



Internal Audit Department

Audit Report 2012-3

Collier County Airport Authority

Immokalee Regional Airport – Fill Dirt

March 2013

Dwight E. Brock
Clerk of the Circuit Court

3299 Tamiami Trail East
Suite #402
Naples, FL 34112-5746

www.collierclerk.com

Prepared by: Megan Gaillard, Internal Auditor

Report Distribution: Board of County Commissioners
Leo Ochs, Jr., County Manager
Mark Isackson, Director, Corporate Financial & Management Services
Nick Casalanguida, Administrator, Growth Management Division
William Lorenz, Director CDES Engineering Services, Comprehensive Planning
Len Price, Administrator, Administrative Services
Joanne Markiewicz, Interim Director, Purchasing Department
Chris Curry, Executive Director, Airport Authority
Jeff Klatzkow, County Attorney
Colleen Greene, Assistant County Attorney

Cc: Dwight E. Brock, Clerk of the Circuit Court
Crystal K. Kinzel, Director of Finance & Accounting

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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. Workpapers supporting the observations noted within this report are public record and can be made available upon request once the final audit report has been issued.

The Draft Audit Report 2012-3 was originally provided to the Department for management response on December 4, 2012. Chris Curry, Airport Executive Director, provided all management responses December 17, 2012 and December 21, 2012. The revised Draft Audit Report 2012-3 was provided to the Department on March 12, 2013. Chris Curry, Airport Executive Director, provided all management responses (noted in purple) on March 14, 2013 and March 19, 2013.

BACKGROUND

The audit of Immokalee Regional Airport disposition of fill dirt was requested based on a report of concern received on December 16, 2011, regarding potential theft, permit non-compliance, and violation of regulations. Additional review for the Aircraft Apron Expansion construction was completed based on a citizen concern received on January 15, 2013.

The Collier County Airport Authority (CCAA) was created by the Collier County Board of County Commissioners (BCC) as a governing body through Ordinance 2004-03.

CCAA received the following two grants: the Office of Tourism, Trade, and Economic Development Rural Infrastructure Grant in FY 2005 (\$454,143) and the USDA Rural Business Enterprise Grant in FY 2005 (\$450,000) for a total awarded grant funding for the project of \$904,143. The grants required a County match to complete Phase I of the Lake Project. Phase I of the Lake Projection included construction of the detention pond and permitting requirements. Construction for the detention pond commenced in FY 2007.

On January 8, 2007, Collier County issued a Development Excavation Permit for the project, which stated no excavated materials may be removed from the project site.

On June 14, 2007, a notice of award was issued to Quality Enterprises USA, Inc. for \$588,683.75. Contract 07-4129, finalized September 4, 2007, was a project specific contract for the construction of Phase I of the Lake Project. On September 18, 2007, the Notice to Proceed with construction was issued for Phase I of the Lake Project.

On December 13, 2007, change order 1 was approved and signed by the Purchasing Department and CCAA (not approved by the BCC), increasing the services included in the scope of work, with a project cost increase of \$100,000 bringing the total contract to \$688,683.75. The change order does not appear to have been approved by the USDA, grantor agency.

On December 13, 2007, change order 2, a “zero dollar change notification by letter” was approved and signed by CCAA (not approved by the BCC), the engineer of record, and the contractor increasing the services included in the scope of the project and increasing the project total cost by \$240,000. Instead of making a monetary payment for the additional services, an exchange of 120,000 cubic yards of fill dirt (\$2 per cubic yard) would be provided to Quality Enterprises USA, Inc. (CCAA Resolution 08-08). The zero dollar change letter also extended the contract to August 18, 2008 for additional construction including additional excavation. On December 18, 2008, a Site Plan Reviewer completed a field inspection for the excavated project and reviewed the as-built plans. The change order does not appear to have been approved by the USDA, grantor agency.

On January 7, 2008, the Development Excavation Permit expired. The Development Excavation Renewal Permit was completed on December 12, 2008.

