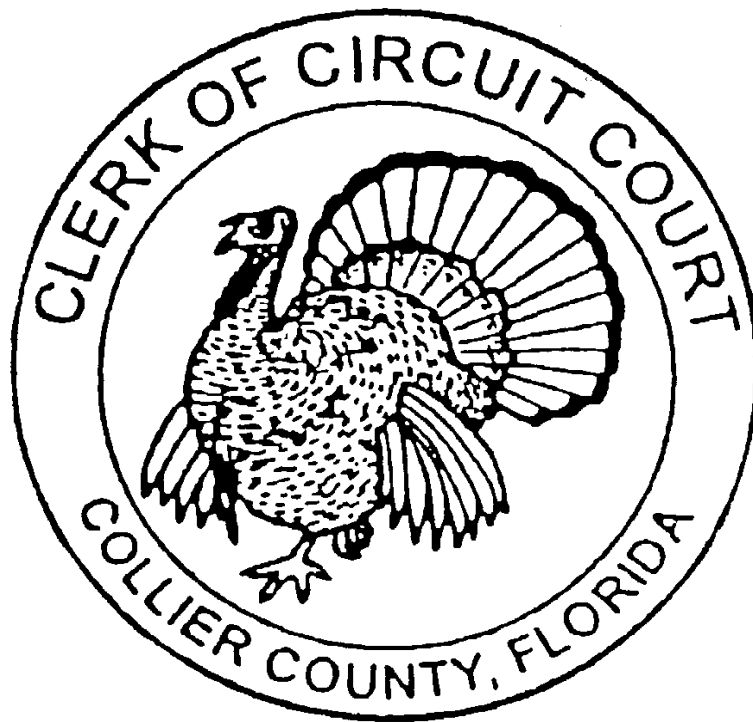


**Collier County Clerk of the Circuit Court
Internal Audit Department**

Audit Report 2003 - 1

Immokalee Airport Incubator Facility Phase II



County of Collier
CLERK OF THE CIRCUIT COURT

Dwight E. Brock
Clerk of Courts

COLLIER COUNTY COURTHOUSE
3301 TAMIAMI TRAIL EAST
P.O. BOX 413044
NAPLES, FLORIDA 34101-3044

Clerk of Courts
Accountant
Auditor
Custodian of County Funds

April 23, 2003

Honorable Tom Henning, Chairman
And Members of the Board of County Commissioners
3301 Tamiami Trail East
Naples, Florida 34112

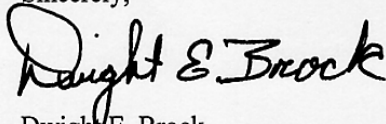
**Re: Audit of Immokalee Airport Incubator Facility Phase II
(Report No. 2003-1)**

Chairman:

The enclosed report discusses the findings and recommendations of the above captioned audit performed by the Internal Audit Department. We thank the Financial Administration and Housing Department and Collier County Airport Authority for their cooperation in the performance of this audit.

If you have any questions about this report, please feel free to contact the auditor, Ilonka Washburn, at 774-8412.

Sincerely,



Dwight E. Brock
Clerk of the Circuit Court

Enclosure

cc: James V. Mudd, County Manager

Memo

To: The Honorable Dwight E. Brock, Clerk
From: Patrick Blaney, CFE, CPA
Date: April, 23 2003
Re: Audit of Immokalee Airport Incubator Facility Phase II

Please find attached our audit report on the Immokalee Airport Incubator Facility Phase II. This report includes the Financial Administration & Housing Management's Response and the Collier County Airport Authority Management's Response to our findings & recommendations.

Internal Audit gratefully acknowledges the cooperation and assistance of the Financial Administration & Housing department and the Collier County Airport Authority. If you have any questions about this report, kindly contact Ilonka Washburn or me.

**Collier County Clerk of the Circuit Court
Internal Audit Department**

Phone (239) 774-8075
Fax (239) 775-5861
2671 Airport Road S., Suite 102
Naples, FL 34112

