Miami-Dade County
OFFICE OF THE INSPECTOR GENERAL
Christopher R. Mazzella, Inspector General
A State of Florida Commission on Law Enforcement Accredited Agency

February 27, 2012

RECEIVED
FEB 28 2012
CITY MANAGERS OFFICE

Stephen Johnson, City Manager
City of North Miami
776 NE 125 Street, 4th Floor
North Miami, FL 33161

Via U.S. Mail

Re: OIG Final Report – IG10-53

Dear City Manager Johnson:

Enclosed please find a copy of the Office of the Inspector General's (OIG) final audit report on the Landfill Closure Grants administered by the Miami-Dade County Public Works and Waste Management Department.

Should you have any questions, please contact OIG Assistant Inspector General Patra Liu at 305-375-1946.

Sincerely,

for Christopher Mazzella, Inspector General

Enclosure

cc: Aleem Ghany, Director, Public Works, City of North Miami

19 W. FLAGLER STREET • SUITE 220 • MIAMI, FL 33130
Report Fraud Hotline: (305) 579-2593 or via the Internet: www.miamidadeig.org
Telephone: (305) 375-1946 • Fax: (305) 579-2656

Memorandum

Miami-Dade County Office of the Inspector General
A State of Florida Commission on Law Enforcement Accredited Agency
19 West Flagler Street ◆ Suite 220 ◆ Miami, Florida 33130
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To: Hon. Carlos A. Gimenez, Mayor, Miami-Dade County
Hon. Joe A. Martinez, Chairman, Board of County Commissioners
and Members, Board of County Commissioners

From: Christopher Mazzella, Inspector General

Date: February 27, 2012

Subject: OIG Final Audit Report Re: *Landfill Closure Grants Administered by the Miami-Dade Department of Public Works and Waste Management*, Ref. IG10-53

Attached please find the above-captioned final audit report. This audit covered the Miami-Dade Department of Public Works and Waste Management's (PWWM) administration of the grant agreements (Grants) providing funds for the closure and groundwater remediation of three landfills (collectively referred to as the Landfills) owned by cities within Miami-Dade County: the Munisport Landfill located in the City of North Miami (North Miami); the City of Homestead (Homestead) Landfill; and the Virginia Key Landfill located in the City of Miami (Miami).

We provided a copy of this report, as a draft, to PWWM; the cities of North Miami, Homestead, and Miami; current independent engineer ADA Engineering, Inc.; current bond engineer Malcolm Pirnie, Inc.; and former bond engineer Brown and Caldwell, for their discretionary written responses to our audit. Responses received from PWWM, all three cities, and ADA Engineering are attached to this report as Appendix A through Appendix E, respectively. (Malcolm Pirnie and Brown and Caldwell did not provide any written feedback.) Our final report includes summations of the responses received (see Report Section IV beginning on page 3). Finding-specific responses and OIG rejoinders thereto are set forth at the end of each finding.

In accordance with Section 2-1076(d)(2) of the Code of Miami-Dade County, the OIG requests that PWWM management provide us with a status report in 90 days on the issues identified in the report and on its implementation of our recommendations. We request to receive this report on or before May 29, 2012.

Lastly, the OIG would like to thank PWWM staff, City officials, and bond engineer personnel for making their records available to us in a timely manner and for the courtesies extended to OIG auditors during the course of this review.

For reading convenience, a one-page abstract of the report follows.

Attachment

cc: Alina Hudak, Deputy Mayor, Miami-Dade County
Kathleen Woods-Richardson, Director, Department of Public Works and Waste Management
Cathy Jackson, Director, Audit and Management Services Department
Charles Anderson, Commission Auditor
All Individuals and Entities Previously Furnished with a Draft Report

ABSTRACT — FINAL AUDIT REPORT IG10-53

This audit focused on County Landfill Grants awarded to the three subject cities to close landfills located within their geographical area. The framework for the Landfill Grants was established in 2004 by the Miami-Dade County Board of County Commissioners (BCC) in its adoption of Resolution R-244-04 and in its acceptance of an accompanying report. Grant funding was derived from a $75 million bond issuance in 2005.

Our report has 7 findings and 11 recommendations. Our findings include comments on PWWM operating practices and its administration of the Grants pursuant to adopted BCC resolutions, grant agreements, and PWWM procedures. Our report chronicles how PWWM, the County's bond engineers, and the grant recipients (the cities of North Miami, Miami, and Homestead) administered the expenditure of grant monies through June 30, 2011.

The main finding of the OIG involves the lack of records maintained by two of the Grantees. The City of North Miami (Munisport) and the City of Homestead have not maintained grant-required books, records, and documents of grant fund expenditures. The required records would document that the ultimate recipient of grant funds, i.e., the entity or individual actually performing the work, used the grant funds to perform the work authorized by the grant agreement.

Another issue for the OIG is that the grant term requiring the inclusion of affidavits and releases of liens related to payments made under previous draw requests was not being followed on the Munisport Landfill closure project. In comparison, draw requests submitted on the Homestead Landfill closure project included the required affidavits and releases.

Again relating to the Munisport Landfill closure project, the OIG is uneasy with the project's coupling with the site's commercial development plans. We note that this project has not been worked since 2008[1] because of issues with the site's developer, Biscayne Landing, LLC. The landfill closure was tied to the landfill's development and when that development stopped, so did work on the landfill closure. There is no deadline in the grant agreement by which the landfill's closure must be completed and, although it has the ability to do so with available grant funds, the City of North Miami has not proceeded on its own to complete the project. The OIG also observes that the Virginia Key Landfill closure project is at a standstill. Our concern here involves the fact that approximately $28 million has been sitting idle in a restricted pooled cash account since 2005—bearing minimal interest—while the County continues to pay the debt service on bond proceeds that are not being used. It is the OIG's observation that the allocation of millions of dollars to languishing projects, such as the Virginia Key Landfill and the Munisport Landfill closure projects, is costly and ineffective.

Regarding the Homestead grant, there remains approximately $2,500 in the Homestead escrow account, notwithstanding that the project has been complete since June 2009 and final payment made in November 2009. PWWM has not made an effort to reclaim these funds from the escrow account and return them to the County.

Lastly, we note that PWWM paid $90,483 in bond engineer fees related to work at the landfill closure projects using bond proceeds instead of its operating funds. Such fees are not an authorized expenditure of bond proceeds. PWWM also paid for independent engineer services at the Munisport Landfill closure project without obtaining supporting documentation, such as monthly status reports or activity reports; meeting summaries; reports of site visits; site photos; etc., to substantiate the services provided.

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[1] Since the development stopped in 2008, there have been no further construction-related costs for landfill closure and remediation; however, monitoring, analysis, and engineering services have been performed and paid for using bond proceeds.

MIAMI-DADE COUNTY
OFFICE OF THE INSPECTOR GENERAL

OIG APPENDIX A

Department of Public Works and Waste Management's Response

IG10-53

1 Public Works and Waste Management Department (PWWM)
Response to OIG Draft Report –IG10-53
Landfill Closure Grants
January 31, 2012

Comments on Background Section

- Regarding the status of the Comprehensive Landfill Closure Plan (CLCP), the OIG has placed a large footnote [3] on page 4 of 20 detailing the associated legislative record. The PWWM uses the term CLCP to refer to the Board approved "conceptual plan to fund the county needs for closure and remediation of landfill sites throughout the county" (R-244-04; File No. 040857). The resolution approving the CLCP contemplated a subsequent comprehensive plan that would be returned to the Board for approval. This comprehensive plan was not prepared, primarily due to the fact that the conceptual plan embodies the four essential elements necessary for the closure of municipal landfills in Miami-Dade County, as set-out on page 5 of 20 in the OIG report. These are the same elements we use today as a basis for providing landfill closure grants.

  The PWWM could update/finalize the CLCP in the event that an additional municipal landfill closure project is proposed for grant funding. The Taylor Park landfill located in the City of North Miami Beach is currently under consideration by the PWWM.

- In the first full paragraph on page 5 of 20 in the OIG report, the PWWM recommends that the last sentence of that paragraph be amended to read:

  In accordance with Miami-Dade County Ordinance 95-174, a portion of the County's Utility Service Fee has been designated to fund eligible landfill closure and remediation costs. The PWWM uses this funding source to pay debt service for eligible capital projects and reimburse its disposal operating fund for eligible costs.

- On page 6 of 20, in the second paragraph, the OIG report states that the Munisport Landfill was taken off the Super Fund list and "as a result" the BCC extended the term of the grant agreement to 20 years. In actuality, these two actions are not interrelated.

- On page 7 of 20, in the first paragraph, the flow of funds from the escrow account to the City and the developer for the Munisport project is discussed. This paragraph starts as a description of the process and ends in what appears to be a finding that escrow funds went to the City's agent, the property developer. The use of the words "However," "instead" and "directly" in the final sentence seem to convey that something improper took place, when this does not appear to be the OIG's intent. The OIG may want to consider revising the last sentence to read:

  In this case, since the contractor performing the work was not retained by the City, the developer that held development rights to the land and acted as the City's agent received the disbursements from the escrow account and paid the contractor.

Finding No. 1 – The City of North Miami and the City of Homestead did not maintain complete books, records, and documents of grant fund expenditures

- The OIG has audited the North Miami and Homestead records and determined that the grant-required records were not properly maintained by these municipalities. The OIG recommends that the PWWM enforce record retention procedures going forward for the Munisport site. The PWWM can potentially add this task to the work performed by the Bond Engineer, Audit and Management Services or the OIG. The PWWM is open to a recommendation from the OIG on this issue.