On June 11, 2008, Quality Enterprises USA, Inc. submitted the final invoice and final project documentation (Phase I of the Lake Project) for the contract and change order 1, bringing the total invoiced amount to \$688,683.75. The Clerk’s Office paid all of the invoices and retainage based on the scope initially contracted under Phase I of the Lake Project, as approved by the department. The USDA grant was fully expended.

On June 24, 2008, the BCC approved a budget amendment to increase the Airport Authority's Capital Fund in the amount of \$192,000 for the construction of an aircraft expansion project.

On August 1, 2008, change order 3 was approved and signed by the Purchasing Department and CCAA (also approved by the BCC), increasing the scope of the contract for an aircraft parking apron expansion. Change order 3 states the total cost for the expansion of the aircraft apron will exceed \$1,000,000. It appears the additional work was outside the original scope of the contract and grant applications/agreements.

On September 21, 2009, change order 4 was approved and signed by the Purchasing Department and the Airport Executive Director (approved by the BCC), increasing the scope of the contract to include the installation of South Florida Water Management District (SFWMD) permit required storm water structures and inspections with a project cost increase of \$46,745.00.

On October 23, 2009, change order 5 was approved and signed by the Purchasing Department and the Airport Executive Director (approved by the BCC), increasing the scope of the contract to include paving for SFWMD required storm water structures and FAA required testing with a project cost increase of \$7,797.50.

According to logs provided by Airport Staff, Quality Enterprises USA, Inc. did not begin removing fill dirt until January 21, 2009. It does not appear that a commercial excavation permit was obtained for this removal.

On January 19, 2012, Airport Staff emailed Quality Enterprises USA, Inc. stating fill dirt may no longer be removed from the Immokalee Regional Airport because it is in violation of the original permit.

SUMMARY

The following audit observations were generated during the review:

1. The Purchasing Policy and Finance Requirements appear to have been circumvented by the department issuing a “zero dollar change notification by letter” for “bartering” of \$240,000 worth of additional services.
2. Change Orders appear to be outside of the original bid/contract scope and avoided the bid process.
3. Contractor appears to have completed development excavation (required for extracting materials) on an expired permit.
4. It does not appear that a permit for Commercial Excavation (required to remove extracted materials from site) was obtained and/or maintained.
5. It appears the department did not comply with grant assurances/conditions.
6. As-builts do not appear to meet the terms of the contract.
7. The potential for theft exists.
8. Lack of an Audit Trail
9. The County may have an unrecorded liability to the vendor.

It appears all Federal, State, or local regulations/requirements allow for the competitive purchase and/or sale of airport fill dirt (excavated materials); however, grantor agencies should be notified and approve project changes for grant funded projects. Compliance with Florida Statutes, BCC Ordinances, CCAA Resolutions, Purchasing Policy, grant agreements/assurances, permits, permitting requirements, contracts, and proper accounting is required.

County commodities/assets should be tracked, validated, controlled, monitored, reconciled, and safeguarded to ensure theft and/or misappropriation of assets does not occur.

OBJECTIVES

The initial objectives of the audit were to determine whether there was theft of fill dirt, whether the removal of fill dirt was permitted, whether the project was in compliance with permits, and if violations of regulations occurred with regard to the Immokalee Regional Airport Phase I Lake Project.

During review, additional violations were discovered.

Subsequent review was completed for the construction of the aircraft apron expansion. Objectives of the additional review were to determine whether construction was consistent to design documents and whether the project was appropriately funded.