Audit Report 2003 - 1

Immokalee Airport Incubator Facility Phase II

Immokalee Airport Incubator Facility Phase II

Table of Contents

| | |
|--|-----------|
| AUDIT PURPOSE, OBJECTIVES, & SCOPE | 2 |
| AUDIT METHODOLOGY & PROCEDURES | 2 |
| BACKGROUND | 2 |
| ECONOMIC DEVELOPMENT ELEMENT SPECIFIED IN THE APPLICATION | 4 |
| Adoption of an Economic Development Element to the Local Government Comprehensive Plan | 4 |
| Recommendation | 4 |
| Responses | 5 |
| NON-COMPLIANCE WITH MAJOR ASPECTS OF THE CDBG AGREEMENT | 6 |
| Details of non-compliance | 6 |
| Recommendation | 7 |
| Responses | 7 |
| SIZE OF INCUBATOR FACILITY II REDUCED BY 50% | 8 |
| Incubator Facility II decreased from 20,000 square feet to 10,579 square feet. | 8 |
| Recommendation | 8 |
| Responses | 8 |
| STIPULATED TIME LIMITATIONS NOT MET | 9 |
| Time limits extended repeatedly | 9 |
| Recommendation | 9 |
| Responses | 10 |
| INCREASED CONSTRUCTION COST OF INCUBATOR FACILITY II | 11 |
| Cost of Incubator Facility II due to partial completion of Powder Coating Facility | 11 |

| | |
|---|-----------|
| Recommendation | 12 |
| Responses | 12 |
| USDA GRANT FINANCIAL REPORTS NOT FILED | 13 |
| USDA Grant Final and Quarterly Reports not filed | 13 |
| Recommendation | 13 |
| Responses | 13 |
| CONCLUSION | 14 |

Immokalee Airport Incubator Facility Phase II

Background Information

Audit Purpose, Objectives, & Scope

The purpose of this audit was to review the grant requirements and ensuing construction of the Immokalee Airport Incubator II. The specific objectives were to determine if the construction cost and time span met the terms of the Small Cities Community Development Block Grant (CDBG) and the USDA grant for the Immokalee Incubator Facility Phase II. The scope of this audit initially was to confirm grant compliance, but was expanded to include all funds received for construction of Incubator II.

Audit Methodology & Procedures

This audit was performed in accordance with generally accepted government auditing standards. The Internal Audit Department interviewed the appropriate Community Development and Environmental Services Division staff, appropriate Airport Authority staff, and Immokalee Incubator Phase I tenants. The auditor reviewed the Immokalee Incubator Facility Phase II construction contract, change orders, payments, and grant requirements. The auditor examined all related documents for accuracy and compliance with contract documents, grants, and time limitations.

Background

On November 14, 2002, the Administrator of Community Development and Environmental Services requested an audit of the Small Cities Community Development Block Grant for the Immokalee Incubator Facility Phase II, specifically regarding the cost and time of construction.

The Community Development and Environmental Services Division is dedicated to the development, enhancement, and preservation of communities and neighborhoods throughout Collier County. The division provides guidance for the long-term use of land and public facilities to assure quality growth and enhance the community's quality of life, pursuant to local ordinances and Florida State growth management laws. Services are provided to the community relative to housing issues such as Affordable Housing, Fair Housing and Economic Development programs. Environmental Services include developing current and long range plans to protect and enhance the County's air, water, native habitats, and wildlife resources.

The following departments provide the Division's services: Administration, Financial & Records Management, Planning Services, Building Review and Permitting, Code Enforcement, Financial Administration and Housing, Natural Resources and Pollutions Control and Prevention, and Utility and Franchise Regulation.

Financial Administration and Housing (FAH) provides services to the community on housing and economic development issues, efficient management and implementation of the Community Development Block Grants in the areas of Neighborhood Revitalization, Commercial Revitalization, Housing, Economic Development and Emergency Assistance Programs administered through the Department of Community Affairs.

The Collier County Airport Authority (CCAA) was originally created by County Ordinance 93-36 (later replaced by County Ordinance 95-67) to operate three County-owned airports (Everglades Airpark, Immokalee Regional Airport, Marco Island Executive Airport). The Board of County Commissioners established the Airport Authority and its governing seven-member board to provide for enhanced development and eventual operation of the Airports as enterprise operations. The Airport Authority's goals are to acquire, construct, improve, equip, operate, and regulate the three airports. This includes oversight of the operations, maintenance, construction, enlargement, improvement and enforcement regulations of all three County Airports. The Administrative Office of the airport is responsible to implement and to ensure compliance with Ordinance 95-67, to manage Federal and State Airport Grant Programs, and to provide a safe and efficient system of Collier County owned airports.

Collier County Airport Authority's vision to turn the Immokalee airfield into a viable industrial park attracting manufacturing businesses employing local workers, bringing international cargo carriers, and contributing a new and vital industry to the local economy was the reason for the four planned, Incubator Facilities. Phases I and II have been completed, with Phases III and IV being planned. To accomplish this, the Airport Authority utilized available Federal and State grants and loans; specifically the Community Development Block Grant (CDBG) and the United States Department of Agriculture (USDA) grant, as well as Collier County funds.

