Department of Environmental Protection
Office of Inspector General

August 4, 2026 Report A-2526DEP-017

Audit of Waste Cleanup Pollution Response Contract Activities and Task Assignments for Contract HW680 with Arcadis U.S., Inc.

INTRODUCTION

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Waste Cleanup Pollution Response Contract Activities and Task Assignments (TA). This audit was initiated as a result of the OIG Annual Audit Plan for Fiscal Year 2025-2026.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of the audit included a review of records, disbursements, and activities performed under Contract HW680 (Contract) between the Department and Arcadis U.S., Inc., (Contractor) for support to the Department's Waste Cleanup Program (WCP), from execution of the Contract, December 21, 2021, to present activities. The objectives of the audit were to:

1. Determine whether the Contractor complied with the requirements of the Contract, including deliverables and disbursements.
2. Evaluate Department oversight and internal controls over the Contractor's compliance with the Contract.

To achieve our audit objectives, our methodology included:

- Reviewing applicable statutes, regulations, Department procedures, and other authoritative documents.
- Reviewing the requirements of the Contract and TAs, attachments, TA Change Orders, and amendments.
- Reviewing records and documentation; including deliverables, invoices, communications, and other supporting documentation.
- Interviewing appropriate Department employees and management regarding the processes and controls used.

BACKGROUND

The Contract was executed on December 21, 2021, as a five-year renewable contract between the Department and the Contractor to provide professional engineering and geological services to the WCP. Work may be associated with, but is not limited to, the following sections/areas within the WCP: Waste Site Cleanup Section, Site Investigation Section, Federal Programs Section, and Brownfields and CERCLA[1] Site Screening. All

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[1] CERCLA is an acronym for Comprehensive Environmental Response, Compensation, and Liability Act.

work assignments must be authorized by either a TA or TA Change Order. The Division of Waste Management (Division) provided oversight of the Contract and TAs.

As of our review, there had been approximately 250 Task Assignments issued under the Contract with a total of $6,231,697.20 in payments made to the Contractor. The scope of the audit was further limited to 2 TAs, HW003C and SA322.

RESULTS OF AUDIT

During the audit, we reviewed the Contractor's compliance with the requirements of the Contract, including deliverables, payments, and supporting documentation. Based on our review, we found the following:

Task Assignment Deliverables

As stated previously, the Department authorizes work through TAs. We sampled 2 TAs, HW003C and SA322. Our review determined that deliverables were not always submitted to or approved by the Contract Manager, as required. A summary of our review for each sampled TA is below.

HW003C

The TA was executed June 28, 2024, and had an original completion date of June 30, 2025. The TA provided hours and associated costs for the Contractor's staff to evaluate and audit the implementation of Institutional Controls and Engineering Controls for eighty-seven sites. For consideration of the services rendered by the Contract under the terms of the TA, the Department agreed to pay the Contractor at a fixed unit rate up to $250,129.24. The TA had two TA Change Orders:

- HW03CCO1, executed on March 25, 2025, extended the task completion date to September 30, 2025, and replaced seven sites with alternatives.
- HW03CCO2, executed on June 25, 2025, replaced one site with an alternative and adjusted the deliverable schedule due dates.

The TA required the submission of eleven receipts of audit report packages by a set timeline. Our review determined that all eleven packages were submitted. However, seven of the eleven packages were submitted past the deliverable due date and two package submission dates were unable to be verified. The TA further outlined 87 site locations where the audits would be performed, and our review determined the Contractor performed audits at the 87 sites. According to the Contract, *all deliverables must be received and accepted in writing by the Department's Contract Manager before payment*. We found that the Contractor generally submitted deliverables directly to the TA Project Manager and that only two of eleven deliverable submissions received clear written acceptance by the Contract Manager. The other nine submissions received an email from the TA Project Manager informing the Contractor of the date the deliverable was approved.