SCOPE

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

- Office of Tourism, Trade, and Economic Development Grant Agreement / Amendments / Assurances;
- USDA Grant Agreement / Letter of Conditions / Assurances;
- USDA Grant documentation, pay requests, and design plans;
- Finance Department's Grant Files for the USDA grant and OTTED grant;
- Federal Aviation Administration (FAA) regulations and audit reports;
- Florida Attorney General Advisory Legal Opinion (AGO's);
- Florida Statute 255.20 – Local bids and contracts for public construction works;
- Board of County Commissioners (BCC) Ordinance 2004-03;
- Board of County Commissioners (BCC) Ordinances regarding excavation;
- Applicable Collier County Airport Authority (CCAA) Resolutions;
- Collier County Airport Authority Adopted Budgets for applicable fiscal years;
- Comprehensive Annual Financial Reports (CAFR) for applicable fiscal years for single audit/schedule of expenditures of federal awards and state projects;
- Collier County Permit 59.791-1 / AR-8865 and renewal documentation;
- South Florida Water Management District Permit;
- Finance Department records for purchased equipment with regard to the grants;
- Quality Enterprises USA, Inc. grant attestations;
- Phase I Lake Project construction details, bid documents, proposal, and scope of work schedules, including pricing;
- Quality Enterprises USA, Inc. contract and change modifications;
- Construction Notices to Proceed;
- Applicable Collier County Airport Authority Meeting Minutes;
- Airport Department records for removal of fill dirt and communications with Quality Enterprises USA, Inc.;
- Finance Department's payment records for Quality Enterprises;
- Collier County Growth Management Division – Planning and Regulation Fee Schedules for permits;
- Collier County Growth Management Division – records and documentation for the Phase I Lake Project and Airport Apron Expansion Project;
- Collier County Purchasing Policy;
- Observation of the fill dirt site (multiple site visits);
- Observation of the aircraft apron expansion site;
- As-built documentation and records;
- Interviews with Collier County Airport Authority staff;

- Interviews with County staff;
- Interviews with concerned citizen;
- Review and compile a timeline history for Phase I of the Lake Project;
- Collier County Property Appraiser Aerial Maps; and
- Contract Indebtedness Court Case 2012-CA-004345 – Quality Enterprises USA, Inc. versus Collier County Airport Authority.

SCOPE LIMITATION AND EXPANSION

The scope of the audit was limited to review of the implications, regarding grant assurances, grant letter of conditions, grant agreements, vendor contracts, vendor change orders, Collier County ordinances and resolutions, excavation limitations, and accounting records relating to fill dirt from the Immokalee Regional Airport Phase I Lake Project.

The audit scope was expanded to include a citizen concern for the construction of the aircraft apron expansion. Additional review was completed for the source of funding for the aircraft apron expansion.

OBSERVATIONS

1) The Purchasing Policy and Finance Requirements appear to have been circumvented by the department issuing a “zero dollar change notification by letter” for “bartering” of \$240,000 worth of additional services.

On December 13, 2007, change order 1 was approved and signed by the Purchasing Department and CCAA increasing the services included in the scope of work, with a project cost increase of \$100,000, bringing the contract total to \$688,683.75.

On December 13, 2007, change order 2, a “zero dollar change notification by letter” was approved and signed by the CCAA, the engineer of record, and the contractor circumventing purchasing policy, increasing the services included in the scope of the project and increasing the project total cost by \$240,000.

A “barter” transaction is the exchange of assets/services for assets/services from a vendor. In this case, \$240,000 of fill dirt (120,000 cubic yards of fill dirt at \$2 per cubic yard totaling \$240,000) was contracted to a vendor in exchange for \$240,000 of additional services to construct an aircraft parking apron (CCAA Resolution 08-08). The barter held a monetary value and should have followed the policies and procedures for contract changes.

The purchasing policy requires contract changes exceeding 10% of the contract must be BCC approved. The change letter for \$240,000 is approximately 35% of the total contract (\$240,000 / \$688,683.75); therefore, the change should have been processed through the change order process as stated in the purchasing policy. It does not appear the zero dollar change notification by letter followed the purchasing policy.

As a result of a “barter” transaction, supporting documents and/or invoices were not received by the Finance Department to record the expenses or the liability. This may result in misstatement of the financial records as expenses are understated by the \$240,000 exchange value.

Recommendations:

- The department should comply with the purchasing policy.
- Expenses and liabilities must be reported and recorded at the time of occurrence.
- Proper documentation for the expenses and liability incurred must be provided to Finance for proper recording.

Management Response:

Chris Curry: This issue occurred prior to my arrival to manage the Collier County Airports in September 2010. I agree that the Airport Authority should comply with the recommendations listed above and will adhere to policies, reporting and recording practices in the future.

2) Change Orders appear to be outside of the original bid/contract scope and avoided the bid process.