On March 26, 1999, what was then the Housing and Urban Improvement Department (HUI) of Community Development and Environmental Services (CDES) applied to the Department of Community Affairs (DCA) for an Economic Development Grant to construct the Incubator Facility Phase II in Immokalee. HUI's responsibilities for this grant have since been reorganized into the Financial Administration and Housing Department of CDES. This application became part of the grant agreement. In September 1999, Collier County received a \$750,000 CDBG for Economic Development for the administration, engineering and construction of the Incubator II to be completed within two years. In addition to the CDBG, the original estimate contemplated a \$500,000 USDA grant, and \$139,000 from the Airport Authority. The Airport Authority did not receive the anticipated USDA grant, and agreed to reallocate their budget, transferring funds from various other projects to ensure continuation of this project. The Airport Authority reapplied for a reduced USDA grant, and received \$250,000 in March 2001. This amount was to aid in the construction of the Incubator II, and to add a powder coating facility. The Airport Authority added the powder coating facility under the premise that it would help attract larger manufacturers to Immokalee, a highly agricultural area, by complementing the realm of manufacturing in the industrial park.

Section
2

Immokalee Airport Incubator Facility Phase II

Findings

Economic Development Element specified in the application

Adoption of an Economic Development Element to the Local Government Comprehensive Plan

In *Project Impact* section IV. *Other Community Development Activities*, the application asked alternative Yes or No questions regarding the Economic Development Element to Collier County's comprehensive plan, namely, has the County adopted an Economic Development Element to its comprehensive plan; or, will the County agree to adopt an Economic Development Element within 12 months of the CDBG award agreement? The second alternative states further, *"This is a non-amenable option and the Department will withhold funding should adoption be delayed beyond 12 months."* HUI answered Yes to the second alternative, agreeing that Collier County would adopt an Economic Development Element to its comprehensive plan within 12 months of the CDBG award. DCA used a point system to award the CDBG, and gave 20 points for an affirmative answer to either one of these alternative questions.

The grant agreement asserts in section (11) (a) that, *"The validity of this Agreement is subject to the truth and accuracy of all the information, representations, and materials submitted or provided by the Recipient, or any Participating Party in this Agreement, in the Application, in any subsequent submission or response to Department request, or in any submission or response to fulfill the requirements of this Agreement, and such information, representations, and materials are incorporated by reference. The lack of accuracy thereof or any material changes shall, at the option of the Department and with thirty (30) days written notice to the Recipient and any Participating Party, cause the termination of this Agreement and the release of the Department from all its obligations to the Recipient."*

Collier County has not yet adopted an Economic Development Element to its comprehensive plan as stated in HUI's 1999 grant application and subsequent agreement. Consequently, Collier County is not in compliance with this term of the grant application and agreement.

Recommendation

The Financial Administration and Housing Department should assure that an Economic Development Element will be implemented as soon as possible as an amendment to the Collier County Growth Management Plan. The Department of Community Affairs (DCA) should be contacted to discuss potential repercussions as well as the avoidance of the \$750,000 grant repayment. It should be noted at this point that during previous state audits the failure to incorporate this Element into the County's Growth plan was undetected.

Responses

Financial Administration & Housing Management's Response:

CDES staff has been assigned to the development and adoption of an Economic Development Element to the County's Comprehensive Growth Management Plan. This will be accomplished well before March 2004, the time at which our current extension expires.

The Department of Community Affairs has been contacted relative to this omission and they are aware of our intention to correct the finding.

Collier County Airport Authority Management's Response:

"We have found your recommendations to be extremely helpful and constructive and will do our best to comply with those recommendations that are applicable to the Airport Authority."

Non-Compliance with major aspects of the CDBG agreement

Details of non-compliance

The CDBG application and agreement listed obligations necessary for approval and receipt of the grant monies. These obligations extended from the recipient agencies to Global Manufacturing, Inc., (Global) through the Participating Party Agreement (PPA). While the recipient agencies and Global have achieved compliance on a variety of conditions, (see Exhibit A), those noted below would be non-compliant had there not been any time extensions bestowed by DCA.

