



Internal Audit Department

Audit Report 2014-3

Collier County Airport Authority

Campground (RV Park)

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The files and draft versions of audit reports remain confidential and protected from public records requests during an active audit under *Nicolai v. Baldwin* (Aug. 28, 1998 DCA of FL, 5th District) and Florida Statute 119.0713. Work-papers supporting the observations noted within this report will become public record and can be made available upon request once the final audit report has been issued.

The draft audit report was initially reviewed with the Department on November 22, 2013 and was released to the Department for Management Response on November 22, 2013. The Growth Management Division Administrator provided the management responses on January 3, 2014.

Summary

The project was 94% completed at the time of the grant termination with the campground / RV sites being approximately 90% completed with the bathhouse not completed based on the final close-out documentation submitted to the grantor agency. A termination for convenience occurred for the project; however, the termination for convenience does not remove the federal requirements, including the approval processes for disposal of assets paid for with federal grant monies.

The campground / RV sites were developed and paid for with grant monies with an initial estimated life of 20 years. The life expectancy for the asset was not met prior to removal of the campground / RV sites. The grantor did not provide approval for disposal of the asset or use of the asset for a different use, as required by the grant agreement and the CFR's.

The following observations were generated during this review:

1. Disposal of the campground / RV sites was not in compliance with Federal requirements and the grant agreement (Proper asset disposal documentation was not submitted to the grantor agency or Finance).
2. Approximately \$340,600 was spent for a campground facility that was never put to the intended use and was dismantled within one year of completion.

All requirements of the grant applications, assurances, and agreements should be met or specifically addressed at the termination of a grant agreement and/or project. Appropriate disposal authority should be clear in termination documentation and/or obtained prior to asset disposal.

Failure to comply with grantor requirements may: result in audit findings, jeopardize current and future grant funding; result in disbarment from receiving grant funding, require repayment of grant funds, result in termination of the grant, impact future grant awards, and/or result in liability for damages for misrepresentation.

Objective

The objective of the review was to determine whether there was misappropriation of grant funds and/or County funds with regard to the RV Park (known as the campground) located at the Immokalee Regional Airport.

Scope

The review consisted of, but was not limited to the following tasks:

- Review of the Economic Development Administration (EDA) grant application, award letter, grant agreement, grant amendments, grant assurances, and grant attestations;
- Review of EDA Termination of Convenience letter;
- Review of applicable Code of Federal Regulations (CFR's);
- Review of Board of County Commissioner Executive Summaries applicable to the EDA grant;
- Review of applicable Collier County Airport Authority Resolutions;
- Review of applicable Collier County Airport Authority Meeting Minutes and Agenda Items;
- Review of Collier County Airport Authority grant files including pay requests, design plans, and photographs;
- Review of Clerk's Finance and Accounting Department grant files;
- Review of Clerk's Finance and Accounting Department capital asset records;
- Review of Collier County Site Development Application (SDP-2002-AR-3110) Project 2002070057 – "Industrial Park Development Campground";
- Collier County Growth Management Division – records and documentation for the Industrial Park Development Campground;
- Review of project cost classifications / budget;
- Review of project work orders;
- Observation of the campground / RV Park;
- Review of Collier County Property Appraiser aerial photographs of the Immokalee Regional Airport and campground / RV Park site;
- Analyzation of photographs and records for property status and condition;
- Interviews with Collier County Airport Authority staff;
- Interviews with Clerk's Finance and Accounting staff; and
- Interviews with citizen.

Background

On July 12, 2000, the Collier County Airport Authority submitted a revised grant application to the Economic Development Administration (U.S. Department of Commerce) requesting funding for infrastructure improvements to the Immokalee Regional Airport consisting of an ERP permit; construction of roads, water, sewer, and drainage infrastructure; storm water improvements; construction of public restrooms; and construction of a campground. The total project cost was \$1,553,500.00. Specific project and construction components included: extension of Airpark Boulevard, Industrial Park site improvements, Automotive Sports Complex support infrastructure and permit, sketches and schematics, feasibility analysis, ERP permit, restrooms (i.e. bathhouse), spectator parking, campground, and project master plan. The campground construction estimated cost was \$262,000.00 and the public restrooms estimated cost was \$75,000.00.

The funding breakdown for the project components and construction was as follows: \$1,078,500.00 from the EDA grant, \$280,000.00 from the Florida Department of Transportation (FDOT), and \$195,000.00 from the Board of County Commissioners. The total project cost was estimated at \$1,553,500.00.

On August 14, 2000, the Collier County Airport Authority was awarded an Economic Development Administration (EDA) grant for \$1,078,500.00 number 04-01-04619 for the Immokalee Regional Airport including architectural, engineering, and construction costs for Industrial Park Infrastructure Improvements. Infrastructure improvements included extension of Airpark Boulevard, utilities, raising the grade of industrial sites, construction of motor sport spectator parking, drainage improvements, construction of public restrooms, and construction of a campground. The estimated useful life for the infrastructure and assets was 20 years.

The EDA grant award required compliance with the U.S. Department of Commerce Financial Assistance Standard Terms and Conditions. The Standard Terms and Conditions provide remedy for unsatisfactory performance through “termination for convenience”. To terminate for convenience, both the recipient and the government (i.e. grantor agency) agree that continuation of the project would not produce beneficial results commensurate with the further expenditure of funds; both the recipient and the government (i.e. grantor agency) agree upon the termination conditions, including the effective date, and in the case of partial termination, the portion to be terminated; and the recipient agrees to incur no new obligations for the terminated portion after the effective date and to cancel or satisfy all outstanding obligations as of that date.