Contract 07-4129 appears to be a project specific contract and states “the content of work included in this contract consists of relocation of the canal, construction of a detention pond (lake), fill existing pond, install landscaping with irrigation and associated improvements.” It does not appear the aircraft parking apron expansion was included in the contract scope of work.

On December 13, 2007, change order 2, a “zero dollar change notification by letter” was approved and signed by CCAA (not approved by the BCC), the engineer of record, and the contractor increasing the services included in the scope of the project to include the expansion of the aircraft parking apron and increasing the project total cost by \$240,000.

On June 24, 2008, the BCC approved a budget amendment to increase the Airport Authority's Capital Fund in the amount of \$192,000 for the construction of an aircraft expansion project.

On August 1, 2008, change order 3 was approved and signed by the Purchasing Department and CCAA (also approved by the BCC), increasing the scope of the contract for additional aircraft parking apron expansion with a project cost increase of \$182,451.88. Change order 3 states the total cost for the expansion of the aircraft apron will exceed \$1,000,000.

On September 21, 2009, change order 4 was approved and signed by the Purchasing Department and the Airport Executive Director, increasing the scope of the contract to include the installation of South Florida Water Management District (SFWMD) permit required storm water structures and inspections with a project cost increase of \$46,745.00.

On October 23, 2009, change order 5 was approved and signed by the Purchasing Department and the Airport Executive Director, increasing the scope of the contract to include paving for SFWMD required storm water structures and FAA required testing with a project cost increase of \$7,797.50.

Contract 07-4129's total project cost increase was \$476,994.38 for the additional scope of services regarding the aircraft parking apron expansion. It does not appear that this construction was in the original bid or original contract scope.

2008 Florida Statute 255.20 for local bids and contracts for public construction works states a county of the state seeking to construct or improve public buildings, structures, or other public construction work must competitively award to an appropriately licensed contractor each project that is estimated to cost more than \$200,000.00.

It does not appear the expansion of the aircraft parking apron was put out to bid. The project cost of \$476,994.38 was completed through multiple change orders to an unrelated project contract rather than through a separate contract/bid solicitation process.

Recommendations:

- The department should ensure compliance with bid documents and contracts.
- The department should comply with applicable Florida Statutes.

Management Response:

Chris Curry: This issue occurred prior to my arrival to manage the Collier County Airports in September 2010. The Airport Authority will comply with county policy related to bid documents and contracts. We will also comply with Florida Statutes in the future.

3) Contractor appears to have completed development excavation (required for extracting materials) on an expired permit.

On January 8, 2007, Community Development and Environmental Services Division (now Collier County Growth Management Division) issued a Development Excavation Permit to the Collier County Airport Authority (CCAA) for development excavation for the Phase I Lake Project. The development excavation permit expired on January 7, 2008. The development excavation permit was renewed on December 12, 2008, 11 months after the permit expired.

Quality Enterprises USA, Inc. submitted invoices for construction work completed on this portion of the project through June 2008, indicating construction was not complete on January 7, 2008. It appears the contractor was completing excavation on an expired permit.

Recommendations:

- Proper documentation and project monitoring should occur to ensure compliance with permit requirements.
- When excavation work is not complete prior to a permit expiring, the permit should be renewed.

Management Response:

Chris Curry: This issue occurred prior to my arrival to manage the Collier County Airports in September 2010. I agree that the proper permits should be obtained and monitored prior to and during the performance of any associated work. It is the goal of this current management team to comply with BCC ordinances and permitting requirements.

4) It does not appear that a permit for Commercial Excavation (required to remove excavated materials from site) was obtained and/or maintained.

On January 8, 2007, Community Development and Environmental Services Division (now Collier County Growth Management Division) issued a Development Excavation Permit to the Collier County Airport Authority (CCAA) for development excavation for the Phase I Lake Project.

The development excavation permit states “No excavated material shall be removed from the project site” and requires adherence to Collier County Ordinance 04-55, Section 2.E. The ordinance states no fill dirt may be removed from the subject property. It also states that excavated material in an amount of up to 10% (with a maximum of 20,000 cubic yards) may be removed from the site provided the intentions to remove the material are clearly stated during the development’s review and approval process.