Finding No. 2 - The Munisport grant agreement does not require the project's timely completion

- On the surface it seems appropriate to have a "stated duration or period of performance" for the Munisport and other landfill closure projects. Where this becomes problematic is when designs change and additional regulatory requirements are necessary. For example, the original solution for clean-up of ammonia contaminated groundwater at the Munisport site was a traditional pump and treat system that was approved and permitted by the Permitting, Environment and Regulatory Affairs Department (PERA; formerly DERM) as part of an initial remedial action plan (IRAP) – prior to the City's agreement with the developer. In an effort to minimize the impacts of such a system on residents of the proposed development, a second experimental alternative involving underground injection of sugar and air was allowed to proceed per the Second Amended Grant Agreement. When this costly and time consuming alternative was later abandoned, two other alternatives were investigated – funnel and grate system and deep well injection. Ultimately, deep well injection was selected. To implement this alternative, PERA required extensive ground water modeling to determine the environmental impact on wetland areas at the site. Construction of the ground water remediation system will now proceed in a two-phased approach to better gauge its wetlands impacts. The time and cost associated with moving from one technological solution to another has been extensive and significant. The nature of this type of project does not lend itself to a discrete time schedule, although like the OIG, we agree that this project should be completed with all possible haste.

- In hindsight, incorporating the landfill closure into a development plan seems like a bad decision, but at the time the Second Amended Grant Agreement was approved by the Board in 2004, the economy was booming and the joint pursuit of closure and development was actually anticipated to save both time and money. If the 2007-08 world economic crisis had not occurred, perhaps the closure and the development would be complete today.

- As noted in the OIG report, the City of North Miami continues to pursue joint closure and development of the site. This concept has always been predicated on the fact that the cost of closure will be lessened by the use of development features in the closure design. For example, the two condominium towers and surrounding paved areas constructed on the site as part of the joint development and closure project were considered impervious by PERA, and therefore, count toward the closure requirements. If the economy improves, this project is likely to be an eventual success.

- In an effort to move this project along, the PWWM recently recommend to the City that it consider an alternative development approach – complete source removal of waste from the site and its subsequent reclamation as a buildable property without environmental hindrance. In concept, the City would leverage the remaining bond proceeds and obtain financing from a financial institution/investor for the source removal project in exchange for a negotiated return on investment from the sale or long-term lease of the reclaimed property. The necessary regulatory approvals would have to be obtained from PERA to make this work. This site is somewhat unique in that it is a large parcel (approximately 190 acres) and has waterfront views of Biscayne Bay.

Finding No. 3 – PWWM did not obtain affidavits and releases of payments for prior draw requests before authorizing payment on subsequent draw requests for the Munisport Landfill

Affidavits and releases of lien are only required for construction work. These documents apply in cases where a subcontractor/supplier is working for the property owner's prime contractor to ensure that the subcontractors/suppliers are getting paid by the prime contractor. All work since draw No. 7 for the Munisport project has been for engineering and design work required by PERA. The PWWM will instruct the Independent Engineer to obtain releases to the City from its Contractor when construction begins.

Finding No. 4 – $28 million of encumbered funds have been idle for six years pending the execution of a landfill closure grant agreement with the City of Miami

- The OIG may want to mention that the City of Miami and the County have been engaged in back and forth negotiations since at least 2009 in an effort to get the Virginia Key project underway. The City has thus far steadfastly refused to comply with two stipulations contained in the Board approved CLCP. First, the City has refused to extend its interlocal agreement for waste disposal with the County, even though its waste disposal revenue supports the County's pledge for payment of debt service on the landfill closure bonds. Second, the City has refused to pay for long-term care and remediation costs once the landfill closure is completed.

- The PWWM, in a coordinated effort with the Mayor's Office and other County agencies, is weighing its options in light of the City's position and the on-going environmental issues associated with the Virginia Key Landfill.

Finding No. 5 – Unspent funds totaling $2,500 remain in the Homestead escrow account two years after project closure

- The OIG may want to mention that in his June 16, 2009 letter to the Homestead City Manager, then County Manager George Burgess congratulates the City on successful completion of the landfill closure project and approves the final draw request. The total expenditure amount of

$7,915,451.34 referenced in the letter was paid to the City, however, it appears that an additional $2,500 in interest accrued between the time the final draw was authorized and when the final payment was made. Since this letter indicates that the City was to receive the "maximum available amount of the grant and accrued interest" the remaining $2,500, plus any additional accrued interest, will be remitted to the City and the joint escrow account will be closed.

Finding No. 6 – PWWM has paid $90,483 of bond engineer fees for services performed from bond proceeds instead of from general revenue funds

- On page 3 of 20 the OIG report describes the PWWM using "bond proceeds instead of general fund monies." A similar statement is made on page 19 of 20, "bond engineer fees are to be paid from PWWM general revenue funds." The Waste Management portion of the PWWM is an enterprise fund, which receives no General Fund dollars (i.e. no property tax revenue) and therefore has no "general fund monies" or "general revenue funds." Our funding sources are classified as either Operating Funds or Bond Funds. This distinction is of utmost importance when describing the department's finances.

- The OIG is correct that the PWWM did pay the bond engineer $90,483 from bond proceeds for the Bond Engineer's services. The OIG may also want to state that these charges were related to work orders issued very early in the project (2005/2006) and subsequently the PWWM identified the error and paid from operating funds for all remaining bond engineering and other work, totaling $616,841. The PWWM plans to reimburse the bond fund for the $90,483 identified by the OIG.

Finding No. 7 – PWWM paid $47,928 in fees to an independent engineer that was acting as the County's bond engineer at the Munisport site even though the engineer's invoices did not contain adequate supporting documentation

- The OIG may want to mention that the tasks monitored by ADA Engineering at the landfill were being performed on a "lump sum" percent completion basis. Regardless, the PWWM will require additional back-up information from the Independent Engineer for future invoice approvals as requested by the OIG.

MIAMI-DADE COUNTY
OFFICE OF THE INSPECTOR GENERAL

OIG APPENDIX B

City of North Miami's Response

IG10-53

February 10, 2012

Christoper Mazzella
Inspector General
Miami-Dade County
Office of the Inspector General
19 West Flagler Street
Suite 220
Miami, FL 33130

Re: Response to OIG Draft Report – IG10-53

Dear Mr. Mazzella:

I respectfully submit response to OIG Draft Report – IG10-53, as entitled by Section 2-1067(f) of the Code of Miami-Dade County ("County"). This response will address several areas of concern as mentioned in the audit investigative report.

History

On February 17, 2004, the Board of County Commissioners ("BCC") approved a $31 million grant to the City of North Miami ("City") for closure to the Munisport Landfill. The BCC accepted a frame work for a Comprehensive Landfill Closure Plan (CLCP) for which the City has substantially complied with under the Second Amended Grant Agreement ("Grant") between the County and City executed on March 26, 2004 to the extent the CLCP related to the City.

The Landfill Grant

The spirit of the Grant was premised on the synergistic opportunity for closure and its related groundwater remediation concurrent with site development capping the landfill. This was expressly communicated throughout the language of the Grant as the "City and it's developer, ..." Hence, to make a distinction between the City as the "legal grantee" and the developer as the "defacto [sic] grantee" of County's funds implies an apparent inappropriate and contrary relationship when such was evidently contemplated under the Grant. To this end, the City respectfully request that the OIG's Draft Report be amended throughout to reflect the City's conforming action to the spirit of the Grant.

Records Maintained by North Miami

While the Grant specifies an accounting system in accordance with "generally accepted accounting principles and practice," such was expressly intended to be "sufficient to

reflect properly all receipts and expenditures of grant funds" impliedly using the common industry practices for the landfill closure and groundwater remediation work where "general ledgers, trial balances, or payable ledgers" are not standard practice. Specifically, during the design phase, the invoices are supported by timesheets and during the construction phase draw requests are supported by measured quantities of actual work performed against a schedule of values for such work. Notwithstanding, the City of North Miami is under new administration and staff, and moving forward will ensure that all books, records and documents of grant fund expenditures will be retained in a secure place and in an orderly fashion in the Finance Department and a copy provided to the Office of the City Manager. Through these records, it is our goal to provide a depository of information and to be a benchmark for future landfill closure projects. However, the City seeks guidance from the OIG on the system of accounting necessary under the circumstances for this type of project development.

Affidavits and Releases of Liens

As this project progresses, the City will obtain affidavits and releases of liens from all contractors and consultants involved, where applicable under the circumstances, as such is not customarily required for professional design services which represent a significant part of audit under this OIG's Draft Report.

The Project's Timely Completion

Notwithstanding the downturn in the economy which slowed development and delayed complete closure of this landfill, the regulatory solution for the groundwater remediation solution was yet to be approved despite many unsuccessful attempts. More than five continuous attempts requiring design, dynamic groundwater modeling for simulation, and monitoring of pilot projects were performed before regulatory approval was finally obtained because of the contiguous sensitive wetlands, environmental tidal flushing and salt/fresh water balance necessary for ecological equilibrium.

Furthermore, the regulatory approval was contingent upon favorable results after one-year of monitoring because of the same competing factors. With the imposition of these regulatory requirements, the City's actions towards obtaining an acceptable solution are consistent with consultations from the County. Hence, the suggestion that the County take over the closure project should respectfully be reconsidered. But, in light of the historical failure to timely complete and the OIG's preference of "taking the closure project out of the hands of any future developer[,]" the City will consider mechanisms to maintain the responsibility and the direct control for the timely closure using the remaining Grant funds.

Commercial Development Plans

To this end, although the City of North Miami is in the process of securing a developer for the target site, **CH2M Hill** has already been contracted to complete the ground water remediation portion of the grant. A permit for the injection well (a major component of the ground water remediation) has been issued and construction has commenced. The City of North Miami is confident that the grant funds provided for this project will be efficient and effectively spent.

Progress Report since 2009

Contrary to the OIG's Draft Report which states there has been no progress since the previously developer left the site. The following is respectfully submitted for reconsideration of that position. Over the past two years the following has been accomplished for the grant-funded groundwater remediation project:

- **December 2009:** Pre-Application meeting with Florida Department of Environmental Protection, the City of North Miami (as project sponsor and permittee) CH2MHILL, and ES Consultants for a Class 1 industrial deep injection well.

- **May 2010:** City of North Miami schedules the first of seven stakeholder meetings with the M-D Solid Waste Department, PERA (formally DERM), Receiver and the CH2MHILL team which includes ES Consultants, to discuss a groundwater remediation remedy that would fit within the monetary constraints of the Grant funding and achieve regulatory goals of the various governmental agencies.

- **June 2010:** Written conceptual approval of groundwater remedial approach from Miami-Dade County Department of Environmental Resources Management (now Miami-Dade County Permitting, Environment and Regulatory Affairs) Director.

