

# **Audit of Monroe County Compliance Contract GC675**

## **Division of Waste Management**

### **Report: A-1415DEP-040**

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

#### **Internal Audit Section**

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

**June 30, 2015**

3900 Commonwealth Boulevard, MS 40  
Tallahassee, Florida 32399-3000  
[www.dep.state.fl.us](http://www.dep.state.fl.us)





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Division of Waste Management



Report: A-1415DEP-040

## Table of Contents

|  |          |
|--|----------|
| <b>Scope &amp; Objectives .....</b>    | <b>1</b> |
| <b>Methodology .....</b>               | <b>1</b> |
| <b>Background .....</b>                | <b>2</b> |
| <b>Results &amp; Conclusions .....</b> | <b>4</b> |
| <b>Management Comment .....</b>        | <b>6</b> |
| <b>Division Response.....</b>          | <b>8</b> |

Report: A-1415DEP-040

The Office of Inspector General (OIG) conducted an audit of Contract GC675 between the Division of Waste Management (Division) Permitting and Compliance Assistance Program (Program) and the Department of Health Monroe County Health Department (County). This audit was part of the Fiscal Year (FY) 2014-2015 Annual Audit Plan.

## **Scope & Objectives**

The scope of this audit included an examination of Contract GC675 and its corresponding Task Assignments issued between July 2013 and March 3, 2015. The Audit encompassed Task Assignment 7, from July 1, 2013, to June 30, 2014, and selected events of Task Assignment 8, from July 1, 2014, through March 2015. It included reviewing activities related to the compliance inspection services in the County.

The objectives were to evaluate the:

1. County's compliance inspection performance to the Task Assignments.
2. Division oversight of the compliance inspection contract and inspections performed.

## **Methodology**

The audit was conducted under the authority of Section 20.055, Florida Statutes (F.S.) and was conducted according to the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. This audit included assessment and testing of internal and external records and procedures. Division, South District (District), and County staff provided information through interviews and documentation requests. Our procedures included a review of the following:

Report: A-1415DEP-040

- Contract GC675 and amendments
- 376.3071, F.S., and 376.3073, F.S
- The Energy Policy Act of 2005 and the Environmental Protection Agency (EPA)/ Department of Environment Protection (Department) Grant Work Plan
- Program guidance and interviews with program employees
- Task Assignments and invoices for Task Assignments 7 and 8
- Florida Inspection Reporting for Storage Tanks (FIRST) downloads and documentation.

## **Background**

Section 376.3073(1) F.S. indicates the Department shall, to the greatest extent possible and cost-effective, contract with local governments to provide for the administration of its departmental responsibilities through locally administered programs. Section 376.3073(3), F.S. indicates upon approval of its application an eligible local government, through written contract with the Department, shall, receive funds for the implementation of a compliance verification program from the Inland Protection Trust Fund (IPTF).

The Department entered into Contract GC675 with the County for a 10-year period beginning on July 1, 2007. In 2012, the Division changed compensation for services from a lump sum payment per Task Assignment to payment for specific inspections. The type of inspection determined the amount the Division paid the County.

We had previously conducted an audit of Contract GC675 and issued a memo dated February 15, 2010. At the time of this audit, the risks of noncompliance with the financial and performance requirements of the Contract were low. We noted minor errors in financial reporting, but we did not identify any adverse performance variances.

Audit of Monroe County Compliance Contract GC675  
Division of Waste Management

Report: A-1415DEP-040

The total amount tasked for Task Assignment 7 and Task Assignment 8 was \$139,851.88.

| <i>Contract GC675 Task Assignment</i> |   |                     |
|---------------------------------------|---|---------------------|
| <i>Task Assignment</i>                | <i>Period</i>                             | <i>Amount</i>       |
| <i>7</i>                              | <i>July 1, 2013 through June 30, 2014</i> | <i>\$71,042.75</i>  |
| <i>8</i>                              | <i>July 1, 2014 through June 30, 2015</i> | <i>\$68,809.13</i>  |
|                                       | <i>Total</i>                              | <i>\$139,851.88</i> |

During development of the Task Assignment, the Contract Manager identifies the priority facilities for annual inspection and provides the listing of facilities to inspect to the District and County with the annual Task Assignment. Due to timing between the former Task Assignment and subsequent year planning, the Contract Manager may include some facilities in the new Task Assignment listing that the County may have inspected at the end of the previous Task Assignment. The District Task Manager monitors the County's monthly performance and provides technical advice to the Contract Manager and County inspector. The County notifies the District with a possible replacement facility when it identifies a facility that does not need an inspection that year. The District reviews the facility replacement and notifies the Program with its recommendation for approval, and documentation should exist to support each substitution approval.

Inspections are either routine or variable. The County performs routine inspections on facilities from the facility listing. This list comprises facilities that the County did not inspect

Report: A-1415DEP-040

during the previous Task Assignment and facilities that have a compliance issue. The County performs variable inspections in response to non-routine events such as discharges, installations, and tank removals. Inspection planning and scheduling varies based on type of tanks and date of last inspection. Title XV, Section B of the Energy Policy Act of 2005 requires facilities to have an on-site inspection of UST's regulated under Subtitle I at least once every three years. In addition, the Department's goal is to have an on-site inspection of above ground storage tanks (ASTs) at least once every five years. The County must document all inspection activities using the FIRST database, in accordance with the minimum standards referenced in Contract GC675.