- Lease the Global Facility to Global Manufacturing Technologies, Inc., at a Fair Market Lease through the Collier County Airport Authority.
- Lease terms and conditions shall be approved by the Department prior to execution of lease by recipient.
- Global shall create and satisfactorily document the creation and/or retention of a least 22 full-time equivalent permanent net new jobs.
- Failure to create or cause to create said jobs shall be an act of default under the Global Participating Party Agreement.
- Global shall be responsible for all maintenance for the Global Facility.
- Global shall hire at least one WAGES client after the date of the site visit and prior to the Recipient's submission of administrative closeout costs.
- Collier County agrees that there is expectation of program income being generated as a result of this grant, and agrees to transmit the income to the Department monthly.

While the Department of Community Affairs has orally approved the lease terms, there has not yet been a lease entered into, nor have any of the other obligations been met. The delay in lease approval has been due to the fact that the original lease proposed by Global stipulated a beginning zero lease payment rather than the presently approved lease beginning at \$4.00 a square foot. The importance of the lease amount is due to the fact that Collier County must remit to DCA a program income (lease payment) on a monthly basis for the economic life of the building, or twenty (20) years whichever comes first. The program income ratio is derived from final cost to the level of contribution and is 50.4% of lease payments received from Incubator Facility II tenants.

Furthermore it should be noted that the building is and has been vacant since July 2002, the date the CO was issued. As of the date this report was written there had been no provisions made to tend to the building or the adjacent landscaping. Other pertinent factors of the grant agreement the most important being the creation of 22 new jobs have not been addressed. Global's intentions are to become a property manager and sublease the Incubator Facility II spaces to other business. These sub-tenants are then expected to comply with the creation of the 22 positions. In addition Global does not appear to have a marketing plan to accomplish the creation of said jobs nor the training requirements or at the very least a plan to attract business to Immokalee. On February 18, 2003 Financial Administration and Housing Department (FAH) requested from Global Manufacturing a written plan of their intentions as to when and how they proposed to fulfill their obligations. Instead FAH received a public records request from a law firm hired by Global Manufacturing.

Recommendation

Even though it is unlikely that DCA would demand reimbursement of this grant, nonetheless Financial Administration and Housing Department (FAH) and the Collier County Airport Authority (CCAA) should exercise greater oversight regarding compliance with grant terms.

While the other compliance issues may be moot due to time extensions of the grant agreement, the maintenance of Incubator II and the marketing process of finding job-creating tenants required by the CDBG contract have not begun and time is again running out. Noteworthy at this point is the fact that the Incubator Facility II – a brand new building will remain vacant until the Participating Party Agreement is either amended allowing for a substitution of companies or complied with by the present company.

The final consequences of grant non-compliance are that Collier County must repay DCA \$35,000/job.

Responses

Financial Administration & Housing Management's Response:

We agree to the need to exercise greater oversight to grant terms. This particular grant occurred in the infancy stage of our department one and one-half years ago. We have professionally matured since that time and now conduct strong project monitoring on all grant programs.

The participating party lease terms and conditions were approved by DCA on February 4, 2003 and the participating party company has committed on the record to accept the new lease agreement. Potential subtenants will be submitted to the Airport Authority at either the May or June board meeting.

Collier County Airport Authority Management's Response:

"We have found your recommendations to be extremely helpful and constructive and will do our best to comply with those recommendations that are applicable to the Airport Authority."

Size of Incubator Facility II reduced by 50%

Incubator Facility II decreased from 20,000 square feet to 10,579 square feet.

Of concern was the change in size of the Incubator Facility II. The original application dated March 2, 1999, listed the size of the potential Incubator Facility II at 20,000 square feet (sf) at a cost of approximately \$1.4 million. The CDBG grant application further separated the expected monies for the construction of the Incubator Facility II into \$750,000 CDBG grant, \$500,000 USDA grant, and \$139,000 from Collier County. The importance of the applicable monies separation becomes apparent considering the following fact. On page 6, point 21 of the *Application Summary* 1. it states:

If the USDA grant is not forthcoming, the project will be scaled back to a smaller building.

Not receiving the original USDA grant lifted any indicated size restrictions allowing CCAA free reign in the size of the Incubator Facility II. Noteworthy is the fact that the final amount available for construction did not change as Airport Authority Resolution 00-91 recommended shifting \$500,000 from other projects to make up the original \$1,380,000. During the ensuing planning and designing of the Incubator Facility II the size continued to shift downward. The original estimate seems just that - an estimate without substance. The Airport Authority could have requested an engineer's report like the one found in their files dated September 9, 1999 to allow a more accurate estimate of the possible size. The Incubator Facility II was constructed to be 10,579 square feet.