SA322

The TA was executed July 23, 2024, and had an original completion date of July 11, 2025. This TA required the Contractor to construct an air sparge/soil vapor extraction system with associated startup/commissioning activities at the Holopaw Florida Department of Transportation Right-of-Way Site. For consideration of the services rendered by the Contract under the terms of the TA, the Department originally agreed to pay the Contractor at a fixed unit rate up to $274,519.75. The TA had four TA Change Orders:

- SA322CO1, executed on March 5, 2025, reduced the fixed unit rate total to $270,599.41, extended deliverable due dates, and extended the task completion date to July 18, 2025.
- SA322CO2, executed on April 2, 2025, reduced the fixed unit rate total to $269,587.41.
- SA322CO3, executed on July 15, 2025, extended deliverable due dates and extended the task completion date to August 22, 2025.
- SA322CO4, executed on August 12, 2025, increased the fixed unit rate total to $324,420.87, extended deliverable due dates, added new deliverables, and extended the task completion date to August 29, 2025.

The deliverable requirements and submission schedule are listed in the table below:

Deliverable	Due Date
Subtask 2 – AS Well Installation Field Work Memorandum (Field Documentation, Photo-Log, H&S Log)	September 20, 2024
Subtask 3 – Baseline Monitoring Event Field Package (Field Documentation/Field Logs, Laboratory Reports, Photo-Log)	November 15, 2024
Subtask 4 – Completion of Construction Activities Field Package (Field Documentation/Field Logs, Photo-Log)	May 9, 2025
Subtask 5 – Completion of Startup Activities Field Package (Field Documentation/Field Logs, Photo-Log)	May 16, 2025
Subtask 1 & 6 – Project Management and Construction Completion Report	June 13, 2025
Subtask 7-11 – Work Change Directives #1 through #5 - Completion of Construction Activities Field Package (Field Documentation/Field Logs, Photo-Log)	June 13, 2025

Based on our review, we determined deliverables relating to all Subtasks except for Subtask 3 appear to have generally been performed in accordance with TA requirements. In Subtask 3, we found that the Contractor submitted a Baseline Monitoring Event Field Package. However, the package did not include a photo-log and was submitted after the due date. As stated previously, the Contract required all deliverables be received and accepted in writing by the Contract Manager. We found that the Contractor submitted deliverables directly to the TA Project Manager. The TA Project Manager then provided written acceptance for all Subtasks but Subtasks 4, 5, 7-11.

Invoices and Supporting Documentation

According to the Contract, *invoices and the appropriate documentation shall be submitted via email to the Department's Contract Manager*. However, our review determined that all invoices submitted under TA SA322 and TA HW003C were sent directly to the General Contract Coordinator for WCP.

The Contract states the Department shall pay the Contractor on a Fixed Unit Rate and Cost Reimbursement basis. According to the Contract, reimbursement for costs shall be limited to the following budget categories, as defined in the Reference Guide for State Expenditures:

- Overhead/Indirect/General and Administrative Costs:

   a. Fringe Benefits, 37.1% of Direct Labor Costs
   b. Overhead, 79% of Direct Labor Costs
   c. General and Administrative Costs, 36% of Direct Labor Costs
- Other Direct Costs
- Miscellaneous/Other Expenses
- Travel, in accordance with Section 112, Florida Statutes (F.S.)

According to the Reference Guide for State Expenditures, invoices for Fixed Unit Rate payment type deliverables must identify the deliverable(s) (unit of service), the number of units completed and the cost per unit. Pursuant to the Contract, *all charges for services rendered or for reimbursement of expenses authorized by the Department pursuant to the Scope of Services shall be submitted to the Department in sufficient detail for a proper pre-audit and post-audit to be performed*. The Contract also states, *Invoices for cost reimbursement shall be supported by an itemized listing of expenditures by category (salary, travel expenses, etc.). Supporting documentation must indicate that the item was paid and indicate the date of service*. Our review determined the invoices and supporting documentation did not always support the unit rates and/or quantities charged by the Contractor.