The EDA grant award / agreement included special conditions as part of the requirements for the CCAA receiving funding for the project. Special condition #10 – Property Management Standards require “In affirming this Award, the Recipient acknowledges its responsibility to use the real property acquired or improved by this Award...only for the authorized and specific purpose of an industrial park...The sales agreements and deed of conveyance shall include a covenant prohibiting the use of the property for any purpose other than the general and special purpose of the grant as approved.”

The award period was from August 14, 2000 (the date of the award approval) to 19 months after the award approval. The initial estimate was four months for design work and eight months for construction. According to the initial award letter, construction was to start prior to February 14, 2001 and be completed by February 14, 2002.

The CCAA submitted the first time extension request to the U.S. Department of Commerce to extend the start of construction to November 14, 2001 with completion of construction being no later than February 14, 2003. The U.S. Department of Commerce approved the extension of construction for the EDA grant. The second time extension was submitted to extend the completion date to October 14, 2003. Construction was not completed by October 14, 2003. The remaining aspect of the project that had not been completed was the bathhouse on the campground. The U.S. Department of Commerce approved the extension of construction for the EDA grant. A third time extension was submitted because of time delays regarding the bathhouse. The extension was denied by the U.S. Department of Commerce. Instead, it was recommended that the CCAA “terminate for convenience”.

Termination for convenience when 100% of grant funds are received does not remove the special grant provisions / assurances which would require the CCAA to maintain the assets obtained using grant funding.

On December 23, 2003, the grant was terminated because of unavoidable delays for completion of the infrastructure improvements. The EDA agreed to reimburse the lower of 72.44% or \$1,078,500.00, the amount not to exceed \$1,078,500.00. The total costs incurred through December 23, 2003 were \$1,605,726.00, which allowed for the maximum cap to be reimbursed from the federal share of the grant. The final payment request indicated the project was 94% complete at the time of termination with the campground being approximately 90% completed based on the final close-out documentation submitted to the grantor agency.

On January 12, 2004, the CCAA voted to terminate the EDA grant for convenience.

On February 10, 2004, during the BCC meeting agenda item 14A, the suspension and termination was accepted by the BCC.

On March 8, 2004, an "Offer to Terminate Grant Agreement" for convenience was accepted by the CCAA. The Offer to Terminate Grant Agreement for convenience indicated "the parties have now determined that it is not feasible to complete this investment as originally intended...and the Grant Agreement terminated for convenience of the parties..."

Based on Collier County Property Appraiser aerial images of the Immokalee Regional Airport campground site in 2005, it appears the bathhouse, walkways, RV sites, and roadways were completed. Between the end of 2005 and 2006 the seven outer RV sites / pads were partially removed (east of the main campground). Between 2006 and 2007, it appears the campground had been significantly disrupted and many of the RV sites / pads were removed. The bathhouse was removed from the campground and relocated alongside of the drag strip / racetrack. Between 2007 and 2008, the RV sites / pads were completely removed and part of the interior access roadway had been removed. In 2009, the campground was staged with numerous disposal containers unrelated to the campground. In 2010, the remains from the original campground include the interior loop roadway, less the portion that is no longer paved (area in front of where the bathhouse was located). Between 2011 and 2013, there were no apparent additional changes to the campground.

In 2011, Internal Audit completed site visits to observe the campground. The former campground had fire hydrants, concrete sidewalks, and curbing. There were no utility stubs / no water hook-ups. The campground (above ground) improvements were mostly dismantled and concrete pads were no longer present. It was noted unlikely the bathhouse had a sewer pipe to hook-up to the sewer.

In 2012, Internal Audit completed an additional site visit to observe the campground which had been dismantled. The former campground (above ground) and roadway were overgrown with trees and vegetation.

Observations

1) Disposal of the campground / RV sites was not in compliance with Federal requirements and the grant agreement.

Based on Collier County Property Appraiser aerial photographs, the campground / RV sites were removed between 2005 and 2007. The interior access road appears to have been left partially intact (*Reference Exhibit A for aerial photographs*).

The Economic Development Administration (EDA) grant agreement Standard Form 424D indicates the applicant “Will not dispose of, modify use of, or change the terms of the real property title, or other interest in the site and facilities without permission and instructions from the awarding agency.” Airport staff was unable to provide documentation indicating the grantor agency approved destruction of the campground / RV sites. Airport staff provided the Offer to Terminate Grant Agreement from the EDA allowing the grant agreement to be terminated for convenience. The letter did not contain a provision or special instructions indicating the campground / RV sites could be removed or use of the facility modified.

15 CFR 24 Subpart C 20 (b)(3) requires the “Grantees...must adequately safeguard all such property and must assure that it is used solely for authorized purposes.” 15 CFR 24 Subpart C 31 (b) requires “Use. Except as otherwise provided by Federal statutes real property will be used for the originally authorized purposes as long as needed for that purposes, and the grantee...shall not dispose of or encumber its title or other interests.” It does not appear the destruction / removal of the campground / RV sites was the intended purpose of the project when the campground / RV sites had an estimated useful life of 20 years. Grant funds were not returned to the grantor agency upon termination of the grant agreement indicating the improvements completed with grant funding would need to comply with the grant agreement requirements or the grantor agency should have provided a waiver.

13 CFR 314.4(a) indicates the Federal Government (EDA) must be compensated by the Recipient for the Federal Share, whenever, during the estimated useful life of the project, any property acquired or improved in whole or in part is disposed of, encumbered, or no longer used for the purpose of the project.

The U.S. Department of Commerce Economic Development Administration Standard Terms and Conditions Section K4(b)c requires “The Recipient agrees that in the event it disposes of, or alienates in any manner any interest in, the property during its useful life, without the EDA’s written approval, the Government will be entitled to recover the Deferral share of the value of the property. When during its useful life property is no longer needed for the purpose of the Award, as determined by EDA, EDA may permit its use for other acceptable purposes consistent with those authorized for support by EDA.” The campground / RV sites were disposed of during its useful life. The County was unable to provide documentation from the EDA approving the disposal of the campground infrastructure or allowing other uses for the property.