- **September 2010:** Receiver contracted with the CH2M HILL Team to perform the groundwater remediation (contract later assigned to the City of North Miami). City issued LOI indicating intent to assume contract from Receiver if there was no ground-lease tenant at the time the Receiver was removed.

- **November 2010:** Application to construct a Class 1 industrial deep injection well submitted to the Florida Department of Environmental Protection.

- **March 2011:** Comprehensive Landfill Closure Plan amended by the Independent Bond Engineer to reflect revised Scope of Work and approved

- Schedule of Values. SOV includes five (5) years of pre-closure O&M for the groundwater remediation remedy. Note: only pre-closure groundwater O&M is allowed under the Grant agreement. The County Resolution states that any post closure O&M is the responsibility of the City.

- **April 2011**: City assumes Groundwater remediation contract from the Receiver in order to maintain closure schedule and management of approved SOV work under the County/City Grant agreement.

- **June 2011**: final (7th) stakeholder meeting coordinated by the City. All stakeholder meetings included City Manager and/or Public Works Director, Solid Waste, Bond Engineer, PERA and the CH2MHILL team.

- **November 2011:** Miami-Dade County Permitting, Environment and Regulatory Affairs approved the proposed groundwater remedial approach and required a phased extraction system to address wetland conditions.

- **December 2011:** The CH2M HILL Team submitted the Remedial Action Plan to Miami-Dade County Permitting, Environment and Regulatory Affairs.

- **December 2011:** Florida Department of Environmental Protection Permit to construct a Class 1 deep injection well and monitoring well system issued to the City of North Miami.

- **January 2012:** Mobilized Class 1 Deep Injection Well drill rig.

- **February 2012**: Commencement of drilling operations for the installation of the deep injection well. In fact, the groundbreaking is scheduled for February 14, 2012.

The City respectfully submit these responses hopeful that the OIG's Draft Report will be modified to account for any inadvertent positions taken from the audit. The City wishes to be in full compliance if such is not the case. Specifically, to avoid the possibility of any reimbursement by the City for "unauthorized expenditures which may be properly determined by COUNTY, in good faith[,]" under the Grant, the City's actions toward closure of the landfill have and will continue with consultation from the County. It does,

however, appear that guidance is required from the OIG regarding its interpretation of what records are necessary under the circumstances to literally comply with the accounting system specified in the Grant. Accordingly, we eagerly await further direction.

Should you have any questions, please do not hesitate to contact my office at (305) 895-9888.

Sincerely,

Stephen E. Johnson
City Manager

c: Aleem Ghany, Public Works Director, City of North Miami

SEJ:mp

776 NE 125 Street | North Miami | Florida | 33161 305.895.9888 Fax: 305.893.1367

MIAMI-DADE COUNTY
OFFICE OF THE INSPECTOR GENERAL

OIG APPENDIX C

City of Homestead's Response

IG10-53

Discover the Opportunities℠

City Council

Steven C. Bateman
Mayor

Jon Burgess
Vice Mayor

Patricia Fairclough-McCormick
Councilwoman

Elvis R. Maldonado
Councilman

Stephen R. Shelley
Councilman

Judy Waldman
Councilwoman

Jimmie L. Williams, III
Councilman

George Gretsas
City Manager

City Hall

790 N. Homestead Blvd.
Homestead, FL 33030
305-224-4400
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Mr. Christopher Mazzela
Inspector General
Miami Dade County
Office of the Inspector General
19 W. Flagler, Suite 220
Miami, Florida 33130

RE: Draft Audit Report – OIG Draft Report IG10-53
Landfill Closure Grants Administered by the Miami-Dade Department of Public Works and Waste Management

Mr. Mazzela,

The City of Homestead is most appreciative of the diligent work performed by the OIG and the cordial and professional attitude expressed by the OIG staff during the preparation of this audit report. The City of Homestead is in receipt of the draft audit report referenced above and would like to offer the following comments in response to some of the findings listed in the OIG Draft Audit Report.

In response to Finding No.1:

During the course of the Landfill Closure Project the City of Homestead and Miami-Dade followed strict procedures in an effort to ensure that all documentation necessary to justify payment of grant proceeds to the general contractor was verified prior to release of any payments. To this end, the City relied on the established procedure set forth by Miami-Dade County Public Works and Waste Management. This procedure consisted of several steps and reviews of each pay request prior to payment. The Grant proceeds used on these projects were held in escrow jointly under the Miami-Dade County and City Homestead. As such, no payment could be released without signed approval by both parties. Prior to approval, each pay request was reviewed by the Bond Engineer assigned to this project by the County. The Bond Engineer was tasked to review all work performed by the Contractor on this project and ensure that all work was being performed in accordance with contract documents (Drawings and Specifications) and grant requirements. Subsequently, the City's approval of payments was not exercised until approval from the Bond Engineer and Miami-Dade County Public Works and Waste Management Department was secured and received (in writing) by the City. Once the Bond Engineer approved the pay request, the County and the City would sign the release of payments from the escrow account.

In accordance with the grant requirements, the City kept meticulous files with copies of all paperwork documenting all the work performed to ensure proper payment of all progress payments. These records include ALL vouchers, bills, invoices, receipts and cancelled checks sufficient to reflect properly all receipts and expenditures of grant funds as per section III (C) of the Landfill Closure Grant Agreement between Miami-Dade County and City of Homestead. During the Audit visits, the City made all these documents available to OIG staff. The City agrees that documents and correspondence between the general contractor and its sub-contractors were not maintained by the City. However, these documents were between private parties and the City had no access to them. Please keep in mind that the Contractor/developer had been in contract with the City since 2000 (which did not require such documentation), well prior to the 2006 grant award which included the requirements highlighted in the OIG Audit Finding No.1.

Additionally, the finding states that record keeping of third party correspondence is "standard practice". It is the City's opinion that the Bond Engineer acted in accordance with well established practices and performed proper due diligence in their review of all documents pertaining to pay request as submitted by the contractor. As such, the City (and the County) relied on the expert opinion and assertion offered by the Bond Engineer in reference to the validity and veracity of pay requests for work performed.

The City appreciates the opportunity offered by the OIG to respond to the Draft report and hopes that the above clarifications are taken into consideration and given proper weight in the preparation of the final report.

Thank you again for all your assistance during this process.

Sincerely,

Julio A. Brea, P.E.
Director
Public Works and Engineering
City of Homestead Department

MIAMI-DADE COUNTY
OFFICE OF THE INSPECTOR GENERAL

OIG APPENDIX D

City of Miami's Response

IG10-53

City of Miami, Florida

JOHNNY MARTINEZ, P.E.
CITY MANAGER

P.O. BOX 330708
MIAMI, FLORIDA 33233-0708
(305) 250-5400
FAX (305) 250-5410

February 17, 2012

Christopher Mazzella, Inspector General
Miami-Dade County
Office of the Inspector General
19 W. Flagler Street, Suite 220
Miami, FL 33130

Re: OIG Draft Report – IG10-53, Miami-Dade County Landfill Closure Grant Program

Dear Inspector General Mazzella:

The City of Miami ("City") would like to thank you for the opportunity to comment on the subject Draft Report. First and foremost, it is important to note that the City has been actively working with Miami-Dade County ("County") to identify appropriate terms and conditions in order to access the grant funding that has been identified for remediation of the Virginia Key Landfill. Additionally, the City has entered into agreements to stock pile excess soil from other projects at the landfill site for future use as a cap material in order to defray the cost of the project.

Once this facility is remediated, it can be used to fulfill the long-standing vision for a passive recreational area as reflected in the Virginia Key Master Plan, adopted by the Miami City Commission on July 22, 2010. Development of the Virginia Key Master Plan was a collaborative effort between City and County planning staff. Remediating the landfill facility and creating the recreational area are both high priorities for the residents of the City and County.

Below is the City's response to Finding #4, the only report finding associated with the Virginia Key Landfill funding:

Due to the City's challenging financial situation, discussions with the County have focused on alleviating the City's concerns regarding future financial obligations associated with use of grant funding. We are confident that we will be able to identify a workable solution for the City and County that will lead to the execution of a grant agreement in the near future.

The Phase I grant for the evaluation phase of the Virginia Key Landfill in the amount of $650,000, executed on August 24, 2004, makes a brief reference to BCC Agenda Item 8S2A and no reference to extending the City's existing interlocal agreement for solid waste disposal with the County. The City reviewed the history associated with the grant funds and reached a similar conclusion as that stated in the Inspector General's Draft Audit Report. As referenced on foot note 3 of Page 4 of the Draft Report, Item 8S2A was a frame work for a Comprehensive Landfill

Closure Plan (CLCP), which would be formalized and brought back to the Board of County Commissioners (BCC) for approval. Since the CLCP Framework was not formalized nor adopted by the BCC, it is the City's interpretation that the County has flexibility when developing grant terms with the City that do not necessitate the extension of the solid waste interlocal agreement.

For fiscal year 2010, the City of Miami took 128,971.33 tons of solid waste to the county; $45.65 million has been identified for remediation of the Virginia Key Landfill. For fiscal year 2010, the City of Homestead took 46,154.76 tons of solid waste to the county; $7.5 million was assigned for the Homestead Landfill. For fiscal year 2010, the City of North Miami took 21,979.51 tons of solid waste to the county; $31 million was designated for remediation of the Munisport Landfill. There is no apparent correlation between the volume of solid waste and associated solid waste revenue to the county from a particular municipality, and the amount of grant funding approved for a municipality's landfill remediation project. Extension of the City of Miami's Interlocal agreement places a disproportionate financial burden on the City to help repay the Landfill Grant bonds when compared to the other municipalities that benefited from the grant program. As such, the City has been working with the County to identify other options in order to reach an agreement expeditiously.

Thank you once again for the opportunity to comment. We look forward to resolving this outstanding issue with the County in the near future and are optimistic that we can reach terms that do not involve extension of the interlocal agreement for solid waste disposal. Please feel free to contact me should you require additional information.

