additionally, we noted several indications where staff budgeted full-time under the Contract Task Assignments may also work on separate contracts held by the Contractor. We also noted separate contracts where the Contractor was engaged in petroleum cleanup activities prohibited in the Contract solicitation. Annual funding under the Contract has steadily increased recently as a result of the addition of staff for administrative and technical support. Our findings and recommendations are included in the remainder of this report.

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Findings and Recommendations

Finding 1: Contract Procurement and Funding Cost Analysis

The Contract, which was awarded on January 25, 2010, was procured under the authority of section 287.055¹³, F.S., through Solicitation 2009017C. According to section 287.055(4)(a), F.S., *For each proposed project, the agency shall evaluate current statements of qualifications and performance data on file with the agency, together with those that may be submitted by other firms regarding the proposed project, and shall conduct discussions with, and may require presentations by, no fewer than three firms regarding their qualifications, approach to the project, and ability to furnish the required services.* Under the solicitation, the Department received responses and statements of qualifications from two firms, and awarded contracts to both.

Section 287.055(5)(a), F.S., states, *The agency shall negotiate a contract with the most qualified firm for professional services at compensation which the agency determines is fair, competitive, and reasonable. In making such determination, the agency shall conduct a detailed analysis of the cost of the professional services required in addition to considering their scope and complexity.* Based on information obtained from the Division, a detailed cost analysis was not conducted for the award of this Contract. According to paragraph 8.B.2., of the Contract, *All multipliers used (i.e. fringe benefits, overhead, and/or general administrative rates) shall be supported by audit. If the Department determines that multipliers charged by the Contractor exceed the rates supported by audit, the Contractor shall be required to reimburse such funds to*

¹³ Section 287.055, F.S. 2008

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the Department within thirty (30) days of written notification. The Contractor did not provide an audit of these rates or access to financial information for the purpose of our audit.

Paragraph 8.D., of the Contract states, *all rates contained herein shall be subject to renegotiation on the anniversary date of the Contract each year of the Contract.* Per correspondence with the Contractor, there has been no adjustment in contracted rates since the Contract was executed. Based on our review, the Contract was not awarded in compliance with requirements under section 287.055, F.S., and the agreed-upon multipliers have not been not supported by audit as required under the Contract. As a result, the Division has no assurance or support that compensation under the Contract is fair, competitive, or reasonable.

Recommendation:

We recommend that the Division conduct a detailed cost analysis of all multipliers in accordance with Section 287.055, F.S. as a basis for determining whether the compensation under the Contract is fair, competitive, and reasonable, and as a basis for adjusting the multipliers for the final two years of the Contract. We also recommend that the Division obtain audits of the multipliers from the Contractor. If the Division determines that multipliers charged by the Contractor exceed the rates supported by audit, we recommend that the Division request reimbursement for the amounts in excess as required under the Contract.

Finding 2: Activities Inconsistent with Contract and Solicitation Requirements

Under the original Solicitation 2009017C, the Division addressed concerns regarding the appearance of a conflict of interest related to the petroleum cleanup preapproval program. The Division provided clarification in the solicitation that, *the consultant, their parent company, affiliates or subsidiaries is prohibited from being involved in any state funded petroleum cleanup*

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work, including preapproval work. The Contractor is currently under a separate contract with FDOT for Contamination Assessment, Remediation, and Environmental Support Services which includes assessment and remediation due to petroleum contamination.

Recommendation:

We recommend the Division address the Contractor's involvement in state funded petroleum cleanup work under external contracts. Per Solicitation 2009017C, this activity presents the appearance of a conflict of interest and is prohibited under the Contract. As such, the Division should ensure it is discontinued.

Finding 3: Deliverables and Management Oversight

The Contractor is tasked on the basis of a combination of fee schedule/fixed price/cost reimbursement plus fixed fee as outlined in each Task Assignment. Successful completion of required activities specified in the Task Assignment Scope of Services and Performance Criteria are not directly tied to these costs. According to the TA001AF Performance Criteria, *Tracking the performance of mission critical topics performed by the Northstar Contracting Group (Northstar) will be on a monthly basis. This information will be used to assess the effectiveness of Northstar work processes, review times for technical reports, work order or task assignment generation, site inspections and processing invoices.* During our review, we noted the following circumstances with respect to the Task Assignment Scope of Services and monthly deliverables.

- Monthly deliverable summaries did not contain activity detail as required in the TA001AF Scope of Services. The required detail was subsequently added to recent monthly deliverables during the course of our audit.

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- Based on the Contract Manager's quarterly review, the Contractor's average turnaround time for purchase orders exceeded the average for PRP during five of the six quarters reviewed under TA001AF and TA001AG. According to the TA001AF fourth quarter review letter, PRP recommended the Contractor improve the average number of days to issue purchase orders.
- From invoices reviewed under TA001AF, the Contract Manager notified the Contractor that the monthly invoice review timeframe had been temporary suspended due to needed corrections each month. Areas identified included inconsistencies in reported information, incorrect travel vouchers, missing deliverables from the tracking spreadsheet, and timesheet errors. Once the noted errors were corrected, invoices were approved for payment.
- While the Contractor had maintained inventory records of the Division's remediation equipment in its internal tracking system, the Contractor had not inventoried equipment via scanners or reconciled the inventory records to ensure inventory matches Department records as required under TA001AG Scope of Services.