According to department provided records, that were unable to be validated, 21,676 cubic yards of excavated material were removed from the project site beginning January 21, 2009. The Phase I Lake Project bid documents, proposal, and original contract did not indicate an intention to remove excavated material from the project site. Removal of excavation material (not exceeding 20,000 cubic yards) under a development excavation permit must be approved prior to removal of the excavated material.

BCC Ordinance 04-55 states commercial excavation is any excavation wherein the excavated material is removed from the subject property. Issuance of commercial excavation permits requires “Applications for commercial excavation permits shall be reviewed by the community development and environmental services administrator, or his designee, and by the environmental advisory council for recommendation and approved by the board. When a request is made to remove surplus fill material from previously approved development excavation, the requirement for review by the environmental advisory council shall be waived, but dependent on haul route and amount of fill to be hauled, staff may require approval by collier county planning commission.” It does not appear the project was approved by the Collier County Planning Commission.

It does not appear a commercial excavation permit was obtained (or maintained for the period of removal of excavated materials) prior to the removal of excavated material or that the proper approval process occurred.

Recommendations:

- Intentions to remove excavated material (i.e. fill dirt) from a project site should be properly documented and approved prior to the commencement of construction projects.
- Projects should be compliant to BCC Ordinances and permitting requirements.
- A commercial excavation permit should be obtained for the removal of the excavated material.

Management Response:

Chris Curry: This issue occurred prior to my arrival to manage the Collier County Airports in September 2010. I agree that the proper permits should be obtained prior to performing any associated work and prior management

should have complied with BCC ordinances and permitting requirements. It is the goal of this current management team to comply with BCC ordinances and permitting requirements.

5) It appears the department did not comply with grant assurances/conditions.

The United States Department of Agriculture Rural Development (USDA-RD) funded \$450,000 of the Phase I Lake Project through a Rural Business Enterprise Grant.

The USDA-RD grant conditions required “any changes in project cost, source of funds, scope of services, or any other significant changes in the project or application must be approved by Rural Development (RD) by written amendment.”

The “zero dollar change notification by letter” changed the scope of services, increased the total project cost, and provided an additional source of funding (fill dirt sale). It does not appear that the grantor was notified or provided a written amendment to the grant.

The grantor required the grantee to provide evidence of compliance with all applicable Federal, State, or Local requirements including permitting. The contractor completed excavation on an expired Development Excavation Permit. The development excavation permit was renewed 11 months after the permit expired (Refer to Observation 3). It does not appear that a commercial excavation permit was obtained for removal/sale of fill dirt (Refer to Observation 4).

The grantor allows for the sale of excavated material (real property) with a unit acquisition cost of less than \$1,000 or for use of the real property for other activities without reimbursement to the Federal Government; however, when the grantee sells property obtained from the grant (i.e. fill dirt from excavation paid for with grant funds), the grantee must obtain the highest possible price through establishing sales procedures. It does not appear notice was provided to the public or additional vendors to determine whether \$2 per cubic yard was the best price.

The USDA RD grant states any changes to the project not approved by RD shall be cause for discontinuing the grant or for repayment of grant funds with interest.

Recommendations:

- The USDA should be notified of possible grant assurance/condition violations and all changes to the project. A written waiver for changes to the project and waiver of violations should be obtained.
- Sale of the excavated material should be put out to bid to ensure the best possible price is obtained.
- Compliance with grant assurance/conditions is required for all projects paid for by grants.
- The department should comply with local permitting requirements.

Management Response:

Chris Curry: This issue occurred prior to my arrival to manage the Collier County Airports in September 2010. I agree that the Airport Authority must comply with grant assurances and conditions requested by the regulatory agencies. It is the goal of this current management team to comply with Grant Assurances and Conditions.

6) As-builts do not appear to meet the terms of the contract.

Contract 07-4129 with Quality Enterprises, the construction contractor, required them to complete an as-built survey as follows: “Contractor to provide pre-excavation and as-built survey of all excavated and fill areas, drainage structures, by registered surveyors as required to determine quantities, conformance of the final earthwork with the Drawings and certification of SFWMD.”