Sincerely,

for Johnny Martinez, P.E.
City Manager

c: Alice Bravo, P.E., Assistant City Manager/Chief of Infrastructure
Luis Cabrera, Assistant City Manager/Chief of Operations
Keith Carswell, Director of Solid Waste
Albert Sosa, P.E., Director of Capital Improvements Program

MIAMI-DADE COUNTY
OFFICE OF THE INSPECTOR GENERAL

OIG APPENDIX E

ADA Engineering, Inc.'s Response

IG10-53

Corporate Office
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February 2, 2012

Mr. Christopher Mazzella, Inspector General
Miami-Dade Count
Office of the Inspector General
19 W. Flagler Street, Suite 220
Miami, FL 33130

Reference: Response to OIG Draft Report IG10-53

Dear Mr. Mazzella:

This letter will serve as A.D.A. Engineering's (ADA) official response to the report referenced above. Your report lists 7 findings and 10 recommendations. Of those findings, one is specific to ADA and the other is to the Bond/Independent Engineer's position, which has been served by two other firms besides ADA. Those findings and our response are identified respectively below:

- Finding No. 3 PWWM did not obtain affidavits and releases of payments for prior draw requests Before authorizing payment on subsequent draw requests for the Munisport Landfill.

Response *As of September 2009, ADA has reviewed 6 draw requests. As previously discussed and as stated throughout the report, there has been no construction activity on the site since 2008. Therefore there has not been a need for any releases (partial or full) to be provided with the draw requests. Once the construction activities commence, the proper releases will need to be in place in order for the draw to be approved.*

ADA has requested supporting documentation with each pay request to justify the amount being requested and in compliance with the latest revision of the Comprehensive Landfill Closure Plan (CLCP).

- Finding No. 7 PWWM paid $47, 928.00 in fees to an Independent Engineer that was acting as the County's Bond Engineer at the Munisport Site even though the Engineer's invoices did not contain adequate supporting documentation.

Response *As previously discussed, PWWM provided ADA with the invoice template and format of the invoices and ADA was in compliance with the Department's directive. ADA will provide the necessary documentation as deemed necessary by PWWM.*

Should you require any additional information, please let me know.

Cordially,
A.D.A. Engineering, Inc.

Albert Argudin, Jr, CGC
Vice-President
MC088-EDP-02-02

MIAMI-DADE COUNTY
OFFICE OF THE INSPECTOR GENERAL

FINAL AUDIT REPORT

Audit of Landfill Closure Grants Administered by the Miami-Dade Department of Public Works and Waste Management

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IG10-53

February 27, 2012

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I. INTRODUCTION

The Miami-Dade County Office of the Inspector General (OIG) conducted an audit of the Miami-Dade Department of Public Works and Waste Management's (PWWM[1]) administration of the grant agreements (Grants) providing funds for the closure and groundwater remediation of three landfills (hereinafter collectively referred to as the Landfills) owned by cities within Miami-Dade County: the Munisport Landfill located in the City of North Miami (North Miami); the City of Homestead (Homestead) Landfill; and the Virginia Key Landfill located in the City of Miami (Miami).

The Miami-Dade County Board of County Commissioners (BCC) adopted two resolutions in 2004 and another in 2006 that established various grants to help cover the costs of implementing comprehensive landfill closure plans and, where applicable, groundwater remediation plans. Grant funding was derived from a $73.5 million bond issuance (Miami-Dade County Revenue Series 2005 Bonds). The bond proceeds were to be used for (i) paying or reimbursing the County for all or part of the costs of certain landfill closure and groundwater remediation projects, (ii) providing for the funding of the Reserve Account, and (iii) paying costs for the issuance of the Series 2005 Bonds.

II. TERMS USED IN THIS REPORT

BCC	Miami-Dade County Board of County Commissioners
CLCP	Comprehensive Landfill Closure Plan
PWWM	Miami-Dade Department of Public Works and Waste Management
Grants	Collective reference to the Munisport, Virginia Key, and Homestead grants for landfill closure and groundwater remediation
Landfills	Collective reference to the Munisport, Virginia Key, and Homestead landfill sites
OIG	Miami-Dade County Office of the Inspector General

III. RESULTS SUMMARY

Our report has 7 findings and 11 recommendations. Our findings include comments on PWWM operating practices and its administration of the Grants pursuant to adopted BCC resolutions, grant agreements, and PWWM

[1] In October 2011, the Department of Solid Waste Management (DSWM) merged with the Public Works Department. While the majority of activities under audit took place during the tenure of DWSM, for purposes of this report, all references are made to PWWM.

procedures. Our report chronicles how PWWM, the County's bond engineers, and the grant recipients (the cities of North Miami, Miami, and Homestead) administered the expenditure of grant monies through June 30, 2011.

The main finding of the OIG involves the lack of records maintained by the Grantees. The City of North Miami (Munisport) and the City of Homestead have not maintained grant-required books, records, and documents of grant fund expenditures. The required records would document that the ultimate recipient of grant funds, i.e., the entity or individual actually performing the work, used the grant funds to perform the work authorized by the grant agreement. In addition to being required by the grant agreement and subject to audit, these records could have provided PWWM with valuable information in a post-completion assessment of the reasonableness of the project cost budget, as a benchmark for future landfill closures.

Another issue for the OIG is that the grant term requiring the inclusion of affidavits and releases of liens related to payments made under previous draw requests was not being followed on the Munisport Landfill closure project. Sixteen grant draw requests, totaling over $10.6 million, for the Munisport Landfill closure project have been paid without receiving affidavits and releases of liens from the City of North Miami. In comparison, draw requests submitted on the Homestead Landfill closure project included the required affidavits and releases.

Again relating to the Munisport Landfill closure project, the OIG is uneasy about the project's coupling with the site's commercial development plans. We note that this project has not been worked since 2008 because of issues with the site's developer, Biscayne Landing, LLC.[2] The landfill closure was tied to the landfill's development and when that development stopped, so did work on the landfill closure. There is no deadline in the grant agreement by which landfill closure must be completed and, although it has the ability to do so with available grant funds, the City of North Miami has not proceeded on its own to complete the project.

As part of our audit, the OIG also observes that the Virginia Key Landfill closure project is at a standstill. Our concern involves the fact that approximately $28 million has been sitting idle in a restricted pooled cash account since 2005—bearing minimal interest—while the County continues to pay the debt service on bond proceeds that are not being used. In addition, the parties have failed to

[2] Since the development stopped in 2008, there have been no further construction-related costs for landfill closure and remediation; however, monitoring, analysis, and engineering services have been performed and paid for using bond proceeds.

execute a grant agreement dedicated to the remediation and closure of the landfill using the available funds. Moreover, the County has already voiced its intent to provide $45 million of grant funds to close this landfill. When this project gets underway, the County will need to secure $17 million more to fund the landfill grant.

In summary, it is the OIG's observation that the allocation of millions of dollars to languishing projects, such as the Virginia Key Landfill and the Munisport Landfill closure projects, is costly and ineffective.

Regarding the Homestead grant, there remains approximately $2,500 in the Homestead escrow account, notwithstanding that the project has been complete since June 2009 and final payment made in November 2009. PWWM has not made an effort to reclaim these funds from the escrow account and return them to the County.

Lastly, we note that PWWM paid $90,483 in bond engineer fees related to work at the landfill closure projects using bond proceeds instead of its operating funds. Such fees are not an authorized expenditure of bond proceeds. PWWM also paid for independent engineer services at the Munisport Landfill closure project without obtaining supporting documentation, such as monthly status reports or activity reports; meeting summaries; reports of site visits; site photos; etc. We believe these records to be reasonable supporting documentation that should be provided to substantiate the services provided.

IV. SUMMARY OF RESPONSES TO THE DRAFT REPORT

We provided a copy of this report, as a draft, to PWWM; the cities of North Miami, Homestead, and Miami; current independent engineer ADA Engineering, Inc.; current bond engineer Malcolm Pirnie, Inc.; and former bond engineer Brown and Caldwell, for their discretionary written responses to our audit results. The responses from PWWM, the cities of North Miami, Homestead, and Miami; and current independent engineer ADA Engineering, Inc., are attached to this report as Appendix A through Appendix E, respectively. Malcolm Pirnie, Inc., and Brown and Caldwell did not respond.

After reviewing all the responses, the OIG revised some the wording in its report to reflect corrections suggested from the auditees. The OIG made these minor revisions where we determined that it had no impact on the OIG's original presentation and where it helped to clarify the presentation.

In their responses, PWWM and the cities of North Miami, Homestead, and Miami all provide additional background information that offer their perspectives and clarification on their particular landfill closure issues and the evolution of their grants. For example, PWWM presents background information relating to the status of the CLCP. PWWM acknowledges the OIG observation that the CLCP was never formally approved by the BCC. However, PWWM maintains that the conceptual framework—that was approved by the BCC—was adequate and has served as the basis for its actions when providing landfill closure grants to the aforementioned cities

In North Miami's case, it objects to the OIG's characterization of its developer as the *de facto* grantee. Instead, North Miami highlights its partnership with its developer in creating a synergy for simultaneous commercial site development and landfill closure. North Miami also responds that it has been working closely with the County's environmental regulatory agencies to develop an acceptable groundwater remediation plan—the lack of which has caused much of the delay.

The majority of Homestead's response addresses the agreed-upon draw request approval process and how its actions comported with those procedures. Homestead acknowledges, however, that it did not have the grant-required documentation, but explains that it did not have these records because they were not privy to them.

Miami's response explains its position on why it and the County have not reached a grant agreement. Miami points to the County-required extension of the solid waste interlocal agreement as the reason why it has yet to sign the landfill grant agreement.

Additional summaries and excerpts from the auditees' responses, along with OIG finding-specific rejoinders, are included at the conclusion of each audit finding.

V. OIG JURISDICTIONAL AUTHORITY

In accordance with Section 2-1076 of the Code of Miami-Dade County, the Inspector General has the authority to make investigations of County affairs and the power to review past, present and proposed County and Public Health Trust programs, accounts, records, contracts, and transactions. The Inspector General has the power to analyze the need for, and the reasonableness of, proposed change orders. The Inspector General is authorized to conduct any reviews,

audits, inspections, investigations, or analyses relating to departments, offices, boards, activities, programs, and agencies of the County and the Public Health Trust. The Inspector General shall have the power to review and investigate any citizen's complaints regarding County or Public Health Trust projects, programs, contracts, or transactions. The Inspector General may exercise any of the powers contained in Section 2-1076, upon his or her own initiative. The Inspector General shall have the power to require reports from the Mayor, County Commissioners, County Manager, County agencies and instrumentalities, County officers and employees, and the Public Health Trust and its officers and employees, regarding any matter within the jurisdiction of the Inspector General.