The majority of PRP sites eligible for LSSI are assigned to either the Contractor or the other contracted team. Management of these sites is described in the Scope of Services. However, there are no performance metrics to assess the Contractor's effective oversight of work in adherence to LSSI statutory requirements. In contrast to the Division's current local program contracts, there are no performance incentives tied to efficient site management. Financial consequences contained in the Performance Criteria only apply to PRP required document turnaround timeframes. In addition, there are no required performance standards or metrics

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related to the administrative, procurement, or technical support functions for which staff have been increasingly added.

Recommendation:

We recommend the Division revise the Scope of Services and Performance Criteria. This revision should incorporate performance metrics, incentives, and retainage specific to the Contractor's expectations to promote accountability for efficient site cleanup and effective performance in all areas of the Contractor's responsibility.

Finding 4: Contractor Staffing and Workload

Since FY 2012-2013, Contract funding has increased each year. However, site workload documented in the Contractor's end of year monthly deliverable have generally decreased since FY 2015-2016. Of the 49 staff funded under TA001AG, sites are assigned to 33 (67%) per the February 2018 deliverable, for an average of 26 assigned sites per staff. This is lower than the average sites assigned per staff in the contracted local programs¹⁴. Staff have been added under the Contract to supplement other PRP teams and provide administrative, procurement, and technical support. Under TA001AF, three change orders were issued to add administrative staff, and one was issued to add a Staff Scientist. Based on discussions with PRP management, these additional staff were requested by PRP. Other than the statement included on the change order, there was no documented support or justification for the additional workload. The hourly cost of administrative staff provided under the Contract exceeds rates for administrative staff provided under the Division's administrative services contract.

¹⁴ Sites assigned per staff in the contracted local programs as of the February 2018 invoice averaged 31 sites per staff. This average did not include site counts for Escambia and Palm Beach counties. Staff site counts for these counties were not listed in the February 2018 invoice activity summaries.

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Since FY 2015-2016, a portion of staff working under the Contract have been located in the Contractor's offices in Tampa and Orlando. Several of the Division's local program contracts also provide site management services in these areas. In general, the cost for site management staff provided under the Contract exceeds the cost of staff provided under the Division's local program contracts.

According to Attachment C *Scope of Services* of the Contract, Contract staff are to be provided on a dedicated full-time basis for the work described in the Task Assignment. The Contractor also holds separate contracts with external agencies as well as the Department. Under the FDOT contract, representations made by the Contractor regarding percentages of staff availability included staff also budgeted on a full-time basis under TA001AF and TA001AG.

Based on staff qualification documents obtained from the Contractor, one staff member budgeted as full-time indicated that the employee serves as an Assistant Contract Manager for a separate contract with FDOT and as a Senior Project Geologist for a separate Department contract. Given the multiple locations from which Contract staff are housed, the Contract Manager has limited oversight of activities represented by Contract staff timesheets. While the actual involvement of Contract staff on other projects is unknown due to differences in contract structures, the noted activities and duplicative contracts for site management service areas provide an indication of risk of inefficient or external use of PRP funding.

Recommendation:

We recommend the Division review the Contract staff activity and workload to determine whether the level of Contract staff is necessary to meet the current needs of PRP. Based on this analysis, the Division should seek to meet resource needs in the most cost-effective manner. We also recommend the Division address the potential use of staff budgeted full-time under the

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Contract for external projects with the Contractor. If the Contractor uses staff on multiple contracts, this practice and the level of staff availability for this Contract should be documented and submitted to the Division for review in order to determine an appropriate course of action.

Finding 5: Task Assignment Change Order for Staff Training

According to Attachment C of the Contract, *the Contractor shall be responsible for ongoing training of their personnel in regard to State law, DEP rules and guidance and preapproval program standard operating procedures.* Change order TA001AF-5 was issued April 7, 2017, to provide \$6,582.39 in additional funds for mandatory staff training. According to the Contract Manager and PRP staff, the training was not mandatory and no documentation could be provided to support the funding as an exception to the Contract.

Recommendation:

Going forward, we recommend the Division discontinue issuing change orders which provide additional funding for activities that are the Contractor's responsibility under the Contract.

Finding 6: Contract Staff Qualifications

The Contract specifies minimum qualifications for classifications of staff in Attachment D, *Rate Schedule* of the Contract. The Contractor provided qualification documentation for 48 of the 51 employees working under TA001AF, as well as qualification documents for an additional three employees currently on staff under TA001AG. Of the 51 employee qualification documents reviewed, 13 did not provide information sufficient to demonstrate the employee met the position's required minimum qualifications.