TA HW003C included a cost estimate for the work which was itemized by expenses including labor hours and vehicle rental. The Contractor submitted nine invoices for the total amount of the TA; however, the invoices provided and approved for payments did not always include the Fixed Unit Rate requirements. The invoices also did not include supporting documentation such as an itemization of labor hours and travel expenses.

TA SA322 included a cost estimate for the work which was itemized by expenses including labor hours, vehicle rental, per diem, hotel costs, subcontractor costs, laboratory costs and equipment costs. The Contractor submitted two invoices for the total amount of the TA; however, the invoices provided and approved for payment did not include the Fixed Unit Rate requirements and services were billed at lump sum fixed prices of $65,650.33 and $258,770.54. While supporting documentation for the invoices included subcontractor invoices and proof of payment, they did not include an itemization of labor hours, travel expenses, or equipment costs.

- <u>Direct Labor Hours</u>: According to the Contract, direct labor hourly rate ranges were established for various classification of positions. Both TAs included a cost estimate for direct labor hours. TA HW003C included 2059 labor hours at various hourly rates, for a total of $87,688.59 in estimated costs for direct labor. TA SA322 included 807 labor hours at various hourly rates, for a total of $31,956.83 in estimated costs for direct labor. As the invoices did not provide a breakdown of labor costs and no supporting documentation was provided, we were unable to verify whether the direct labor rates charged were accurate or whether they matched the cost estimate. Additionally, the Contract authorized cost reimbursement for Overhead in the amount of 37.1% of fringe benefits, 79% of direct labor costs, and 36% of general and administrative costs. As we could not verify the amount charged for direct labor, we were also unable to determine the Overhead charges reimbursed.

- Travel Expenses – Per Diem and Hotel: Per the Contract, reimbursement for travel costs should be made in accordance with Section 112, F.S., which states reimbursement for travel requires a uniform travel voucher to be used when submitting travel expense statements for approval and payment. The SA322 TA included a cost estimate of $9,102 for per diem and hotel. Our review determined the Contractor did not submit any travel vouchers or other supporting documentation to show dates of travel, traveler name, hotel receipts, or other required information. Additionally, as the invoices did not provide a breakdown of travel expenses and no supporting documentation was provided, we were unable to verify whether travel expenses reimbursed to the Contractor were accurate and in accordance with the Contract and TA.

- Travel Expenses – Vehicle Rental: Both TAs included a cost estimate for vehicle rental. The TA HW003C cost estimate for vehicle rental was in the amount of $6,960 and TA SA322 in the amount of $5,840. As per Section 112.061, F.S., requests for travel reimbursement payment are to include applicable transportation receipts for common carrier travel, such as receipts for auto rental are required when such expenses are claimed. As detailed in the Contract, "Vehicle Rental Rates" were provided for daily, weekly, and monthly use. The invoices did not provide a breakdown of vehicle rental expenses, and no supporting documentation was provided. Based on the Contractor not providing receipts for auto rentals, we were unable to verify whether the vehicle rental expenses reimbursed to the Contractor were accurate or made in accordance with the Contract and TA.

- Equipment Costs: According to the Contract, equipment rates were established for various items. TA SA322 included a cost estimate of $8,144 for equipment charges. The cost estimate included costs for expendables ($1,960), drilling equipment ($975), analytical equipment ($704), IDW[2] related equipment ($100), and other equipment ($4,405). As the invoice did not provide a breakdown of equipment costs and no supporting documentation was provided, we were unable to verify whether the rates charged were accurate and made in accordance with the Contract and TA.

- Subcontractor Handling Fees: The Contract also requires a subcontractor handling fee to be *calculated, on a task assignment basis, at the following rates according to the subcontractor costs: 10% for the first $50,000; 7% for the next $50,000; 5% for the remaining costs exceeding $100,000*. As the invoices did not provide a breakdown of subcontractor handling fees, we were unable to verify whether the subcontractor handling fee rates charged were accurate or whether they matched the cost estimate.