2 CFR 215.61(b) (previously OMB Circular A-110) indicates if costs are allowed under an award, the responsibilities of the recipient...including those for property management as applicable, shall be considered in the termination of the award, and provision shall be made for continuing responsibilities of the recipient after termination, as appropriate.” The letter for termination of convenience provided by the grantor agency did not include special instructions indicating the asset (i.e. campground / RV sites) could be disposed or the continuing responsibilities, so it appears the initial grant terms may remain in effect (i.e. useful life of 20 years). The termination for convenience letter did not provide a waiver for the asset maintenance and/or retention requirements indicating the County may not be in compliance with federal requirements when the campground / RV sites were dismantled and disposed. Without grantor approval, the County does not appear to have authority to dispose of the assets obtained with federal grant money.

Recommendations:

- The County should work with the U.S. Department of Commerce to determine if there were continuing responsibilities for the project.
- The County should comply with the Code of Federal Regulations (CFR's), grant agreements, and grant assurances.
- When assets and/or infrastructure are paid for through grant funding then disposed, the County should receive approval from the grantor agencies prior to disposal.
- The County should properly monitor assets and submit the appropriate documents to properly record changes to assets.

County Management Response:

“The county will work with the grantor, US Dept of Commerce (USDC), to develop a resolution to the audit finding regarding dismantling portions of the campground area.

The Airport Authority will not dispose of any property, regardless of whether it was purchased with grant funds or county dollars, without following the proper process in the future to ensure compliance with any applicable regulations which include CFRs, agreements and assurances.

Staff agrees permission from the grantor agency to dispose of any property acquired with grant funds shall require approval before disposition. This procedure will be properly followed in the future.

The airport managers understand the implications of also being property officers, in accordance with CMA 5809, and will diligently monitor property and fill out the proper paperwork for any necessary transfers or disposals of county assets.”

2) Approximately \$340,600 was spent for a campground facility that was never put to the intended use and was dismantled within one year of completion.

On August 14, 2000, the Collier County Airport Authority (CCAA) was awarded an U.S. Department of Commerce Economic Development Administration (EDA) grant for \$1,078,500.00 number 04-01-04619 for the Immokalee Regional Airport including architectural, engineering, and construction costs for Industrial Park Infrastructure Improvements. Infrastructure improvements included extension of Airpark Boulevard, utilities, raising the grade of industrial sites, construction of motor sport spectator parking, drainage improvements, construction of public restrooms, and construction of a campground. The estimated useful life for the infrastructure and assets was 20 years. The total estimated cost of the project was \$1,553,500.00 including a FDOT grant and a County match.

When the EDA grant was terminated for convenience, the construction for the entire project was approximately 94% complete with the campground / RV sites portion being 90% complete based on the final close-out documentation submitted to the grantor agency. The bathhouse was the portion of the campground not completed at the time of termination of the EDA grant. The asset was recorded with Finance on April 30, 2006 with \$94,285.13 being for the restroom / bathhouse and \$1,131,441.17 for the Airpark Boulevard Extension and campground / RV sites. Based on payment requests and information provided by CCAA staff, the estimated cost for construction of the campground / RV sites is approximately \$340,657.72. The EDA portion of the campground / RV sites cost is approximately \$246,772.45. The campground / RV sites were never put to its intended use and were demolished between 2005 and 2010.

The August 14, 2000 EDA grant agreement included special conditions as part of the requirements for the CCAA receiving funding for the project. Special condition #10 – Property Management Standards require “In affirming this Award, the Recipient acknowledges its responsibility to use the real property acquired or improved by this Award...only for the authorized and specific purpose of an industrial park...The sales agreements and deed of conveyance shall include a covenant prohibiting the use of the property for any purpose other than the general and special purpose of the grant as approved...” The special condition indicates the campground / RV sites should have been used as a campground facility for the estimated useful life of 20 years.

2 CFR 215.61(b) (previously OMB Circular A-110) indicates if costs are allowed under an award, the responsibilities of the recipient...including those for property management as applicable, shall be considered in the termination of the award, and provision shall be made for continuing responsibilities of the recipient after termination, as appropriate.” The letter for termination of convenience provided by the grantor agency did not include special instructions indicating the asset (i.e. campground / RV sites) could be disposed or continuing responsibilities. It appears the initial grant terms may have remained in effect for the estimated useful life of the asset (i.e. useful life of 20 years). The termination for convenience letter did not provide a waiver for the asset.

The CCAA received and used grant funds to construct the campground facility and did not return the funds upon termination for convenience, indicating the original terms of the grant agreement would apply to the assets constructed with grant funds. The termination for convenience did not include a waiver or special instructions for disposal of the asset. The CCAA was unable to provide documentation indicating the EDA approved destruction of the campground. By dismantling the campground / RV sites, the CCAA may be liable to reimburse the grantor agency for funds used for this portion of the project.

Recommendations:

- The County should work with the U.S. Department of Commerce to determine if the County has further obligations under the grant agreement. The County should obtain a waiver for the campground / RV Park requirements.
- The County should monitor capital projects to ensure the appropriate assets are recorded.
- The County should provide Finance with the appropriate paperwork to reduce the asset’s recorded value.

County Management Response:

“The county has made contact with a representative at the Atlanta office of the EDA and will continue to work with the grantor on the resolution to this finding. The bath house has been relocated to the race track area of the airport, where it is currently in use; Staff will also request approval from the USDC/EDA of the relocation of that asset.