On January 7, 2013, Hole Montes, design engineer, stated they had no involvement in the as-built information submitted and only created the proposed lake designs. The County was unable to provide copies of the as-built documentation for the Phase I Lake Project.

URS, Quality Enterprises' engineer, was contacted and copies of the as-built drawings were requested. URS provided unsigned documents that contained handwritten totals. No calculations were present on the documents to determine that the required contract average end area method was used for the calculations. The documents provided were originally created by Holes Montes, design engineer, for the proposed lake project. The documentation was not certified by a registered surveyor as required by the contract.

As-built drawings were obtained from the grantor agency. The original designs completed by Hole Montes were stamped "as-built drawing" then submitted by URS. The designs have handwritten totals on the "proposed" initial designs. The computations to show the average end area method calculations are not provided and typically would be completed in a CAD computer program. The method for calculation cannot be determined because only the totals are handwritten on the drawings. It does not appear the designs were professionally completed and they do not appear to comply with contract requirements.

The as-built drawing submitted by URS reflects "The information included has been provided by the contractor's surveyor." The surveyor is not identified and it cannot be determined who completed the drawings. It appears URS signed off on the documentation on behalf of Quality Enterprises.

Without having as-built drawings as required by the contract, including the average end method calculation that is needed to determine the excavated volume, it cannot be determined how much fill dirt material was excavated. Without being able to determine the excavated material, the payments made to Quality Enterprises for excavation cannot be validated. It is possible Quality Enterprises was inappropriately paid with regard to excavated materials total volume.

It appears Quality Enterprises is in violation of their contract because non-compliant documents were submitted as final documentation. This may cause the project to be in non-compliance with the terms of the USDA grant and could result in the USDA requiring repayment of the grant funds with interest.

Recommendations:

- The USDA should be notified of possible contract violations. A written waiver for violations or corrective action should be completed.
- The department should verify all final project documentation to ensure compliance with contract terms.
- The vendor should provide documents that comply with the contract.
- The department should determine if the vendor was appropriately paid.

Management Response:

Chris Curry: This issue occurred prior to my arrival to manage the Collier County Airports in September 2010. We have been unable to locate "As Builts" associated with the project. Prior management should have ensured the contractor for the project met the responsibilities under the contractual agreement. It is the goal of this current management team to verify that contractual obligations for vendor's are satisfied.

7) The potential for theft exists.

Excavated materials (i.e. fill dirt) are a commodity/asset with a resale value. County commodities/assets should be tracked, monitored, controlled, and safeguarded to prevent theft or misappropriation of assets.

CCAA Resolution 08-08 states the contractor will acquire full title to each subject of the 120,000 cubic yards of fill material upon each yard's removal from the Immokalee Regional Airport. This indicates that until the fill dirt is

removed from the Immokalee Regional Airport, it remains an asset of the airport, which should be appropriately tracked, monitored, controlled, and safeguarded.

An attachment to CCAA Resolution 08-08 states that Quality Enterprises USA, Inc. will provide quality measurement and assurances for the fill dirt removed. Records were not available when requested from the Department. It does not appear that records were received by Airport Staff.

Airport Staff indicated they did not track the removal of fill dirt prior to August 2010. When Airport Staff began to track the removal of fill dirt, logs were maintained in the main terminal and all prior removal totals were obtained from the vendor and incorporated into the logs. The information contained in the log includes the date and the total truck loads removed.

Airport Staff stated all truck loads removed were documented each day (at the main terminal) by the truck removing them. Individual truck load removal tickets were not obtained by Airport Staff. The log maintained by the department cannot be validated. The log does not include the name of the vendor removing truck loads, individual truck tickets with the destination, the size of the truck load, or signature from person removing the fill dirt. It appears the log has been maintained based on the "honor system" (vendors removing dirt will report what has been removed).