Recommendation

Before applying for any grants, Collier County should thoroughly research the potential result, in this case the size of the Incubator Facility II, to allow for a closer approximation in the outcome. CCAA should have requested an engineer's report for possible construction estimates and Infrastructure Improvements prior to the application, to provide a more realistic estimate.

Responses

Financial Administration & Housing Management's Response:

Management agrees with this recommendation.

Collier County Airport Authority Management's Response:

"We have found your recommendations to be extremely helpful and constructive and will do our best to comply with those recommendations that are applicable to the Airport Authority."

Stipulated time limitations not met

Time limits extended repeatedly

The CDBG agreement stipulated two years not only to design and construct the Incubator Facility II, but also to implement any and all conditions offered or agreed to in the application and agreement. DCA signed the original agreement in September 1999, which set the time to complete construction and implement all conditions of the original agreement for September 2001. However, the Airport Authority signed the work orders for consulting services and for design and construction services on September 25, 2000, almost one year after the agreement was signed.

Asked about the time delay Collier County Airport Authority and Hole Montes staff speculated that due to CCAA's pursuit of another USDA grant to be used for a Powder Coating Facility the original design was held back to allow implementation of the Powder Coating Facility into the original design. Another factor mentioned by Hole Montes personnel for delaying the start and eventual completion was the fact that decisions regarding design and construction involved not only Hole Montes and Quality Control personnel, but were additionally pre-approved by Global Manufacturing, which insisted on integrating the powder coating facility into the original design plans.

In addition to the delay in beginning the design phase of the facility, delays for the site development and permitting were also noted. The final delay was due to additional work necessary for the Powder Coating Facility. The design and construction of the Incubator Facility II was completed in the summer of 2002 with the Certificate of Completion (CO) issued on July 30, 2002. By the time the CO was issued the project was already delayed by ten months receiving its first automatic time extension.

It is not evident what caused the one-year non-productive time period. Rather than immersing itself in the design and completion of this vision, the contract lay dormant for one complete year.

Recommendation

While the ensuing construction time does not appear to be excessive, necessary modifications and pre-authorization of building development issues caused the permitting phase to experience extensive delays due partially to the fact that numerous projects were submitted on one site development plan rather than individually. The CCAA should control multi-million dollar projects, and ensure their completion within stated time limits.

It is important to note that not only was the construction behind schedule but the grant requirements identified previously have not been completed to this date. While the expiration time has been extended for the third time now until March 2004, the requirements of the grant are not considered defaulted however, presently there is no plan when and how to get back on track.

Responses

Financial Administration & Housing Management's Response:

We agree with the audit recommendation with the exception that "there is no plan when and how to get back on track". This statement was true at the time of the audit, but since that time FAH has worked closely with the Airport Authority board to set a timeline for the sub recipient company to comply with the terms of the agreement with the key objective to create 22 jobs. As noted in number 3 above (Size of Incubator reduced by 50%) the submission of viable companies interested and qualified to lease the space are to be submitted to the airport Authority board no later than the June board meeting. At that point, FAH will monitor the process to create the requisite jobs or move to replace the participating party company as soon as possible with a company that can itself create the jobs or act as an agent to find tenants capable of creating the jobs.

Internal Audits Reply to FAH response

While the June 2003 submission date has been agreed to during the April 2003 board meeting, the accomplishment of implementing said 22 jobs within the present timeline is at best hopeful. During the April 2003 airport authority board meeting the prospective participating party voiced great concerns of being able to keep within the stated timeline and has in fact already asked for an additional time extension during the April 2003 airport authority board meeting. While it is Internal Audits understanding that FAH is working diligently to remedy this problem it is also our understanding that this problem is not solely in the hands of FAH.

Collier County Airport Authority Management's Response:

"We have found your recommendations to be extremely helpful and constructive and will do our best to comply with those recommendations that are applicable to the Airport Authority."

Increased Construction Cost of Incubator Facility II

Cost of Incubator Facility II due to partial completion of Powder Coating Facility

The question originally posed was why did the Incubator Facility II increase in cost with the size being reduced by 50%. We have already discussed the size reduction; the cost component becomes less apparent but is clarified as follows. One important factor worth mentioning is the fact that when CCAA entered into an agreement with DCA or later with Quality Construction Builders Inc. there was no plan or design as to what would and or could be build - if anything it was a vision.