Regardless of whether the grantor approves the disposal of the campground asset, a suggested write-down will be forwarded to Finance for consideration of an adjustment to the value of the asset record once it is fully analyzed.

The airport managers understand the implications of also being property officers in accordance with CMA 5809 and will monitor assets and fill out the proper paperwork for any necessary transfers or disposals of county assets.”

Conclusion

The campground / RV sites were constructed and paid for using grant monies. The asset had an initial estimated life of 20 years. Federal requirements required the asset to be used and maintained as a campground / RV site for 20 years. The grant agreement was “terminated for convenience” without addressing continued grant requirements. The campground / RV sites were improperly disposed without approval from the grantor agency. The CCAA did not notify Finance when disposal occurred or complete the appropriate paperwork for disposal to remove the asset from the County records.

All requirements of the grant applications, assurances, and agreements should be met or specifically addressed at the termination of a grant agreement and/or project. Appropriate disposal authority should be clear in termination documentation and/or obtained prior to asset disposal.

Failure to comply with grantor requirements may: result in audit findings, jeopardize current and future grant funding; result in disbarment from receiving grant funding, require repayment of grant funds, result in termination of the grant, impact future grant awards, and/or result in liability for damages for misrepresentation.

Audits do not relieve management of their responsibilities. It is the responsibility of County management to understand and implement the proper procedural controls in order to reduce and limit the risk of fraud, error, and misappropriation of County assets. Internal Audit may recommend improvements in audit reports, but ultimately it is the duty and decision of County management to formulate processes and controls that ensure compliance with Federal regulation, State statute, County ordinance, and County policies.

Recommendation:

- The County should properly monitor grant assets to ensure compliance with federal requirements.
- The County should complete the appropriate paperwork when disposing of an asset to ensure assets are properly recorded.
- The County should review the FDOT grant for compliance. The County should work with the FDOT to determine if the County has further obligations under the grant.

Additional County Management Comments:

“With the merger of the Airport Authority into the Growth Management Division, the Authority has a more robust support system in relation to grants management as well as monitoring of county approved policies and procedures (which include properly monitoring and safeguarding of assets). Capital assets have recently been 100% physically inspected by GMD staff (unrelated to airport operations) to ensure an independent validation of asset records for the cost center director change.

Staff will review the grant requirements and work with the proper representatives at the Florida Department of Transportation to resolve any outstanding audit concerns.

Staff looks forward to remediating these findings and will work with the Clerk’s Office on the corrections and keeping the proper parties notified of communications from the grantor.”

Internal Audit Comments:

Internal Audit gratefully acknowledges the cooperation and assistance from County staff. The assistance and responses provided by the division greatly assisted in the audit process for the review.