Our review determined the deliverables and supporting documentation did not always support the fixed unit rates and/or quantities charged by the Contractor. A similar finding

[2] Investigative Derived Waste

was noted in another OIG report[3] for a different WCP Contract. As a result of the previous audit finding, the Division implemented internal controls, including revising template documentation and requiring contractors to submit more detailed information with invoices. The TAs reviewed in this audit were executed prior to issuance of the OIG audit report and prior to the Division taking corrective actions to implement the recommendations in the prior report.

Laboratory Rates

Regarding laboratory analysis, the Contract states that the *maximum analytical turn-around time shall be three (3) weeks unless otherwise specified by a Task Assignment. The cost for performing sample analysis, laboratory blanks, duplicates, spikes, and standards shall be charged in accordance with the rates in Attachment 5*. The Contractor performed laboratory analyses for subtask 3 in TA SA322. Our review determined that the Contractor performed laboratory analysis within the turn-around time of three weeks. However, we were unable to verify the rates included in the laboratory invoices matched the rates in Attachment 5 as described by the Contract. For example, one invoice included a line item of *6020B - Total Recoverable Lead* at a unit price of $30. In Attachment 5 we found a line item of *6020 - Lead* at a rate of $14. Further, Attachment 5 outlines that *All quotes are based on 2 week turn-around*. In discussions with the Division, it was stated that it is agreed upon to pay per sample and that if the sample type is one that is listed in Attachment 5 or the TA, then it is followed. However, sampling is not limited to the types listed in Attachment 5 of the Contract.

Subcontracting

According to the Contract, *the Contractor shall not subcontract any work under this Contract without the prior written consent of the Department's Contract Manager*. Additionally, *if subcontractors are used, the Contractor shall complete and submit Exhibit B, Subcontractor Utilization Report Form (Subcontractor Report) with each invoice*. The Contract further requires, *for each invoice submitted under the Contract, the Contractor shall submit documentation of payment to each subcontractor or supplier, where subcontractors or suppliers performed services during the invoice period.* TA SA322 included a cost estimate of $201,299.39 for subcontractor services. The cost estimate includes costs for subcontractors ($186,015.66) and a subcontractor handling fee ($15,283.73). Our review found that under TA SA322, the Contractor submitted invoices for seven subcontractors totaling $194,141.63. Each Contractor invoice included a subcontractor report, and each subcontractor invoice included documentation of payment as required. We also found that prior written consent for only five of seven subcontractors was provided by the TA Project Manager. The other two did not receive prior consent.

Sales Tax

The Contract also states, *the Department is exempted from payment of State sales and use taxes and Federal excise taxes. The Contractor, however, shall not be exempted from paying any taxes that it is subject to, including State sales and use taxes, or for payment by the Contractor to suppliers for taxes on materials used to fulfill its contractual*

[3] OIG Report A-2425DEP-010, Audit of Waste Cleanup Pollution Response Contract Activities and Task Assignments, issued June 27, 2025

obligations with the Department.…The Contractor shall be responsible and liable for the payment of all its FICA/Social Security and other taxes resulting from this Contract. During the review, we found two subcontractor invoices submitted for TA SA322 included sales tax totaling $70.67 for supplies and equipment rental for subtasks 2 and 3.

Contract Management Oversight

In accordance with, Section 287.057(15)(a), F.S., the Department designated an employee to function as the Contract Manager to be responsible for enforcing performance of the Contract terms and conditions and serve as the liaison between the Department and the Contractor. The Division also designates a General Contract Coordinator, and each TA was assigned a Project Manager. Throughout the Contract, the Contract Manager is stated as the responsible party for receiving and approving deliverables, payment requests, Contractor subcontracts, personnel changes, and Work Change Directives. However, our review found that the General Contract Coordinator and/or Project Managers received and approved deliverables, payment requests, Contractor subcontracts, personnel changes, and Work Change Directives directly and not always through the Contract Manager.