VI. BACKGROUND

The Comprehensive Landfill Closure Plan and Resulting 2005 Bond Issuance

On February 17, 2004, when the BCC approved the $31 million grant to North Miami for closure of the Munisport Landfill, the BCC also accepted the framework for a Comprehensive Landfill Closure Plan (CLCP) that would guide the County in funding the closure of not only the Munisport Landfill, but also the Homestead Landfill, Virginia Key Landfill, and several County-owned landfill cells.[3] As outlined in a supplemental report to the BCC, projects in the plan totaled approximately $130 million and would be funded by the issuance of PWWM revenue bonds in several series.

[3] See February 17, 2004, BCC Agenda Item 8S2ASUPP, *Supplemental Information Re: Recommendation for Munisport and other Countywide Landfill Closure Requirements* (Legislative File No. 040479). This supplemental report, which was accepted by the BCC in its amendment of Agenda Item 8S2A (Munisport Landfill Grant, Legislative File No. 040857), provided the framework for a Comprehensive Landfill Closure Plan (CLCP). The plan was to be formalized and brought back to the BCC, through the Government Operations and Environment (GOE) Committee, for approval.

Based on the OIG's research into this matter, however, we could not find any item (report or resolution) resembling a proposed CLCP for the GOE Committee's (or Board's) approval. Landfill-related items later appearing on the BCC agenda in 2004 through 2006 either referenced a CLCP that was being finalized (see Legislative File No. 042152) or referenced that the CLCP was one in the same as the framework contained in the February 17th supplemental report (see Legislative File No. 050093). (See also Legislative File No. 062020, authorizing a landfill closure grant to Homestead, where it states that the CLCP concept is being applied on a site-specific basis.) In any event, the OIG was unable to locate the authoritative record that is to be the "Comprehensive Landfill Closure Plan." Later documents prepared by the bond engineer titled *CLCP Preconstruction Formalization Report* for the Munisport and Homestead landfills noted that this report stemmed from one of the requirements of the CLCP. Again, however, while reference is made to the CLCP, it is unclear whether the CLCP is that framework stated in the February 17, 2004 supplemental report or whether it is a later prepared document.

As part of the plan, four requirements were articulated:

- Each municipality benefitting from a closure project would concurrently extend its existing interlocal agreement for solid waste disposal with the County.
- After final capital project cost estimates are completed, subject to review by the PWWM Bond Engineer, a strict cap would be set on each closure to limit the County's capital funding liability.
- All costs for each project would be reviewed by the PWWM Bond Engineer prior to final payment and any costs found not to be project eligible would be reimbursed if previously paid or funded.
- Municipalities that receive closure grants should be responsible for the annual cost of long-term care of the closed landfill site.

In January 2005, the BCC approved the authorization of $75 million in Solid Waste System Revenue Bonds (Series 2005 Bonds) to fund the Munisport and Homestead landfill closures, partially fund the Virginia Key Landfill closure, and fund various County-owned closure projects. The bonds were issued on April 21, 2005, for $73.5 million and included an additional $2.5 million in issue premium and underwriter discount. The Series 2005 Bonds are secured by net operating revenues of PWWM. In accordance with Miami-Dade County Ordinance 95-174, a portion of the County's Utility Service Fee has been designated to fund eligible landfill closure and remediation costs. The PWWM uses this funding source to pay debt service for eligible capital projects and reimburse its disposal-operating fund for eligible costs.

Bond proceeds totaling $66.8 million were encumbered to fund the following three grants and their related projects: North Miami/Munisport ($31 million), Homestead ($7.5 million), and City of Miami/Virginia Key ($650,000 and $27.6 million). The OIG audit focused on these grants. Out of the remaining bond proceeds, $6.7 million was budgeted for County-owned landfill closure and remediation project costs and $2.5 million to pay for issue premium and underwriter discount.

The Landfill Grants

1. City of North Miami / Munisport Landfill

Originally, a Munisport Landfill grant was established in 1996 via BCC Resolution R-333-96. This Resolution allowed for the disbursement of up to $1 million annually to North Miami for the closure and remediation of the Munisport Landfill. The original term of this grant was five years and allowed for three renewal terms of five years each. This Resolution resulted, in part, from a Consent Decree entered into between North Miami and the United States Environmental Protection Agency (USEPA) because the Munisport Landfill was listed by the USEPA in 1983 as a Super Fund site.[4]

In 1999, the USEPA removed the Munisport Landfill from the Super Fund list. Also in 1999, the BCC adopted a first amendment to the original grant agreement, via Resolution R-910-99, that changed the grant's term to 20 years and provided an annual $1 million revenue stream to North Miami to be used for landfill closure and ground water remediation. The longer term allowed North Miami to secure greater upfront funding as landfill closure projects typically incur large capital costs at start-up.

On February 17, 2004, the BCC adopted a second amendment to the original grant agreement for the Munisport Landfill, via Resolution R-244-04. This amendment provided for an upfront payment of $31 million to be made to an escrow account administered jointly by the County and North Miami. This payment, along with interest earnings, would be used for the closure and groundwater remediation of the Munisport Landfill site.[5] In addition, the second amendment required North Miami to extend its solid waste disposal agreement with the County through December 31, 2033.

At the time of the second amendment, North Miami had already contracted with a group of developers—the Swerdlow Group, Boca Developers, and Biscayne Landing, LLC—to develop the Munisport site. The development included commercial and residential end uses to the property that necessarily required that the landfill be closed and the groundwater remediated. While North Miami was the legal grantee of the $31 million in landfill closure funds, the

[4] This designation is given by the USEPA to the nation's uncontrolled hazardous waste sites that are required to be cleaned up.
[5] Any costs beyond the grant amount are the responsibility of the City of North Miami, according to the grant agreement.

developer group (its successors and assigns) was the *de facto* grantee of the County's funds.

Disbursements from the escrow account are based on contractor draw requests. These requests are forwarded to PWWM's bond engineer, who is responsible for approving such requests. The bond engineer uses a Schedule of Values (SOV) as a basis to review and approve project costs. The SOV shows work unit descriptions; work unit payment bases; work unit costs; estimated number of work units; total work unit costs; and total project cost. The SOV was agreed upon by PWWM, the bond engineer, North Miami, and the contractor's engineer of record. Disbursements from the escrow account need an authorized signature from both the County and North Miami. Pursuant to the grant, escrow account disbursements should go to North Miami, who in turn should pay the contractor that is performing the work. However, because the contractor performing the work was not retained by the City, but instead by the developer group that held the development rights to the land, the grant funds were disbursed from the escrow account directly to the developer.

Draw request payments of approximately $10.6 million have been made, leaving a balance of $24.3 million in the grant escrow account as of June 30, 2011. This balance includes approximately $4 million of interest earned on the grant amount of $31 million.

2. City of Homestead / Homestead Landfill

In 1996, BCC Resolution R-1346-96 established a not-to-exceed grant amount totaling $10,000 to pay for a groundwater monitoring plan approved by the USEPA at the Homestead Landfill.

In 2001, the BCC adopted Resolution R-146-01. This resolution called for a not-to-exceed grant amount totaling $280,000 to pay for a two-phase environmental and geotechnical study of the now closed—i.e., not accepting any more waste—Homestead Landfill. In 2006, via BCC Resolution R-1016-06, a Homestead Landfill grant escrow bank account was set up and funded with $7.5 million. A landfill grant agreement entered into between the County and the City of Homestead, on November 20, 2006, provided the detailed terms pertaining to the $7.5 million. This amount, along with interest earnings, was to be used for the final closure of the Homestead Landfill site.[6] The escrow account was to be administered jointly by the County and Homestead.

[6] Any costs beyond the grant amount and interest earned on the grant monies are the responsibility of the City of Homestead according to the grant agreement.

The disbursement process from the escrow account was similar to the one that we described earlier. Also similar was a provision of the second amended agreement that required Homestead to extend its solid waste disposal agreement with the County, in this case, through October 1, 2025. This grant agreement replaced all prior agreements entered into between the County and Homestead.

The final draw request and payment from the grant was made in November 2009. Homestead executed a letter dated September 30, 2009 that stated, "This request represents the Final Draw Request in accordance with the Grant Agreement between the City and County. No additional funding requests will be made by the City." In addition, the letter stated, "a Final Waiver and Release of Lien and Claim from the contractor(s) will be forwarded to County upon payment of this Final Draw Request #7." Documentation from PWWM shows a final waiver and release of liens were received from various contractors, with dates of execution through January 2010.

3. City of Miami / Virginia Key Landfill

In October 2004, via Resolution R-1309-04, the BCC ratified a not-to-exceed grant amount totaling $650,000 to the City of Miami to fund a Contamination Assessment Plan (CAP) and Site Assessment Report (SAR) for the Virginia Key Landfill. To date, draw request payments of $279,517 have been made pertaining to the initial $650,000, leaving a balance of $370,483 as of September 30, 2010. This balance does not include any interest earned on the grant amount of $650,000.

The grant agreement also included terms stating that it was the County's intent to provide the City of Miami with a $45 million grant to assist in the closure and remediation of the Virginia Key Landfill, of which $27.6 million had been funded from the Miami-Dade County Revenue Bond Series 2005 sale. These funds are currently in the PWWM restricted pooled cash account, located within an interest bearing money market account, where they will stay until a grant agreement is reached or until some alternative use(s) of the funds is approved. At present, no agreement has been reached between the County and City of Miami for a grant agreement that incorporates CLCP requirements—namely, the City extending its interlocal agreement with the County for solid waste disposal.

Grant Agreement Funding Status

The following table summarizes the uses of bond proceeds, draw request payments from the escrow account, and remaining escrow account balances.