The original estimate of the Incubator Facility II was \$1,389,000. On December 10, 2001, a first amendment to the contract increased the total amount by \$250,000, an amount received from the USDA grant. This money was used in part to reinstate previously reduced items of the original construction schedule, titled alternate items, as well as a portion of a Powder Coating Facility. When asked how the Management at Risk contract enabled a reduction of contractual items (i.e. an increase in price) Hole Montes staff explained that the reductions were agreed to in the design phase of the contract rather than the ensuing construction phase. Contrary to industry standards this contract was entered into with Quality Control Inc specifying both the design and construction of the Incubator Facility II. Customary procedure dictates entering into a design contract first to determine what it is that will be built, then once the design phase is completed and agreed upon the actual construction begins. The combination of both steps (design and construction) allows for the deductions of items as a clear, division of levels (design to construction) cannot be established from an auditing perspective. While the majority of funds of the USDA grant where used to install a portion of the Powder Coating equipment, the total amount could have purchased the complete powder coating equipment necessary to utilize the facility. The powder coating equipment installed was considered primary equipment (oven, belts, tanks; transfer booms, conveyer system, cartridge booth and powder guns) with secondary equipment (outside tanks and evaporator system) omitted due to cost constraints. It needs to be clarified at this point that a powder coating facility is only able to function with both primary and secondary equipment installed. A letter from Systems Inc. dated December 20, 2002 states that due to missing services (propane gas and plant air) testing and start up of the Powder Coating Facility were not possible. While CCAA Resolution 01-34 states that Global is responsible for furnishing the omitted powder coating equipment, it is not clear whether Global will be in a position to fulfill this requirement. With the priority placed on reinstating the previously omitted items it leaves the Incubator Facility II with approximately 33% of its space useless due to the missing secondary powder coating equipment.

The second amendment was based on the fact that the original cost estimate included design, administration, management, construction and HUI administration (see Exhibit B). It was further subdivided with a total of \$977,500.00 apportioned to Quality Control Builders with \$879,750 for construction reimbursables and \$97,750 for Design and Construction Management. The importance of the segregated amounts becomes clear with the limitations imposed by the Department of Community Affairs (DCA) in their letter stamped September 15, 2000, stating: *"The contractor will receive only a \$97,750 fixed fee for design and construction phase services regardless of the final construction cost (which could be less than the maximum guaranteed price)."* On March 20, 2002, Hole Montes wrote a letter to CCAA and Quality Control Builders (QCB) alerting them of fact that the original construction budget was mathematically incorrect, and requested rearrangement of the funds. On April 8, 2002, a second amendment corrected the original distribution error in the contract total. While the second amendment correctly distributed originally available monies, it increased the Design and Administration costs by the original contracted percentages of 2% and 8% respectively. This is contrary to the limitations set by DCA in its letter stamped September 15, 2000.

Recommendation

The letter from the Department of Community Affairs (DCA) stamped September 15, 2000 restricts the amount for design and construction by \$97,750 regardless of the final construction cost. The cost increase of the second amendment correcting the initial allocation for design and construction should be changed in the original agreement with DCA by submitting an amendment for design and construction management to the DCA for approval.

CCAA should properly administer and supervise the operation and construction of any additions. The contract with QCB includes both the design and construction of the Incubator Facility II without specifying when each phase ends and/or begins. Without a letter of commencement to begin construction it is impossible to determine what items should be included in the original reimbursable costs.

The cost of construction increased by \$250,000 with approximately \$161,000 attributed to the primary phase of the powder coating facility, which leads to the conclusion that approximately \$76,500 (\$89,000-\$12,500 fund balance) was used for items that should have been incorporated in the original construction budget. Or stated otherwise, CCAA spent \$76,500 without sufficient audit trail to verify. The inclusion of the Powder Coating facility is an example of expending money before an actual need has been assessed.

Responses

Financial Administration & Housing Management's Response:

Management agrees with the auditor's recommendations. FAH staff will contact the DCA and submit an amendment for design and construction management to the DCA for approval.

Collier County Airport Authority Management's Response:

"We have found your recommendations to be extremely helpful and constructive and will do our best to comply with those recommendations that are applicable to the Airport Authority."

USDA Grant Financial Reports not filed

USDA Grant Final and Quarterly Reports not filed

With receipt of the USDA Grant came additional requirements. The approval of a \$250,000 USDA grant was subject to terms of the Letter of Conditions dated March 9, 2001. The requirements for Fund Disbursement stated:

that 60 days after final expenditure of grant funds, the applicant will provide an audit report to allow Rural Development to determine that grant funds have been used in compliance with the proposal, any applicable laws and regulations, and the grant agreement.