During discussions with the General Contract Coordinator, an email was provided in which the General Contract Coordinator stated the intention was to establish themselves as the Contract Manager for the Contract. The email stated the following to the Contractor: *Hello, my name is* [current General Contract Coordinator]*, and as of today I will be taking over for* [previous General Contract Coordinator] *as the Waste Cleanup Program's Contract Coordinator. Please direct all invoices, contract questions, etc. to me*.

In addition, the designated Contract Manager was responsible for providing review and approval of the Contract Summary Form, personnel changes, change orders, and to be certified by the State of Florida. Our review determined the person conducting those reviews and approvals was not always the Contract Manager as summarized below.

Contract Summary Form

The Contract Summary Form is required for all contracts and grant agreements that are recorded in the Florida Accountability Contract Tracking System and for which payments are processed in the Florida Accounting Information Resource according to the Chief Financial Officer Memorandum No. 03. According to the Contract Summary Form instructions, *CONTRACT MANAGER CERTIFICATION: This section is to be completed by the employee designated by the agency to function as the contract manager to certify the information provided on this form is true and accurately reflects the terms and conditions in the executed contract document and approve the identified invoice for payment based on direct knowledge of satisfactory receipt of the goods or services. If the individual completing this section is not the designated contract manager, please provide justification or delegation of authority for the individual to sign this form*. Our review found that individuals completing this section were not the designated Contract Manager but the TA Project Managers. It was determined that justification was included with the submissions of the Contract Summary Form as required. However, justification was provided by the General Contract Coordinator and not the Contract Manager.

Florida Certified Contract Manager (FCCM) Certification

During our review, we determined the Contract Manager was an FCCM, as required by Section 287.057(15)(c), F.S., which states in part, *Each contract manager who is responsible for contracts in excess of $100,000 annually must, in addition to the accountability in contracts and grant management training required in paragraph (b) and within 6 months after being assigned responsibility for such contracts, complete training in contract management and become a certified contract manager.*

Personnel Changes

The Contract required key personnel who have certain experience, professional and/or technical skill that can be utilized for the accomplishment of the work to be performed under the Contract. If a personnel change is required, then *all requests for approval of substitutions hereunder must be in writing and provide a detailed explanation of the circumstances necessitating the proposed substitutions. The request must contain a resume for the proposed substitute, and any other information requested by the Contract Manager. The Contract Manager shall promptly notify the Contractor of approval or disapproval in writing*. We determined that the Contractor sent a request to update personnel to the General Contract Coordinator. The General Contract Coordinator then provided approval to the Contractor in writing.

Change Orders for Work

According to the Contract, *due to the nature of the work conducted under this Contract, the need exists for field decisions that can cause an increase in the Contractor's cost or time. … This type of field decision change shall be evidence by the use of the Work Change Directive and can be authorized by the Department Contract Manager. All changes are subject to the mutual agreement of both parties as evidenced in the final development of a Change Order which incorporates the changes identified in the Work Change Directive*. TA SA322 included changes that increased the Contractor's cost and time as described by the Contract. The field decision changes were evidenced using five Work Change Directives. It was found that the directives were signed by the TA Project Manager and not clearly authorized by the Contract Manager.

Additional Contract Requirements

The Contract requires the Contractor to provide proof of, as well as maintain, adequate general liability insurance, commercial automobile insurance, worker’s compensation insurance, and pollution liability coverage upon execution of the Contract. Upon execution of the Contract and during the review, the Contractor provided proof of applicable insurance documentation as required. The Contract also required that the Contractor list the Department as an additional insured on each of the coverages described above except for worker’s compensation and employer’s liability coverage. Further, the certificate of insurance shall contain a provision that the insurance will not be canceled for any reason except after thirty days written notice to the Department and shall reference the Contract number. Our review determined that the Department was generally listed as an additional insured on certificates and that the certificates contained the provision that insurance would not be canceled except after thirty days’ written notice to the Department. However, no certificates referenced the Contract number.