Table 1 Grant Agreement Funding Status (as of June 30, 2011)

Landfill Closure Site	Bond Proceeds	# of Paid Draw Requests	Total Payments	Escrow Account Balances
Munisport	$31,027,000	16	$10,640,990	$24,303,587[a]
Homestead	$7,500,000	7	$7,915,451[a]	$2,495
Virginia Key	$650,000	2	$279,517	n/a[b]
	$27,635,000	0	$0	n/a[b]
Sub-totals: Municipality	**$66,812,000**	**25**	**$18,835,958**	**$24,306,082**
County Landfills	$6,695,000			
Sub-total: Municipality + County	**$73,507,000**			
Issuance/Underwriter Discount	$2,535,000			
Totals	**$76,042,000**	**25**	**$18,835,958**	**$24,306,082**

[a] Includes interest earnings used to make payments or as deposited to the escrow account available for future draw requests.

[b] An escrow account has not yet been established for the Virginia Key Landfill closure, as there exists no approved agreement between the County and the City of Miami related to the closure of this landfill. The $27.6 million of bond proceeds dedicated to this project are being held in a PWWM restricted pooled cash account. Draw request payments were made by PWWM using bond proceeds.

VII. OBJECTIVES, SCOPE, AND METHODOLOGY

Audit Initiation

This audit was conducted as part of the OIG's general oversight of PWWM pursuant to the Memorandum of Understanding between the OIG and PWWM. It is also a continuation of the OIG's oversight involvement in the landfill grants, which began in early 2004 when the Second Amendment to the City of North Miami's (Munisport) grant was conceived.

Audit Objectives

Our audit objectives were to evaluate grant disbursements to determine if they were allowable under terms and conditions of their governing authorities and agreements; reasonable and necessary; adequately supported by authoritative documentation; and approved for payment by authorized personnel. In addition, we evaluated payments made to the bond and independent engineers for the services they performed related to the subject landfill closure projects.

Audit Scope

Our audit scope period commenced with the inception of the first grant draw request for Munisport dated February 3, 2005 and extended through September 30, 2010. During our audit, when necessary, we reviewed data and events occurring outside of this period. The audit focused on transactions related to grant draw requests for landfill closure costs and engineering fees. Total closure costs were almost $19 million, and total payments to bond/independent engineers were $533,918 for the services performed that were related to the three projects.

Audit Methodology

To accomplish our objectives, we obtained from PWWM various documents related to the Grants, such as resolutions, agreements, reports prepared by PWWM, program procedures, and other relevant information. PWWM staff was also interviewed relating to their roles as Grant administrators.

We interviewed personnel from the cities of North Miami and Homestead; current bond engineer Malcolm Pirnie (MP) and former bond engineer Brown & Caldwell (BC); the independent engineer for the Munisport Landfill, ADA Engineering (ADA); third-party developers, contractors, and agents related to landfill closure activities at Munisport and Homestead; the court-appointed receiver's office (Munisport Landfill); a representative for Resource Reclamation Services, Inc. (Homestead Landfill); and others about their interactions with the Grants. Our purpose was to gain an understanding of the Grants, the landfills, the landfill closure processes, and an individual's history related to a particular grant. Documentation was also requested from these parties.

Among other steps, we reviewed support documentation for all draw request payments from 2005 forward, including whether proper signatory approvals were present and that affidavits or releases of payments were attached. We also reviewed all PWWM payments for bond engineering services looking at attached support documentation. Additionally, we prepared charts, tables, and schedules, as necessary, to summarize the data and document our understanding of the Grants and Landfill closure processes and practices.

This audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States (2007 Revision), which are in conformity with the *Principles and Standards for Offices of Inspector General* promulgated by the Association of Inspectors General (AIG).

VIII. FINDINGS & RECOMMENDATIONS

FINDING NO. 1 **The City of North Miami and the City of Homestead did not maintain complete books, records, and documents of grant fund expenditures.**

Section III (D) of the Munisport Landfill closure grant agreement[7] requires that:

> The City and its developer, contractors and/or subcontractors shall maintain accurate and complete books, records and documents, such as vouchers, bills, invoices, receipts and cancelled checks, sufficient to reflect properly all receipts and expenditures of grant funds for a period of three (3) years following final disbursement from the escrow account under this Agreement. All of the referenced records shall be retained by the City of North Miami in a secure place and in an orderly fashion. The system of accounting will be in accordance with generally accepted principles and practices, consistently applied. (Emphasis added by OIG.)

Notwithstanding this requirement, neither the City of North Miami nor the City of Homestead had these records.

The City of North Miami's Finance Director[8] stated that the City did not receive or request from the contractor the required documentation. North Miami stated that it did have copies of contractor-prepared surveys showing the tasks that were completed or at some percentage-of-completion. These surveys were included with the contractor's draw requests as support for the work performed. The surveys were then reviewed by the bond engineer who was charged with approving for payment the contractor's draw requests. We noted during our on-site review that some contractor invoices and some other documents were maintained at the Munisport site by the developer. Such files, however, only consisted of records from one year of the project's construction period, plus partial files from a second year. No books or records (such as general ledgers, trial balances, or payable ledgers) were located.

Similarly, the City of Homestead also did not have these records. Homestead's records were like those held by the City of North Miami—copies of contractor-prepared surveys showing the tasks that were completed or at some

[7] Section III (C) of the Homestead Landfill closure grant agreement.
[8] This was the City's former Finance Director, Carlos Perez.

percentage-of-completion. Moreover, even the firms contracted with to perform the landfill closure work could not produce subcontractor invoices or a payment history of its project costs.

CH2M Hill Constructors, Inc. (CH2M) and Resource Reclamation Services, Inc. (RRS) were contracted by Homestead to perform the function of prime/general contractor for the landfill closure.[9] We note that there were seven payments made using grant proceeds during the course of the project. Contractor draw request number 1 was made payable to RRS; contractor draw requests 2 through 7 were made payable to CH2M. While CH2M maintained a ledger recording its payments made to RRS, it did not have copies of subcontractor invoices or any other payment history related to the project. CH2M referred us to RRS for copies of such records.

OIG auditors were directed to RRS' legal counsel who advised that the company could not locate the invoice and payment history documentation. Counsel went on to say that RRS was never asked by any party related to the Homestead Landfill closure grant to provide or keep such records. Apart from this statement, we reiterate that Section III (C) of the Landfill Closure Grant Agreement between the City of Homestead and Miami-Dade County requires the City and its developers, contractors and subcontractors to maintain such records for a period of 3 years following the final disbursement of funds under this agreement.

These types of records, as listed in cited agreement sections, are necessary to any later review and/or audit project costs to determine whether grant funds were spent appropriately. Moreover, while the agreement may have allowed for the payment of contractor draw requests based upon an agreed to schedule of values, the requirement for auditable records is not alleviated by the format in which payment is requested. Acquiring and generating these types of records—vouchers, bills, invoices, receipts and cancelled checks, sufficiently to reflect properly all receipts and expenditures of grant funds—for a construction project of this size is a standard practice.

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[9] Originally, the City of Homestead entered into a Landfill Closure and Redevelopment Agreement, dated May 16, 2000, with ATC Associates Inc. Prior to the landfill closure project commencing, a First Amendment to this agreement, dated February 15, 2006, was executed that assigned the scope of the landfill closure work to RRS, in the capacity of prime contractor. Later, a Consortium Agreement dated January 8, 2008, was executed between RRS and CH2M. The Consortium Agreement, in part, provided for the scope of work to be performed by both parties for the closure of the landfill. Subsequently, in April 2008, a joinder was executed that officially joined CH2M as a party of the Landfill Closure and Redevelopment Agreement, along with the City of Homestead and RRS.

The lack of these types of records impeded us from verifying that County grant funds were used only for authorized purposes. Each grant agreement's terms (North Miami and Homestead) were specific as to the authorized uses of grant funds. (See OIG Schedule 1 for each grant's terms of authorized uses.) Documentation such as contractor invoices, cancelled checks, and payment histories of project costs are necessary components of an audit trail that would have allowed verification that grant funds were used as authorized by the agreement.

Moreover, contractor invoices for those vendors that performed the actual project closure and remediation work would have illustrated the actual cost of the work performed on the project versus the amount of the County grant funds paid out to the developer/contractor. The project cost payment history from the developer/contractor would have been an important record to verify that sound cash management practices were used. This payment history would have also allowed auditors to perform analyses to verify that the firms that ultimately received County grant funding spent funds properly, and to test for possible misappropriation of monies. Both the contractor invoices and payment histories could also be used to assess the reasonableness of the developer/contractor's profit margin. Examination of these records would allow comparison for costs incurred for actual work performed versus grant funds disbursed and allowed for an assessment on the reasonableness of the prices established under the agreed upon schedule of values.

We note that Section III (G)[10] of the Munisport Landfill closure grant agreement states:

> The CITY shall promptly reimburse escrow account for any <u>unauthorized</u> expenditures which may be properly determined by COUNTY, in good faith. (OIG emphasis)

The Grantees (the cities of City of North Miami and Homestead) should have used due diligence in creating a paper trail that shows what County grant funds were spent on and when they were spent. When asked, the Grantee (or at least its developer or contractor) should be able to provide paid invoices and receipts for those items or services paid for with County grant funds. Moreover, Section III (E)[11] authorizes the County, expressly including the OIG, to ask for these records—the purpose of which is to audit the developer/contractor's performance, including its use of grant funds.

[10] Section III (F) of the Homestead Landfill closure grant agreement.
[11] Section III (D) of the Homestead Landfill closure grant agreement.

Lastly, incomplete records impaired our (or any other auditor's) ability to identify areas of weakness or vulnerability to fraud, waste, or abuse of taxpayer-funded monies. These records could have also provided the County with valuable information in a post-completion assessment of the reasonableness of the project cost budget, as a benchmark for future landfill closure projects.

Recommendations

1. Prospectively, PWWM should require that North Miami implement record retention procedures to ensure that it is retaining the required books, records, and documents in accordance with the terms and conditions of its grant agreement with the County. The records and documents should include actual contractor and subcontractor invoices for all work performed at the Munisport Landfill.

2. PWWM should periodically make reasonable efforts to verify North Miami's compliance with stated grant requirements, e.g., by conducting periodic on-site visits to inspect the records.