On January 19, 2012, Airport Staff stopped Bluewater Underground from removing fill dirt from the project site and notified Quality Enterprises USA, Inc. on January 20, 2012, via email, that fill dirt no longer would be allowed to be removed from the project site. An individual truck load ticket was obtained for two truckloads (18 cubic yards each) removed by Bluewater Underground. There is no contract or authorization for a vendor, other than Quality Enterprises USA, Inc., to remove fill dirt from the project site. A concerned citizen said they observed a minimum of five truckloads being removed at this time. Airport Staff has no record of the additional three truckloads. The potential for theft exists without proper monitoring and documentation of the fill dirt project site.

Airport Staff indicated they were unaware of the Airport's responsibility to manage access and safeguard fill dirt. The fill dirt is a commodity/asset and is the responsibility of the department. Airport Staff should track, monitor, control, and safeguard the asset to prevent theft or misappropriation.

It cannot be determined who has removed fill dirt from the project site, when fill dirt has been removed, or how much fill dirt was removed. It is possible that theft of fill dirt has occurred. The potential for theft is present, as a result of not properly tracking removal, monitoring, controlling, or safeguarding assets and/or commodities.

Recommendations:

- Assets should be tracked, monitored, controlled, and safeguarded to prevent theft or misappropriation of County assets.
- Immediate action should be taken to secure the County asset.
- Airport Staff should validate and monitor removal of fill dirt at the time it is removed and maintain proper supporting documentation.
- The department should complete reconciliation for commodities/assets on a yearly basis.

Management Response:

Thomas Vergo: This situation is not a frequent occurrence here at the Immokalee Regional Airport, however staff will design a logging system utilizing the recommendations of the Auditor to make potential future validations easier. In addition to utilizing closed circuit video surveillance, the Airport has installed a vehicle security gate and associated concrete blockades as additional safeguards to prevent theft.

8) Lack of an Audit Trail

The Phase I Lake Project proposal from Quality Enterprises USA, Inc. showed excavation of 250,000 cubic yards of material for the project. Additional excavation was added through change modifications. Airport Staff has been unable to provide documentation accounting for the excavated material. The only records provided by the department were unable to be validated, and the documents only accounted for 21,676 cubic yards of excavated material removed from the project site.

Individual truck load removal tickets have not been obtained by Airport Staff. A spreadsheet log is maintained. The log cannot be validated as it only includes the date and total truck loads removed and does not identify the party removing fill dirt.

The USDA grant assurances/conditions require, at a minimum, a description of the property (i.e. fill dirt – 250,000 cubic yards), source of the property (i.e. obtained through Phase I Lake Project), who maintains title to the property (i.e. CCAA), acquisition date or period (i.e. construction FY 2007-2008), total value (i.e. 250,000 cubic yards at \$2 per cubic yard totaling \$500,000), unit acquisition cost/resale price (i.e. \$2 per cubic yard), records for disposal (i.e. truck removal logs, department logs, etc.), amount removed (i.e. 36 cubic yards – 2 truckloads), date removed, and signatures (i.e. Airport Staff and the vendor removing).

Airport Staff stated that management did not track the removal of fill dirt prior to August 2010 and that they do not have proper documentation to support the starting amount of excavated material, how much excavation material was used for County projects, and/or how much material was removed from the project site.

Without a proper audit trail, the County may be in violation of grant assurances/conditions and may not have properly recorded expenses, liabilities, or revenues. Proper records must be available to ensure misappropriation of assets does not occur.

Recommendations:

- Airport Staff should obtain documentation and complete a reconciliation to account for all fill dirt used on County projects or removed from the project site(s).
- Department logs for tracking removal/purchase of fill dirt should meet the minimum grant assurance/condition requirements.
- Proper documentation should be provided to Finance to ensure expenses, liability, and revenue are properly recorded.

Management Response:

Thomas Vergo: The only fill that was authorized to be removed from the dirt piles at the Immokalee Regional Airport was removed by Quality Enterprises, Blue Water Underground (a prior authorized sub-contractor with Quality), and Airport Staff. Quality Enterprises removal privileges were in place prior to my arrival at the Airport and a logging system was in use to keep track of the amount of fill removed by Q.E. and their sub-contractors.