CONCLUSION

During the audit, we reviewed the Contractor's compliance with the requirements of the Contract and selected TAs, including deliverables, payments, and supporting documentation. Our finding and recommendation is listed below.

FINDING AND RECOMMENDATION

Finding 1: Contract Management Oversight – Deliverables, payment requests, and other Contract requirements were not always approved or reviewed by the designated Contract Manager, as required by the Contract.

Throughout the Contract, the Contract Manager is stated as the responsible party for receiving and approving deliverables, payment requests, Contractor subcontracts, personnel changes, and Work Change Directives. However, our review found that the General Contract Coordinator and/or Project Managers received and approved deliverables, payment requests, Contractor subcontracts, personnel changes, and Work Change Directives directly and not always through the Contract Manager.

- <u>Deliverable Submissions and Acceptance:</u> According to the Contract, *all deliverables must be received and accepted in writing by the Department's Contract Manager before payment*. We found that the Contractor generally submitted deliverables directly to the Project Managers for both TAs. Additionally, in TA HW003C only two of eleven deliverable submissions received clear written acceptance by the Contract Manager. In TA SA322, the Project Manager provided written acceptance for all Subtasks but Subtasks 4, 5, 7-11.

- <u>Invoice Submissions:</u> According to the Contract, *invoices and the appropriate documentation shall be submitted via email to the Department's Contract Manager*. However, our review determined that all invoices submitted under TA SA322 and TA HW003C were sent directly to the General Contract Coordinator for WCP.

- <u>Change Orders for Work:</u> According to the Contract, *due to the nature of the work conducted under this Contract, the need exists for field decisions that can cause an increase in the Contractor's cost or time. … This type of field decision change shall be evidence by the use of the Work Change Directive and can be authorized by the Department Contract Manager. All changes are subject to the mutual agreement of both parties as evidenced in the final development of a Change Order which incorporates the changes identified in the Work Change Directive*. Our review found that five directives under TA SA322 were signed by the TA Project Manager and not clearly authorized by the Contract Manager.

- <u>Contract Summary Form:</u> The Contract Summary Form is required for all contracts and grant agreements that are recorded in the Florida Accountability Contract Tracking System and for which payments are processed in the Florida Accounting Information Resource according to the Chief Financial Officer Memorandum No.

03. Our review found that individuals completing this section were not the designated Contract Manager but the TA Project Managers. It was determined that justification was included with the submissions of the Contract Summary Form as required by the form instructions. However, it was provided by the General Contract Coordinator and not the Contract Manager.

- Personnel Changes: If a personnel change is required, the Contract required *all requests for approval of substitutions hereunder must be in writing and provide a detailed explanation of the circumstances necessitating the proposed substitutions. The request must contain a resume for the proposed substitute, and any other information requested by the Contract Manager. The Contract Manager shall promptly notify the Contractor of approval or disapproval in writing*. We determined that the Contractor sent a request to update personnel to the General Contract Coordinator and that they then provided approval in writing.

Recommendations:
We recommend the Division ensure invoices and supporting documentation are reviewed and approved by the appropriate designated Contract Manager, in accordance with the Contract.

Management's Response:
The Division will review the current contract language and the roles and responsibilities being performed by the General Contract Coordinator, Contract Managers, and Project Managers. The contracts are currently going through the renewal process. The Division will incorporate any revisions needed to the language into the renewal amendments to clarify roles. Any changes to employee roles and responsibilities will be communicated to our contractors, contract coordinator, project managers and contract managers.

STATEMENT OF ACCORDANCE

Statement of Accordance

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

This audit was conducted pursuant to Section 20.055, F.S., and in accordance with *Government Auditing Standards*, as published by the United States Government Accountability Office, and *Principles and Standards for Offices of Inspectors General,* as published by the Association of Inspectors General. The audit was conducted by Alexis Keller and supervised by Susan Cureton.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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Office of Ombudsman and Public Services
public.services@floridadep.gov
(850) 245-2118

Candie M. Fuller,
Inspector General