Audit of Contract GC725 with Northstar Contracting Group, Inc.
Division of Waste Management

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Recommendation:

We recommend the Division review the documented qualifications of current staff funded under the Contract to ensure staff serving in funded positions meet the required minimum qualifications. For the staff in which the Contractor can not provide qualification documentation that meets the category required minimums, the Division should take appropriate steps to ensure the Contractor provides staff with documented qualifications that meet the position minimum requirements.

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 Landrum and Robert Gay 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,
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Carlos Lopez-Cantera
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Noah Valenstein
Secretary

Memorandum

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

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

SUBJECT: Response to Audit Report A-1718DEP-008
Audit of Contract GC725 with Northstar Contracting Group, Inc.

DATE: July 17, 2018

The following is in response to the review of Contract GC725 with Northstar Contracting Group, Inc. (Team 5) conducted by the Office of Inspector General (OIG).

Finding 1: Contract Procurement and Funding Cost Analysis

Recommendation:

We recommend that the Division conduct a detailed cost analysis of all multipliers in accordance with Section 287.055, F.S. as a basis for determining whether the compensation under the Contract is fair, competitive, and reasonable, and as a basis for adjusting the multipliers for the final two years of the Contract. We also recommend that the Division obtain audits of multipliers from the Contractor. If the Division determines that multipliers charged by the Contractor exceed the rates supported by audit, we recommend that the Division request reimbursement for the amounts in excess as required under the Contract.

Petroleum Restoration Program (PRP) Response:

PRP is in the process of developing procedures to conduct a detailed cost analysis of all multipliers. In addition, the Division has requested that the Contractor provide an independent audit of recent costs and multipliers. PRP had a meeting with Northstar Contracting Group, Inc. on 7/10/2018 to confirm and discuss required audit items and clarify questions. The Division has executed a 90-day task assignment under the contract to allow needed work to continue until PRP has obtained and reviewed an audit of the recent costs and multipliers from Team 5.

Finding 2: Activities Inconsistent with Contract and Solicitation Requirements

Recommendation:

We recommend the Division address the Contractor's involvement in state funded petroleum cleanup work under external contracts. Per Solicitation 2009017C, this activity presents the appearance of a conflict of interest and is prohibited under the Contract. As such, the Division should ensure it is discontinued.

PRP Response:

It was our understanding that the Contractor did not allow staff working on Team 5 to work on other state contracts. To ensure this, the new contract will specifically require (with limited exceptions approved in writing) that contracted staff only work on one state contract.

Finding 3: Deliverables and Management Oversight

Recommendation:

We recommend the Division revise the Scope of Services and Performance Criteria. This revision should incorporate performance metrics, incentives, and retainage specific to the Contractor's expectations to promote accountability for efficient site cleanup and effective performance in all areas of the Contractor's responsibility.

PRP Response:

The current contract expires January 24, 2020. A new contract will be developed for the period starting January 25, 2020. The new contract will take into consideration the findings of this audit and will contain performance metrics, incentives and retainage specific to the Scope of Work required under the contract. PRP is currently drafting and developing the new contract solicitation. PRP plans to post the solicitation in January 2019. Because of this short timeframe, the Division will not seek to amend the current contract.

Finding 4: Contractor Staffing and Workload

Recommendation:

We recommend the Division review the Contract staff activity and workload to determine whether the level of Contract staff is necessary to meet the current needs of PRP. Based on this analysis, the Division should seek to meet resource needs in the most cost-effective manner. We also recommend the Division address the potential use of staff budgeted full-time under the Contract for external projects with the Contractor. If the Contractor uses staff on multiple contracts, this practice and the level of staff availability for this Contract should be documented and submitted to the Division for review in order to determine an appropriate course of action.

Response:

The Division will carefully review the workloads of Team 5, Team 6 and local programs to ensure that the Division is meeting resource needs in the most cost-effective manner.

In addition, the Division will require any staff that work on multiple contracts (which will only be allowed under limited exceptions and approved in writing) provide the Division with timesheets in the monthly invoice clearly showing what contracts staff worked on and the time spent on each contract.

Finding 5: Task Assignment Change Order for Staff Training

Recommendation:

Going forward, we recommend the Division discontinue issuing change orders which provide additional funding for activities that are the Contractor's responsibility under the Contract.

Response:

The Division will discontinue funding any travel change orders or other change orders for activities that are the Contractor's responsibility under the Contract.

Finding 6: Contract Staff Qualifications

Recommendation:

We recommend the Division review the documented qualifications of current staff funded under the Contract to ensure staff serving in funded positions meet the required minimum qualifications. For the staff in which the Contractor can not provide qualification documentation that meets the category required minimums, the Division should take appropriate steps to ensure the Contractor provides staff with documented qualifications that meet the position minimum requirements.

Response:

The Division has requested from the Contractor any additional information which is relevant to showing that Team 5 staff have met the required minimum qualifications. If the additional information provided is not sufficient, the Division will consider requesting that the staff in question be replaced.