Airport staff utilize fill from the dirt pile for Airport maintenance needs to include but not limited to: erosion control, ditch maintenance, safety area maintenance, access road creation and maintenance, and surface water system maintenance. Airport staff continues to utilize the fill for on-Airport projects. The amount of fill utilized in the past and for current projects is unable to be tracked as the Airport has no way of accurately measuring the amounts of dirt we remove for on Airport maintenance projects.

This situation is not a frequent occurrence here at the Immokalee Regional Airport, however staff will design a logging system utilizing the recommendations of the Auditor to make potential future validations easier.

Internal Audit Response:

Quality Enterprises lawsuit regarding this issue indicates more fill dirt was removed than shown on the Airport's records. The lack of an appropriate tracking system can create conflicts.

9) The County may have an unrecorded liability to the vendor.

The CCAA (Resolution 08-08) contracted with Quality Enterprises USA, Inc. to complete additional work for a total value of \$240,000 in exchange for fill dirt. It appears the work has been completed, but Quality Enterprises did not invoice the County. Quality Enterprises filed a lawsuit against the CCAA for payment of work completed in December 2012.

Quality Enterprise Total Contract and Payments:

Initial Contract Amount	=	\$588,683.75	Lake Project Phase 1
Change Order 1	=	100,000.00	Lake Project Phase 1
Change Order 2	=	240,000.00	Aircraft Parking Apron Expansion (120,000 cubic yards at \$2.00 per cubic yard)
Change Order 3	=	182,451.88	Aircraft Parking Apron Expansion
Change Order 4	=	46,745.00	Aircraft Parking Apron Expansion
Change Order 5	=	7,797.50	Aircraft Parking Apron Expansion
Total Amount of Contract	=	\$1,165,678.13	
Cash Payments	=	(925,678.13)	
Fill Dirt Removed	=	(43,352.00)	- (21,676 cubic yards of excavated material at \$2 per cubic yard) for the Aircraft Parking Apron Expansion
Potential Liability	=	\$196,648.00	- (or 98,324 cubic yards of excavated material)

Quality Enterprises USA, Inc. has been paid \$969,030.13 for the completion of Phase I of the Lake Project (\$688,683.75) and for the aircraft parking apron expansion (\$280,346.38, including \$43,352.00 exchanged in fill dirt).

Recommendations:

- The County should determine the total amount of liability to the vendor.
- Contract close out should include an accounting for excavated materials.

Management Response:

Chris Curry: This issue occurred prior to my arrival to manage the Collier County Airports in September 2010. I agree with the recommendations stated above.

CONCLUSION

It appears the transactions may violate Florida Statutes, BCC Ordinances, CCAA Resolutions, Purchasing Policy, grant agreements/assurances, permits, permitting requirements, and the contract. It does not appear development excavation or the removal of excavation (commercial excavation) materials has complied with the permitting requirements.

County commodities/assets should be tracked, validated, controlled, monitored, reconciled, and safeguarded to ensure theft and/or misappropriation of assets does not occur. When a department does not report expenses, liabilities, or revenues in the periods they occur, the financial records may be inaccurate. Care should be taken by the department to ensure all financial transactions are documented and provided to Finance at the time of occurrence.

Audits do not relieve management of their responsibilities. It is the ultimate responsibility of management to understand and implement the proper internal controls to limit the risk of fraud, error, and misappropriation of County assets. When there are control deficiencies or controls are circumvented, it is possible that there could be misappropriation of County commodities/assets, theft may occur, and/or grant assurances may be violated. The Clerk's Office may suggest recommendations in audit reports, but it is the duty and decision of management to formulate processes to ensure compliance.

Additional Management Comments:

Chris Curry: This issue occurred prior to my arrival to manage the Collier County Airports in September 2010. Thomas Vergo also commented on this audit report because he is the manager of the Immokalee Airport and he was assigned to that position prior to my arrival in Collier County. Therefore, he has more history than I although it was for only a month longer. Our current management team will strive to follow County ordinances and policies, State of Florida statutes and Federal regulations to run a professional Airport system and not duplicate past actions that result in non-compliance.

Internal Audit Comments:

Internal Audit acknowledges the cooperation and assistance from the Airport Authority. The Airport Authority's responses to requests for information greatly assisted with the Audit.