For Task Assignment 7, the Division tasked the County to perform 133 compliance inspections. The number of compliance inspections increased to 154 for Task Assignment 8.

## **Results & Conclusions**

Performance At the beginning of Task Assignment 7, the County had one compliance inspector and an alternate inspector in training. The County inspectors performed 117 annual inspections<sup>1</sup> and 48 variable inspections. According to the compliance inspector, variance between the tasked and the actual inspections occurred because of personnel issues during the task.

We reviewed FIRST documentation to verify the inspections. We tested 24 of the 117 inspection reports in Task Assignment 7. Of the 24 reports reviewed, 21 had facility

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<sup>1</sup> The District identified two facility inspections as substitutions for facilities that did not require an inspection. The Program could not provide substitution approval documentation.

Report: A-1415DEP-040

representatives' signatures, and 23 reports had pictures to document inspections performed, as the contract requires.

We performed the same test for a sample of 71 inspections from Task Assignment 8. All inspection reports had facility representatives' signatures and photos of the facilities and/or equipment inspected documenting performance of the inspection.

The Contract requires the County to inspect 33%, 66%, and 100% of the facilities it lists after 4, 8, and 12 months, respectively. The District tracks the County's performance throughout the year. In Task Assignment 7, the County met the Contract's four and eight-month percentage goals of 33% and 66% of assigned facilities inspected. However, the County did not meet the goal of 100% by the end of the Task Assignment, due to a personnel issue within the County.

The County lost the funding in Task Assignment 7 for the annual compliance inspections that it did not perform, and the Contract Manager prioritized facilities that it did not inspect in the subsequent Task Assignment. The County was able to support the inspections that were paid by the Division. The District identified variances as substituted facilities.

At the time of our audit, the County had met the four-month goal of 33% of the annual inspections for Task Assignment 8.

Program Oversight The Task Assignment states that the invoices are due no later than the 15<sup>th</sup> day of the following month. The County submitted 15 of 18 invoices by the 15<sup>th</sup> of the following month during the 18-month period audited.

Report: A-1415DEP-040

Based on our review of sites inspected compared to sites tasked, the County was unable to provide documented approval to support substitution of two underground storage tank (UST) inspections. According to Program and County staff, the Program approved the substitutions verbally; however, neither the Program nor the County had record of the approval. Our management comment is included in the remainder of this report.

## **Management Comment**

### **Management Comment: Inspection List Expansion**

The facility inspection listing the Contract Manager provides to the County includes sites the facility should inspect during the current Task Assignment. This Task Assignment is normally developed a few months prior to the beginning of the fiscal year. As a result, the list may include inspections already complete at the end of the fiscal year. As a result, substitutions are a common occurrence. While it is reasonable to substitute compliance inspections not previously listed, these should be documented to justify inspection priorities and approvals.

## **Recommendation**

We recommend the Division expand the annual inspection listing on the Task Assignment to include alternate inspections consistent with the inspection priority schedule; the County would be able to coordinate inspections in a more time and cost effective manner. Further request and approval for substitutions should be documented to support inspection priorities and changes in tasked sites.



Audit of Monroe County Compliance Contract GC675  
Division of Waste Management

Report: A-1415DEP-040

*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 Randal C. Stewart 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*

# Memorandum

# Florida Department of Environmental Protection

To: Valerie Peacock, Director of Auditing  
Office of Inspector General

From: Jorge R. Caspary, P.G., Director  for J. Caspary  
Division of Waste Management

Date: June 26, 2015

Subject: Response to Draft Audit Report A-1415DEP-040, Monroe County Compliance  
Contract GC675

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The Division of Waste Management has reviewed the draft Audit of the Monroe County Compliance Contract, Report A-1415DEP-040. The Division concurs with the Findings and Recommendations presented in the report. The audit had no findings but provided a management comment and recommendation.

### **Office of Inspector General Management Comment**

The facility inspection listing the Contract Manager provides to the County includes sites the County should inspect during the current Task Assignment. This Task Assignment is normally developed a few months prior to the beginning of the fiscal year. As a result, the list may include inspections already complete at the end of the fiscal year. As a result, substitutions are a common occurrence. While it is reasonable to substitute compliance inspections not previously listed, these should be documented to justify inspection priorities and approvals.

### **Recommendation**

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***Response: The Division's Permitting and Compliance Assistance Program and the South District are monitoring the request from the County for facility substitutions and then properly documenting any changes in the task assignment list. The Division appreciates the recommendation to include alternate inspections in the annual inspections listing for the next Task Assignment.***

***The Division and the District Office will continue to actively monitor the issues mentioned in the report over the remainder of the contract.***

Thank you for your continuing efforts to help the Division improve its programs and processes through quality audits.

JRC/wk