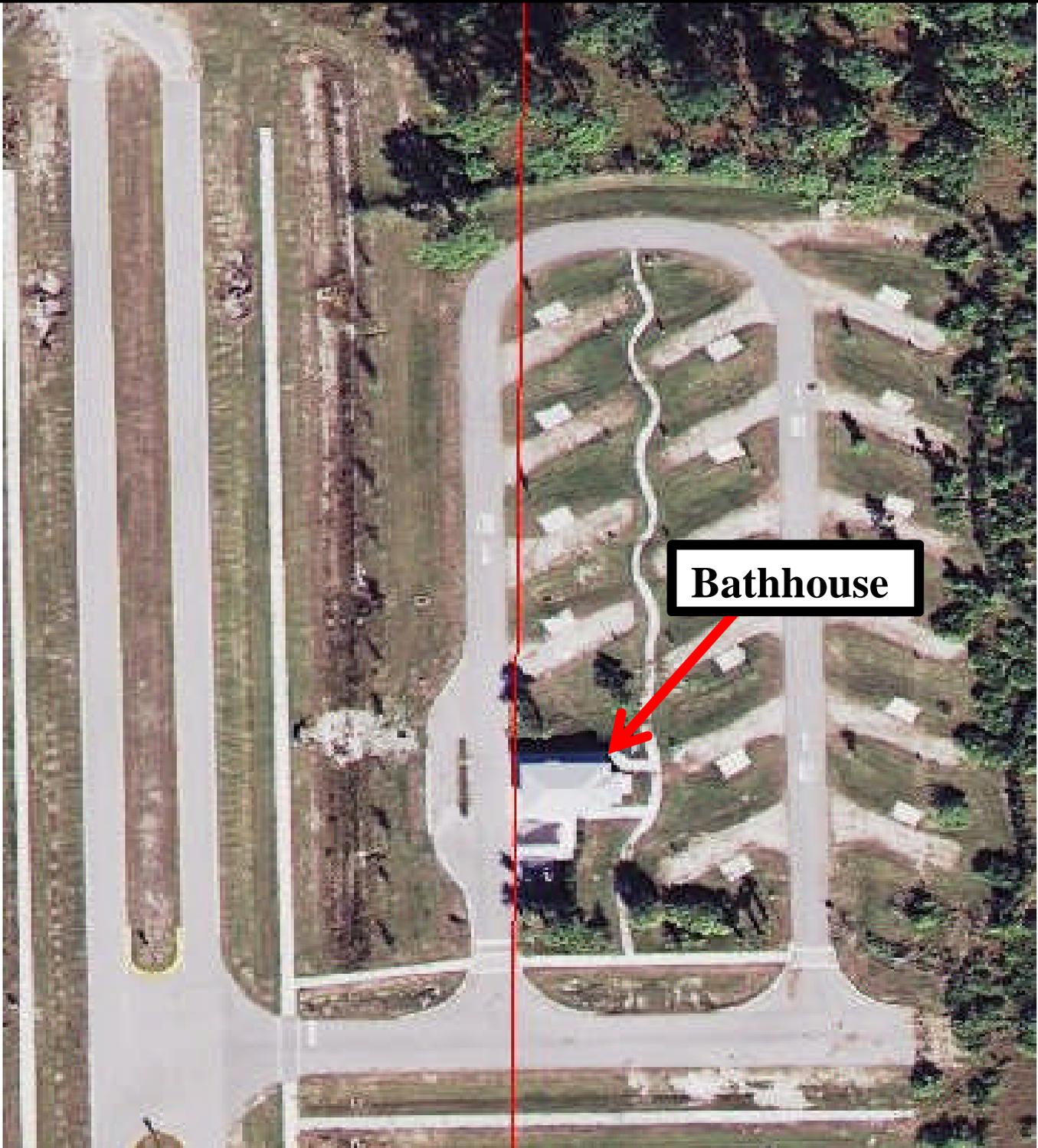
Exhibit A

Immokalee Regional Airport – 2004 Collier County Property Appraiser – Aerial Image



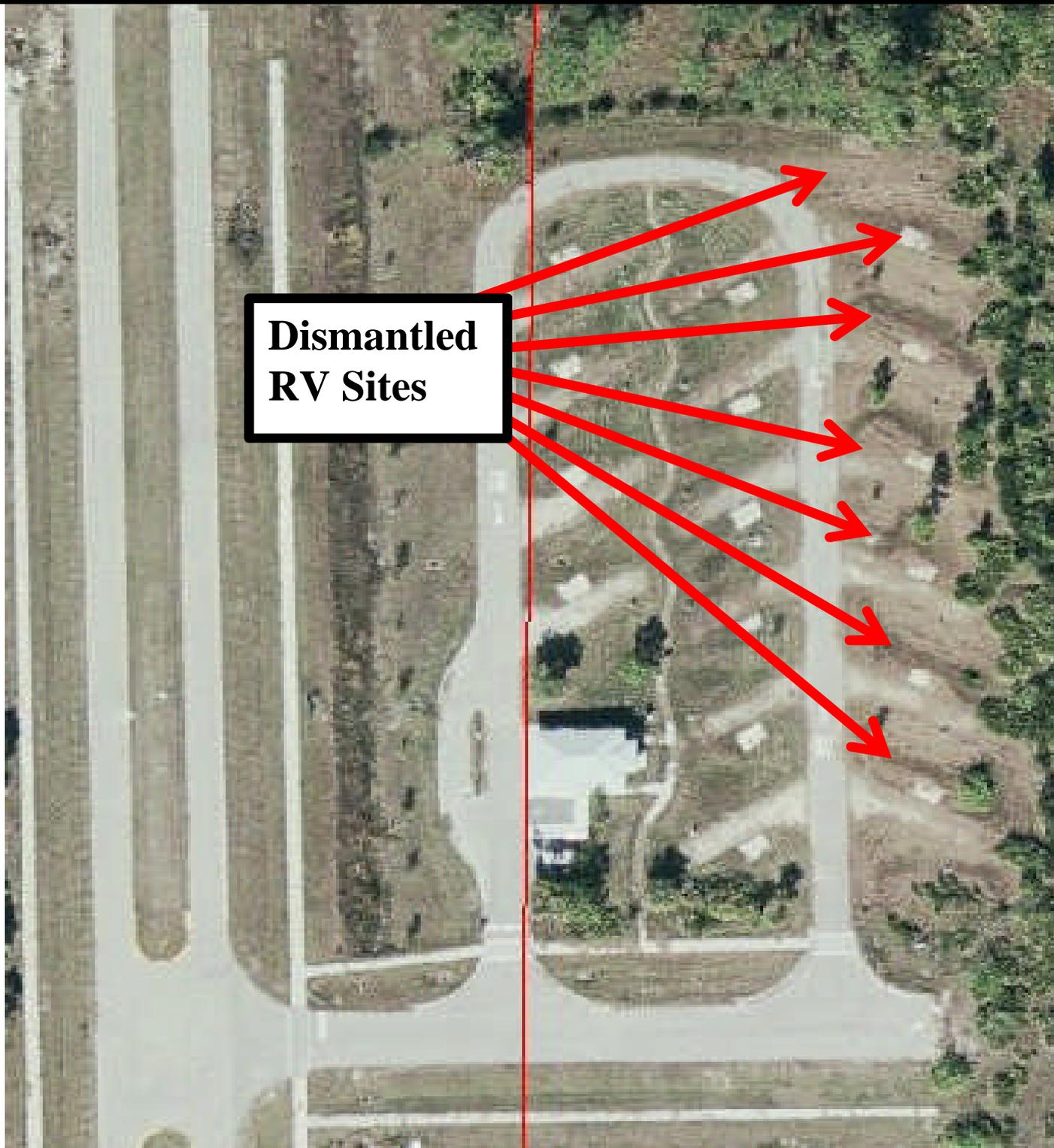
Summary: Drainage ditch and road work extend parallel to the campground site. 17 RV sites with pads were completed. The interior and entrance roadways were installed. The campground is approximately 90% completed. The bathhouse is not completed.