PWWM Response

PWWM acknowledges the described condition but defers taking action explaining that it "can potentially add this task to the work performed by the Bond Engineer, Audit and Management Services or the OIG. The PWWM is open to a recommendation from the OIG on this issue."

City of North Miami Response

The City of North Miami responds that it is under new administration and that moving forward it will ensure that all books, records, and documents of grant fund expenditures will be retained. The City seeks the OIG's guidance on an appropriate system of accounting.

City of Homestead Response

The City of Homestead goes into some detail describing the procedures that it followed when processing payments using grant funds. Homestead states that it has records from the contractor but "[t]he City agrees that documents and correspondence between the general contractor and its sub-contractors were not maintained by the City. However, these documents were between private parties and the City had no access to them." In addition, Homestead asserts that the

procedures followed were appropriate for the review and approval of pay requests.

OIG Rejoinder

This finding relates to the documentation that is required to be maintained by each Grantee. We recognize that these are not the same documents that would necessarily be presented for draw request approval but, nonetheless, the Grant record-keeping requirement is clear. North Miami should contact PWWM to obtain guidance on how to comply with this requirement.

FINDING NO. 2 **The Munisport grant agreement does not require the project's timely completion.**

The closure and groundwater remediation work at the Munisport Landfill site began in 2005 and is still not completed. Less than one-third of the grant funding has been drawn to date, with no construction work taking place since 2008. To date, approximately $10.6 million of funds have been expended out of a total of $35.07 million. We also note that the grant agreement does not have a stated duration or period of performance. Section IV, *Terms of Agreement*, states:

> This Agreement shall be in full force and effect from the date hereof and shall continue until the later of the final certification of completion of the landfill remediation and closure or upon depletion of the escrow account/s so that no further funds are available for disbursement therein.

The closure and remediation work on the site has run into major delays primarily due to the landfill site developer[12] filing for bankruptcy and being removed from the project. This is important because, while the grant agreement is with the City of North Miami and the City is responsible for using the funds for the stated purposes, in reality, the landfill developer became responsible for the landfill's closure and groundwater remediation. The developer, not the City, was the party holding the contracts under which the work was to be performed.[13]

[12] One party (Swerdlow Group) to the original developer group sold its interest to the remaining parties. The developer filing for bankruptcy, Biscayne Landing, LLC, a member of the original group, is the successor developer.
[13] These contracts would include the design/engineering agreements and all of the construction contracts.

The lengthy delay in completing this project occurred because the Munisport Landfill closure was only one aspect of a larger development that was planned for the site. When the project became no longer commercially viable and the developer Biscayne Landing, LLC filed for bankruptcy, site development, including the landfill's closure and remediation, came to a standstill. Since then, neither site development nor landfill closure have progressed. Although there have been recent efforts by North Miami to engage a new developer for the site, such efforts may or may not be successful. In the meantime, the landfill closure project remains uncompleted. This delay has left grant funds sitting idle in an escrow account and an important job unfinished. We believe landfill closure should take place independent of whether or not a new developer takes on the task of overall site development. After all, the grantee is the City of North Miami and the agreement requires the City to close/remedy the landfill. The City cannot delegate this responsibility to another party, whoever it may be.

Although the grant agreement imposes no deadlines on project completion, the failure of the City of North Miami to substantially fulfill any of the material obligations in accordance with the grant agreement may constitute a default.[14] Whether substantial delays and non-performance—i.e., not closing the landfill—constitutes failing to fulfill a material obligation is a matter for PWWM and its attorneys to decide. Regardless, however, we believe that it is in the County's best interest that this landfill closure project be completed without delay. The County borrowed over $31 million in 2005 to pay for this landfill's closure and groundwater remediation. Six years later, less than one third of the money has been spent and the project is far from being complete.

Recommendations

3. PWWM should consider approaching the City of North Miami to take over the Munisport Landfill closure project, thus taking the closure project out of the hands of any future developer. PWWM, if it determines that the City of North Miami has not fulfilled its obligations in accordance with the grant, may also wish to consider taking over the project itself and completing the landfill closure using the remaining grant funds in escrow.

4. PWWM should consider amending the current grant agreement to clearly state specific expectations/deadlines with regards to performance milestones, expenditure of grant funds, and completion of the project. Consequences for failing to meet the milestones/deadlines should be stated.

[14] See Section VIII of the subject grant agreement.

5. Prospectively, PWWM should consider requiring that any future landfill closure projects that are part of an overall development should be contracted for separately to ensure their timely completion.

PWWM Response

PWWM agrees with the OIG's assessment that the landfill closure was coupled with the site's commercial development. In hindsight, PWWM acknowledges that this coupling may have been a bad decision. Lastly, as related to this issue, PWWM advises that it recently recommended to the City an alternative—complete source removal of waste from the site and the site's subsequent reclamation as a buildable property without environmental hindrance.

City of North Miami Response

North Miami explains some of the issues that have contributed to this project's delayed completion. North Miami does not support the County reclaiming this project. North Miami responds that it "will consider mechanisms to maintain the responsibility and the direct control for the timely closure using the remaining Grant funds." North Miami states that it is attempting to secure a new developer for the site and that it has contracted with a contractor to complete the ground water remediation portion of the grant.

OIG Rejoinder

We are encouraged by PWWM's actions to facilitate the Munisport Landfill closure. However, PWWM does not address our recommendations that it attempt to modify current grant terms to include deadlines for the timely closure nor does it address our recommendation that any future landfill closures should be separate from any concurrent/subsequent site development. We reaffirm our three recommendations.

FINDING NO. 3 **PWWM did not obtain affidavits and releases of payments for prior draw requests before authorizing payment on subsequent draw requests for the Munisport Landfill.**

PWWM's bond engineer/independent engineer approved for payment and the City of North Miami and PWWM processed for payment 16 draw requests, totaling over $10.6 million, without the required documentation. The Munisport grant agreement requires the City of North Miami to provide specified documents

as part of the draw request payment process. Specifically, Item II(A) of the subject grant agreement states:

> Said invoices or draw requests shall be in a form generally accepted in the industry in support of construction draw requests from a construction lender and based upon a schedule of values and level of detail agreed upon by the CITY and the COUNTY BOND ENGINEER, prior to the first invoice or draw request. Prior to the next requested disbursement made pursuant to invoices or draw requests, CITY shall provide affidavits and releases of payment for the prior invoices or draw requests. (OIG emphasis)

We observed that in the Munisport Landfill developer's on-site files it had some payment releases, but that these documents were not attached to its periodic draw requests. Affidavits and releases of payments are important documents, from the County's perspective, because they provide assurance that grant funds are used to pay the parties that are performing the work. In contrast, we observed that these documents were included with the draw requests submitted for the Homestead Landfill.

Recommendation

6. PWWM (and its bond engineer) should enforce grant terms and require that the City of North Miami (and its developer) obtain affidavits and releases prior to approving subsequent draw requests.

PWWM Response

PWWM clarifies its position on grant requirements regarding affidavits and releases of payments discussed in this finding and states that when construction begins, these documents will be obtained.

City of North Miami Response

North Miami also clarifies its position on grant requirements regarding affidavits and releases of payments discussed in this finding and states that it "will obtain affidavits and releases of liens form all contractors and consultants involved, where applicable under the circumstances ..."

ADA Engineering, Inc. Response

ADA Engineering, Inc. explains that affidavits and releases of payments are not required for engineering services, which constituted the services performed at Munisport Landfill since ADA began providing services. However, when construction recommences at the site, ADA states that it will obtain the necessary documentation.

OIG Rejoinder

To reiterate, for funds disbursed for construction-related costs prior to March 2008, affidavits and releases of payments were not obtained. We are encouraged that these records will be obtained prospectively.

FINDING NO. 4 **$28 million of encumbered funds have been idle for six years pending the execution of a landfill closure grant agreement with the City of Miami.**

The 2005 bond indenture included $28 million of the $45 million needed to close and remediate the Virginia Key Landfill. This $28 million has been sitting idle for six years earning interest at rates in effect during this period; meanwhile, the County is making interest payments to the bondholders.

As previously mentioned, the County approved a $650,000 grant to the City of Miami that was intended to fund the implementation of a Contamination Assessment Plan (CAP) and Site Assessment Report (SAR), as outlined in the grant agreement between the County and the City of Miami on August 24, 2004. To date, draw request payments of approximately $280,000 have been made pertaining to the initial $650,000, leaving a balance of $370,483 as of September 30, 2010. However, work has been discontinued on the CAP and SAR. In addition, the parties have failed to execute a second grant agreement dedicated to the remediation and closure of the landfill.

We note that in the February 17, 2004 Board item, which conceptually established the County's "Comprehensive Landfill Closure Plan" to include the three subject municipal landfills and the County's own landfill closure sites, it was expressly considered that work on the Virginia Key site would begin no later than 2010.[15] Specifically, the item stated:

[15] See handwritten page 3 of BCC Agenda Item 8S2ASUPP (BCC February 17, 2004) *Supplemental Information Re: Recommendation for Munisport and other Countywide Landfill Closure Requirements* (Legislative File No. 040479).

> Funding the contamination assessment report of the Virginia Key Landfill with a commitment to commence funding and construction of the closure/remediation project no later than 2010 (estimated at $45.6 million). (OIG emphasis)

Given the missed deadline and an uncertain future as to the likelihood of a successful negotiation of a grant agreement providing for the closure and remediation of the Virginia Key Landfill, we think that the "idle" $28 million of bond proceeds could be put to better use, whether as part of County-initiated closure process or as part of some other similar work.

In summary, it is the OIG's sense that the allocation of millions of dollars to languishing projects, such as the closure projects for the Virginia Key Landfill and the previously mentioned Munisport Landfill, is costly and ineffective.

Recommendation

7. PWWM should evaluate its options regarding the closure of the Virginia Key Landfill, including the financial implication of holding $28 million in an interest bearing account. PWWM should check with financial advisors and legal counsel regarding its options, if any, related to alternative uses of bond proceeds. If other uses are possible, PWWM likely would need to seek BCC authorization and the County may need to make some form of disclosure to the bond holders.