It continues for Reporting Requirements:

Form SF-269 "Financial Status Report" and a Project Performance Activity Report will be required on a quarterly basis.

When Airport Authority personnel were asked to supply copies of these reports they were unaware of their reporting requirements and had therefore not submitted them.

In addition to above requirements the Airport Authority was unable to produce copies of the original USDA Grant application and subsequent agreement.

Recommendation

It is strongly recommended that the Collier County Airport Authority should implement solid record keeping and ensure that responsible personnel identify and adhere to all applicable requirements.

The Airport Authority should submit the financial reports to the U. S. Department of Agriculture, Rural Development, in order to comply with established reporting requirements. While the likelihood of the Grant being found in non-compliance for these types of omissions is small, it could be a basis of such a finding, which might make obtaining future grants more difficult.

Responses

Financial Administration & Housing Management's Response:

This recommendation is directed to the Airport Authority.

Collier County Airport Authority Management's Response:

"We have found your recommendations to be extremely helpful and constructive and will do our best to comply with those recommendations that are applicable to the Airport Authority."

Immokalee Airport Incubator Facility Phase II

Conclusion

The previous Housing and Urban Improvement (HUI) Department had applied for the original CDBG, but left the actual management of it to the Collier County Airport Authority (CCAA). Even though difficult to administer, the actual oversight should have been completed by the Financial Administration and Housing Department (FAH).

The CCAA's administration of the design and construction of the Incubator Facility Phase II appears to have had lax administration and controls involved with the spending of almost two million dollars. Beginning with the time delays, the building size reduction, the additional costs, the addition of a Powder Coating Facility, the absence of quarterly financial reports, and finally the lost copies of the USDA grant application and agreement specifications, the policy makers must ask if the best interests of the public is really being served.

Presently the Participating Party Agreement is pre-approved for Global Manufacturing, a company that was itself delinquent in its lease payments until the beginning of 2003. When asked at a public hearing how the creation of 22 new jobs was contemplated, Global representatives could not recall what, if anything, they initially signed and agreed to. The question then becomes is Global really positioned to grow the Incubator Facility II to its full potential. Resolution 01-34 clearly stipulates that Global is responsible for providing the secondary equipment (outside propane storage tanks, holding tanks, and evaporator system, estimated to cost \$100,000) necessary to conduct powder coating operations at the Incubator Facility II. To this date it is not clear how and when Global intends to furnish the secondary equipment necessary to successfully lease the powder coating facility.

The final question that the County must consider is whether the Economic Development component should continue to be an integral part of the airport operations or separated out as a succinct entity to be handled by another entity, which specializes in this area. While the airports may constitute an element of the Transportation network for Collier County is it something the county's policy wants tied to the economic development component in its management structure?