**Immokalee Regional Airport – 2005
Collier County Property Appraiser – Aerial Image**



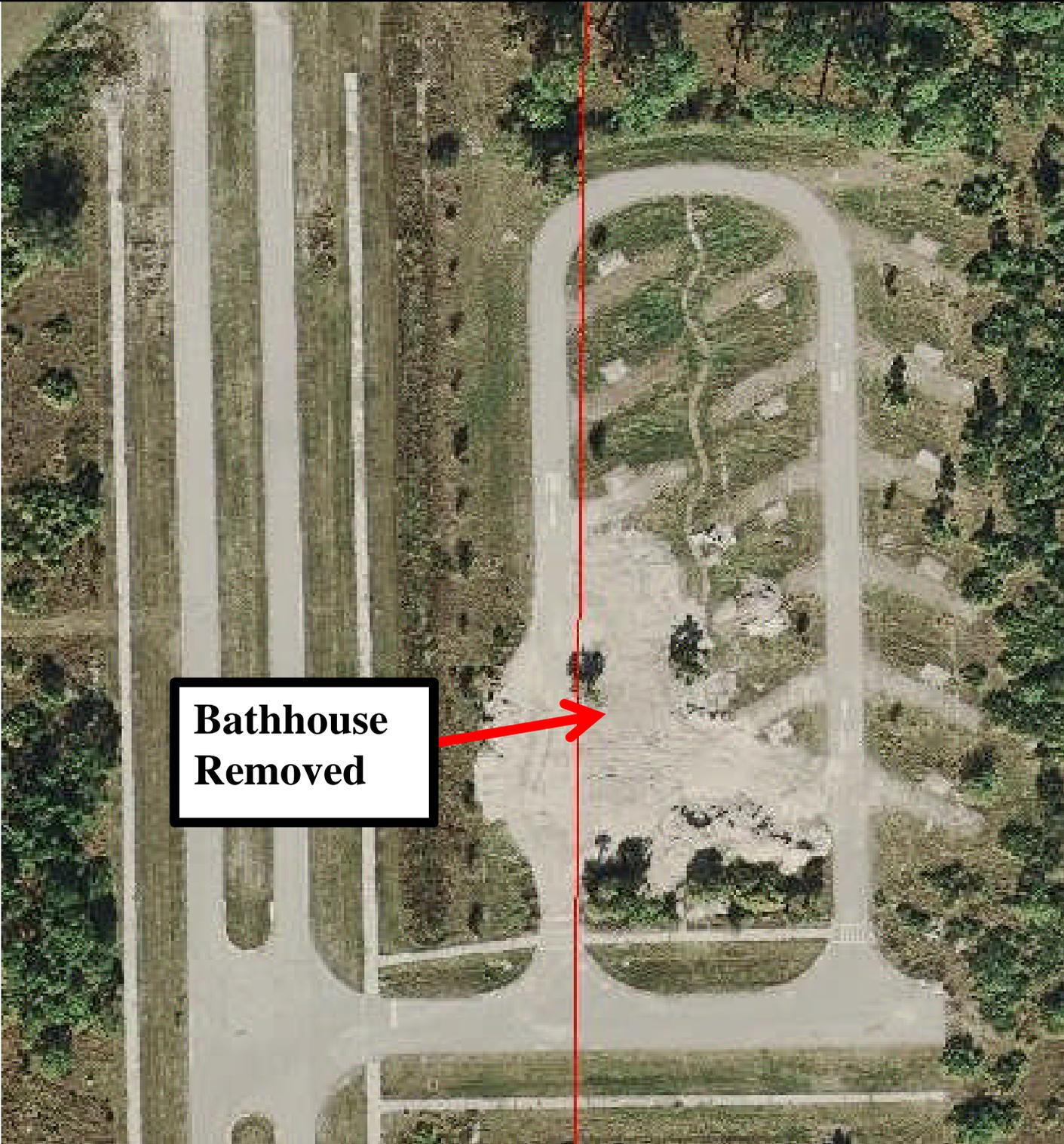
Summary: The bathhouse was completed.

**Immokalee Regional Airport – 2006
Collier County Property Appraiser – Aerial Image**



Summary: The outer RV sites were partially removed. No other apparent changes to the campground.

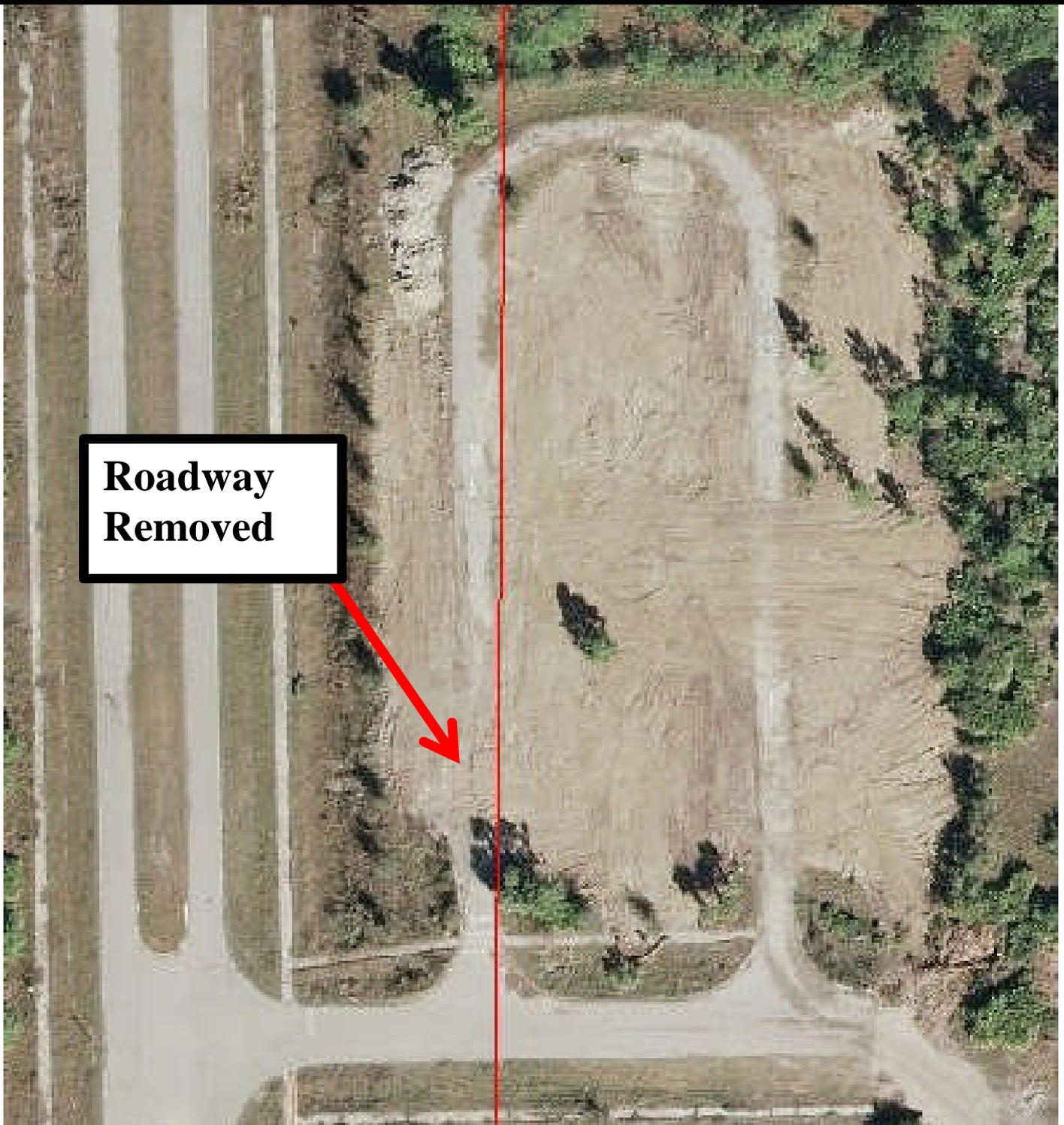
**Immokalee Regional Airport – 2007
Collier County Property Appraiser – Aerial Image**