PWWM Response

PWWM discusses reasons for the delay to the Virginia Key Landfill closure and the issues that have arisen with the City of Miami that have precluded the two parties from reaching agreement on progressing this project forward. PWWM states, "in a coordinated effort with the Mayor's Office and other County agencies, [it] is weighing its options in light of the City's position and the on-going environmental issues associated with the Virginia Key Landfill."

City of Miami Response

The City of Miami explains that given its challenging financial situation, "discussions with the County have focused on alleviating the City's concerns regarding future financial obligations associated with use of grant funding." In particular, the City objects to the County's grant requirement that it extend the interlocal agreement for solid waste disposal. The City, pointing to this report's Footnote 3, argues that because the CLCP had never been formalized by the

BCC, the County "has flexibility when developing grant terms with the City that do not necessitate the extension of the solid waste interlocal agreement."

Lastly, the City illustrates that the tonnage of solid waste to the County provided by the municipalities of Miami, North Miami and Homestead do not correlate to the amount of grant funding available to each municipality.

OIG Rejoinder

As set forth in Footnote 3, our research determined that a formal, i.e., authoritative, CLCP was never approved by the BCC. PWWM, in its response, confirms our determination but counters with a statement that, notwithstanding, it has incorporated the four proposed elements of a CLCP, as a basis for its actions when awarding grants to the cities. It appears that PWWM proceeded without a BCC-approved CLCP because it believed that the conceptual framework presented to and approved by the BCC provided adequate authorization for it to proceed.

The OIG does not believe that the presence or absence of a BCC-approved CLCP is a substantial issue. It is reasonable for the County (PWWM) to require a grant recipient to agree to a long-term disposal contract, in exchange for the County funding the closure of the grantee's landfill. Given the City of Miami's response to our report and to eliminate this non-issue as reason to further delay the signing of a grant agreement, the OIG makes the following additional recommendation:

8. PWWM should finalize the CLCP and submit it to the BCC for approval.

FINDING NO. 5 **Unspent funds totaling $2,500 remain in the Homestead escrow account two years after project closure.**

As of June 2009, all work was completed on the Homestead Landfill site. The final draw request for this project was paid from the escrow account in November 2009. The final draw request amounted to $715,822, leaving a balance of approximately $2,500 of unspent funds and accrued interest in the escrow account. According to Section III, *Use of Grant Funds*, Item J of the grant agreement between the County and the City of Homestead, any unused grant funds shall be returned to the County. PWWM has not taken any steps to reclaim these funds.

Recommendation

9. PWWM should have the funds released back to the pooled funds account containing the remaining unallocated grant funds, and it should then close the escrow account.

PWWM Response

PWWM states that it will remit to the City of Homestead the $2,500 of unspent funds and accrued interest remaining in the escrow account.

OIG Rejoinder

The OIG disagrees with PWWM's proposed return of unspent monies to Homestead. The grant terms are clear: any unused grant funds shall be returned to the County. We note that the subject funds were unused as of the date of Homestead's "Final Draw Request" (September 30, 2009), for $715,822.06. Homestead, in its cover letter to this draw request stated, "The City hereby releases the County's Solid Waste Department from any and all claims for additional payments associated with the Project." Thus, the OIG reaffirms its recommendation that PWWM should have the funds released back to the pooled funds account containing the remaining unallocated grant funds, and it should then close the escrow account.

FINDING NO. 6 **PWWM paid $90,483 of bond engineer fees for services performed from bond proceeds instead of from its operating funds.**

A review of all payments made to bond engineers for work performed for the Landfills revealed that four invoices totaling $90,483 were paid from the bond proceeds generated for the Grants.

The Solid Waste System Revenue Bonds Series 2005 states that the proceeds will be used "to pay or reimburse the County for a portion of the costs of the 2005 Project, provide for funding of the Reserve Account, including the premium for a Reserve Account Credit Facility to be deposited in the Reserve Account, and pay the costs of issuance of the Series 2005 Bonds, including the premium for a financial guaranty insurance policy."

The bond documents do not authorize expenditures related to bond engineering services. PWWM management also acknowledged that bond

engineer fees are to be paid from PWWM operating funds; our review revealed four payments that were misclassified as applying to bond proceeds.

Recommendation

10. PWWM should refund or reclassify the monies coded from the bond proceeds.

PWWM Response

PWWM agrees with our finding that it paid bond engineering fees with bond proceeds instead of using its operating funds; as a result, PWWM will make the necessary reimbursement to the bond fund.

FINDING NO. 7 **PWWM paid $47,928 in fees to an independent engineer that was acting as the County's bond engineer at the Munisport site even though the engineer's invoices did not contain adequate supporting documentation.**

A review of all PWWM payments made to the County's bond and independent engineers for work performed at the Landfill sites revealed that six invoices, totaling $47,928, for work performed at Munisport were approved and subsequently paid without adequate supporting documentation, such as a status report or any other similar record describing the work completed. At Munisport, the independent engineer—ADA Engineering, Inc.—was acting as the County's bond engineer because the regular bond engineer—Malcolm Pirnie, Inc.—was unable to perform this function as such because of a conflict of interest.

We believe that information provided on a status report, or similar record, is necessary for PWWM to help substantiate the engineer's services and serves as support for approving invoices. Status reports could include descriptions of activities and reviews performed, summary notes of meetings attended, and observations noted and site photos taken during site visits.

The PWWM Chief explained that it is standard practice for a bond engineer to provide a status report as support for charges billed for work performed on the Landfills. The submission of such a status report is required support for bond engineer invoices, pursuant to its professional services agreement with PWWM. We observed that the bond engineer did provide such reports along with its invoices. However, we found no such reports or similar records attached to invoices received from ADA. Although called the

"independent engineer," ADA was standing in the shoes of the County's bond engineer, Malcolm Pirnie, on the Munisport closure project. As such, we believe that ADA should have provided some form of work record describing its activities or services performed when submitting its invoices.

Recommendation

11. PWWM should ensure that bond/independent engineer invoices include supporting documentation, such as a status report or some other record that shows the services performed by date.

PWWM Response

PWWM explains that it paid the Munisport independent engineer, in accordance with agreed-upon procedures; however, in the future it will require additional support from the independent for future invoice approvals.

ADA Engineering, Inc. Response

ADA states that it provided support for its invoices in accordance with PWWM directives, but that, in the future, it will supplement its invoices with "necessary documentation as deemed necessary by PWWM."

OIG Rejoinder

PWWM's argument that it paid the Munisport independent engineer, in accordance with agreed-upon procedures, in our mind, does not diminish the need for PWWM to have written evidence from the independent engineer of the services that it provided and the activities that it performed. As such, we endorse PWWM's promise to obtain more documentation from the independent engineer.

* * * * *

In accordance with Section 2-1076(d)(2) of the Code of Miami-Dade County, the OIG requests that PWWM provide us with a status report in 90 days on the issues addressed by this audit. We request this report from PWWM on or before May 29, 2012.

Lastly, the OIG would like to thank PWWM staff, City officials, and bond engineer personnel for making their records available to us in a timely manner and for the courtesies extended to OIG auditors during the course of this review.

OIG Schedule 1 — Comparative Grant Agreement Terms	
City of North Miami (Munisport)	**City of Homestead**
A. CITY shall utilize the grant funds provided for the following purposes, as applicable, but said funds shall not be used for post closure monitoring or long term care:	A. The CITY shall utilize the grant funds provided for the following purposes, as applicable:
1. Construction, operation, remediation, closure and pre-closure monitoring of the Munisport Landfill Site required by the CITY's U.S. EPA Consent Decree entered into in September 1991 and approved by the U.S. District Court on March 23, 1992, Case No. 91-2834 (U.S. Dist. Ct. S.D., FL.), and as the same may be amended; and	1. Construction, operation, remediation and closure of the LANDFILL required by the Miami-Dade Department of Environmental Resources Management (DERM); and
2. Construction, operation, remediation, closure and pre-closure monitoring of the Munisport Landfill Site required by the April 25, 1995 Consent Agreement between the CITY and the State DEP and as the same may be amended, as made final by Landfill Closure permit or final Consent Agreement to be issued by the State DEP under Sec. 62-701, F.A.C., and as the same may be amended; and	
3. Construction, operation, remediation, closure and pre-closure monitoring of the Munisport Landfill Site (excluding Wetlands Mitigation Bank) required by the CITY and Miami-Dade Department of Environmental Resources Management (DERM) Consent Agreement entered into on February 10, 1998, and as the same be amended; and	
4. Payment of all or any part of the principal and interest on any short or long term indebtedness owed by CITY for construction, operation, remediation and closure and pre-closure monitoring of the Munisport Landfill site required pursuant to items 1-3 above.	2. Payment of all or any part of the principal and interest on any short or long term indebtedness owed by the CITY for construction, operation, remediation and closure of the LANDFILL required pursuant to item 1 above.
The terms construction and operation, as used in this paragraph A are specifically limited to construction and operation of facilities necessary and required as part of the remediation and closure of the site. In no instance, may funds be used for construction or operations which are not required as part of the remediation and closure, as set forth in the approved remediation and closure plans.	The terms construction and operation, as used in this paragraph (A) are specifically limited to construction and operation of facilities necessary and required as part of the remediation and closure of the LANDFILL. In no instance, may funds be used for construction or operations which are not required as part of the remediation and closure, as set forth in the approved remediation and closure plans.
B. The authorized purpose of construction expenditure under paragraph (A) above includes hard construction costs as well as engineering, scientific and related administrative costs. It specifically does not include any post closure monitoring or any long term maintenance on the project site. No more than $1.5 million of the funds provided herein shall be used for the in situ remediation pilot project approved by DERM as an amended Interim Remedial Action Plan (IRAP) on December 24, 2003, excluding the project development costs associated with bench scale and the initial pilot test and incurred prior to the date hereof. Compliance with the terms of paragraph A and the permissible costs shall be based on an engineering certification by CITY which shall be approved by the COUNTY's Bond Engineer.	B. The authorized purpose of construction expenditure under paragraph (A) above includes hard construction costs as well as engineering, scientific and related administrative costs. Compliance with the terms of paragraph A and the permissible costs shall be based on an engineering certification by CITY which shall be approved by the COUNTY's Bond Engineer.