EXHIBIT A

Specifications of Grant Agreement

| Agreement summary | Compliance | N/A |
|--|----------------------|------------------------------------|
| Attachment K | | |
| 6. That the recipient shall: | | |
| A. Construct or cause to be constructed one or more buildings which shall accomodate at a min. the facility described in the Application (the Global Facility). | | X |
| B. Lease the Global Facility to Global Manufacturing Technologies, Inc., at a Fair Market Lease through the Collier County Airport Authority the terms and conditions shall be approved by the Dpt. prior to execution of lease by recipient | X | |
| C. Ensure that any lease extension beyond twenty years (20) be at a fair market lease to be determined at said time of extension | | X |
| D. Ensure that should Global abandon the facility or fail to exercrise any lease renewal option any subsequent lease shall be for at least same lease rate. | | X |
| E. Remit lease payment to the department on a monthly basis and continue for the economic life of the building or 20 years whichever comes first. | | X |
| F. Provide copy to the Department for its approval of any proposed lease. | X | |
| G. Sell the Global Facility only at fair market value as determined by a licensed commercial real estate appraiser. | | X |
| 7. The recipient shall enter into a Participating Party Agreement with Global in accordance with the terms of this agreement. | X | |
| A. Global shall create and satisfactorily document the creation and /or retention of a least 22 full-time equivalent permanent net new jobs. | | |
| B. That the failure to create or cause to create said jobs shall be an act of default under the Global Participating Party Agreement. | | |
| C. That Global shall provide or cause to be provided such training to members of low and moderate income as necessary to obtain & retain the jobs created. | X | |
| D. Global shall be responsible for all maintenance for the Global Facility and shall secure insurance, type & amt to be negotiated. | | X |
| E. Global shall if requested provide reasonable information concerning the project as it related to conditions of the grant. | | It was difficult receiving info fr |
| F. The Global PPA and any amendments must be approved by the department as to form and content. | X | |
| G. Any extension of the Award Agreement shall act as an extension of the Global PPA. | | X |
| H. Enter into a lease at a Fair Market Lease Rate with the amount determined upon completion of the facility based upon final cost. | | |
| I. Global shall hire at least one WAGES client after the date of the site visit and prior to the Recipients submission of administrative closeout costs. | | |
| 8. The recipient shall maintain records of the recipients and the airport authorities expenditures of funds | X | |
| 10. If a CDBG funded activity is designed by an engineer, archtitect or other lic. Prof. it shall be certified upon compl. by a lic. Prof. as meet. the spec. of the design as may have been amended by change orders. | X | |
| 11. The recipient shall not enter into a contract to be paid with CDBG funds based on a sole source or single proposer procurement action without prior written approval from the Department. | X X | |
| 12. Except for the CDBG portion of the cost of post-administrative closeout audits, all funds claimed for leverage shall be expended prior to submission of the administrative closout. Local private,public, grant loan or other non-CDBG funds shall be expended concurrently with the expenditure of CDBG funds for the same activity. | X | |
| 13. The recipient by executing this Agreement, does agree that there is expectation of program income being generated as a result of this grant and to transmit the income to the Department on a monthly basis. | | |
| Grant Application | | |
| Page 17 IV. Other Community Development Activities | | |
| The County will agree to adopt an " Economic Development Element" to its Comprehensive Plan in conformance with Chapter 163, Florida Statutes within 12 months of the Department's execution of a CDBG award agreement. (This is a non-emenable option and the Department will withhold funding should adoption be delayed beyond 12 months.) | | |

EXHIBIT B

Specifications of Grant Agreement

| Type of Funds | Amt of funds |
|-------------------------------------|-----------------------|
| Requested CDBG Project Cost | \$690,000.00 |
| Requested CDBG Administrative Cost | \$60,000.00 |
| Total CDBG Funds | \$750,000.00 |
| Collier County Airport Authority | \$139,000.00 |
| USDA Grant | \$500,000.00 |
| Other Public Funds from all sources | \$639,000.00 |
| Total Gross Project Cost | \$1,389,000.00 |

| Activity | CDBG Amount | Other Funds | Source |
|-------------------------------------|---------------------|---------------------|------------------|
| Building Construction | \$690,000.00 | | |
| Engineering | | \$180,552.00 | 1,2 |
| Administration | \$60,000.00 | \$458,448.00 | 1 |
| Totals | \$750,000.00 | \$639,000.00 | |
| Sources: | | | |
| 1. USDA Grant | | \$500,000.00 | NOT REC - BCC P/ |
| 2. Collier County Airport Authority | | \$139,000.00 | |
| | | \$639,000.00 | |

Duration of contract is 24 months

Beginning Date: 9/29/1999
Ending Date : 9/29/2001

| | Mar.1, 1999 signed 9/00 Workorder | | USDA Grant install a Powder Coating System *1 | Incl. USDA Grant Dec.10 ,2001 1st Amendment | Increase & Reallocate | Apr. 8, 2002 2nd Amendment |
|---|--------------------------------------|---------------------|---|---|--------------------------|-------------------------------|
| A/E Design (Hole Montes) CCAA-00-5 | \$114,680.00 | | | | | |
| M/R Design - Quality Control Builders | \$19,550.00 | \$19,550.00 | \$5,000.00 | \$24,550.00 | \$2,376.00 | \$26,926.00 |
| Total Fixed Design Fees | \$134,230.00 | | | | | |
| Gardnyr Michael Capital Consultant | | | | | | |
| A/E Constr. Admin (Hole Montes) CCAA-00-5 | \$66,300.00 | | | | | |
| Construction Management - Quality Control Builders | \$78,200.00 | \$78,200.00 | \$20,000.00 | \$98,200.00 | \$9,504.00 | \$107,704.00 |
| Construction Fixed Fees | \$144,500.00 | | | | | |
| CDBG Administrative Costs | | | | | | |
| Permits | | | | | | |
| Construction Reimbursable | \$879,750.00 | \$879,750.00 | \$225,000.00 | \$1,104,750.00 | \$106,920.00 | \$1,211,670.00 |
| Total | \$1,158,480.00 | \$977,500.00 | \$250,000.00 | \$1,227,500.00 | \$118,800.00 | \$1,346,300.00 |