**Bathhouse
Removed**

Summary: The campground has been significantly disrupted with many of the RV sites removed / dismantled. The bathhouse was removed from the campground and relocated alongside of the drag strip / racetrack.

**Immokalee Regional Airport – 2008
Collier County Property Appraiser – Aerial Image**



**Roadway
Removed**

Summary: The campground (above ground) was fully dismantled with all RV sites removed. A portion of the interior roadway was removed.

Immokalee Regional Airport – 2009 Collier County Property Appraiser – Aerial Image



Summary: The campground is staged with numerous containers unrelated to the campground. No other apparent changes to the campground.

**Immokalee Regional Airport – 2010
Collier County Property Appraiser – Aerial Image**



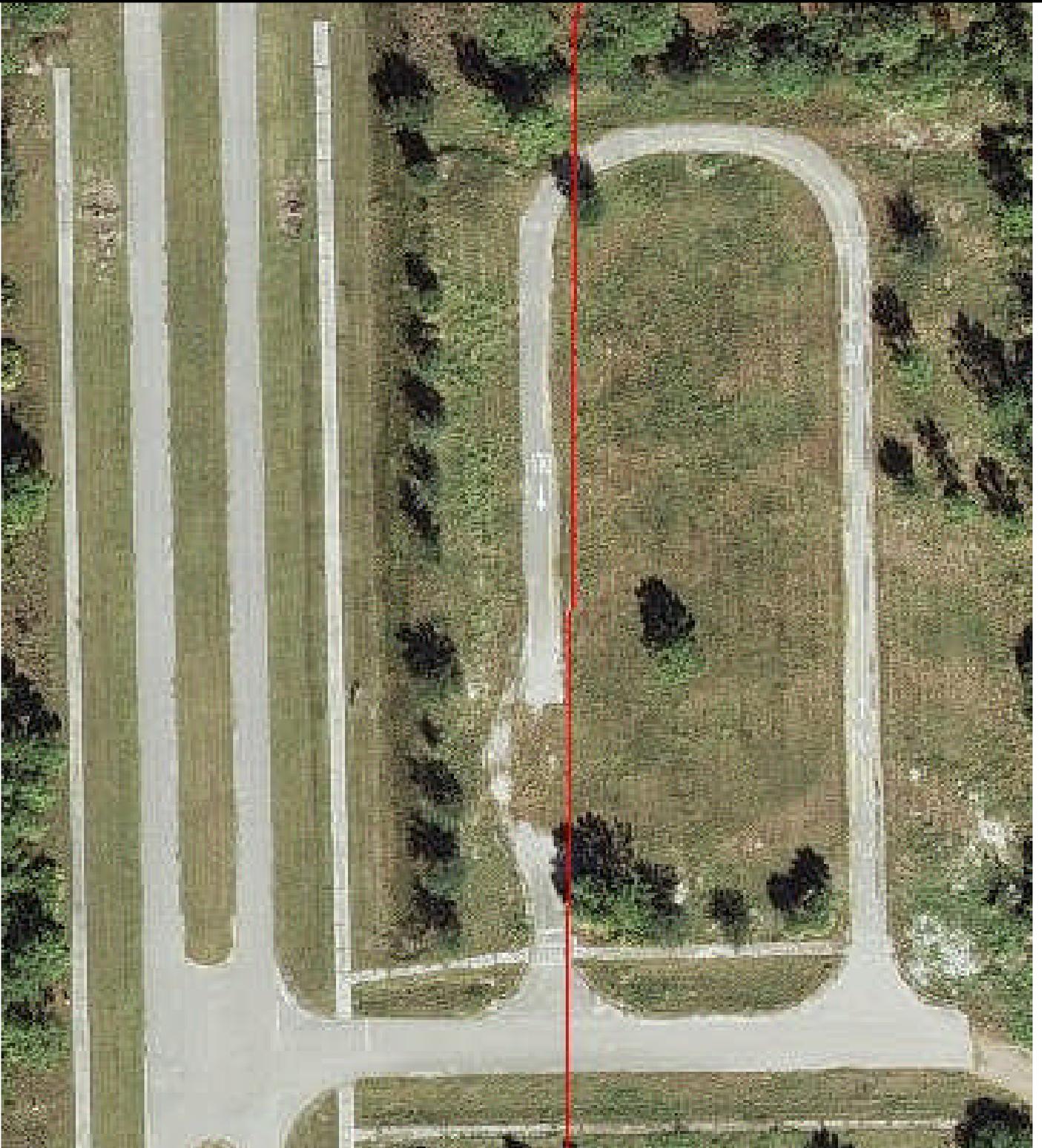
Summary: No apparent additional changes to the campground.

**Immokalee Regional Airport – 2011
Collier County Property Appraiser – Aerial Image**



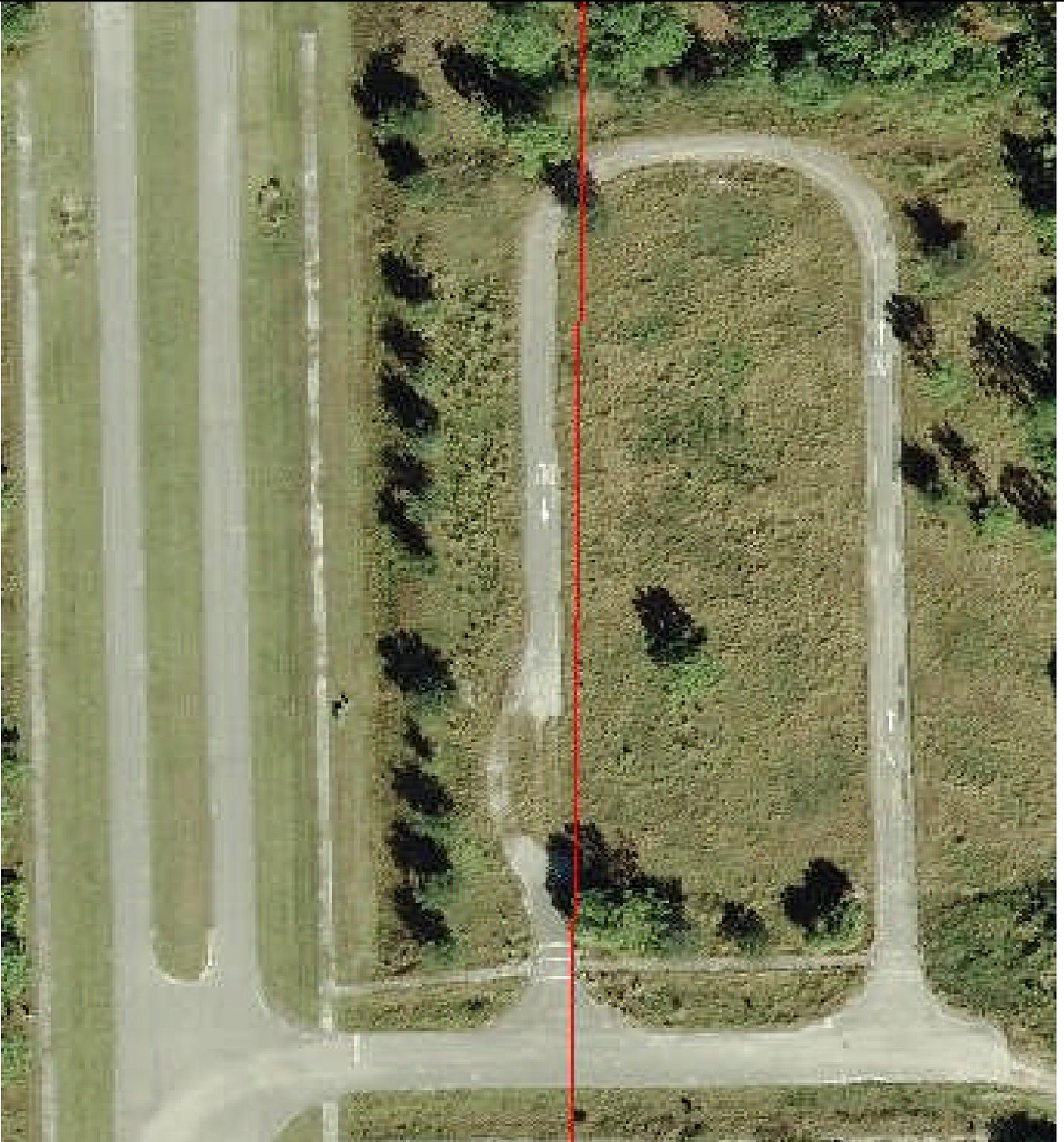
Summary: No apparent additional changes to the campground.

**Immokalee Regional Airport – 2012
Collier County Property Appraiser – Aerial Image**



Summary: No apparent additional changes to the campground.

**Immokalee Regional Airport – 2013
Collier County Property Appraiser – Aerial Image**



Summary: No apparent additional changes to the campground.

Exhibit B

**Immokalee Regional Airport - 12/21/2012
Fieldwork Photographs for Interior Road - Overgrown**





Exhibit C

Management Timeline

Executive Airport Director	Starting	Ending	Notes
John Drury	1994	Approx. September 2002	
Bob Tweedie	October 2002	May 2003	Interim
Gene Schmidt	May 2003	December 2004	
Teresa Cook	December 2004	December 2009	
Debra Brueggerman	December 2009	May 2010	Interim
Penny Phillippi	May 2010	September 2010	Interim
Thomas Chris Curry	September 2010	September 2013	