



Florida Department of TRANSPORTATION

Office of Inspector General Kristofer B. Sullivan, Inspector General

DocuSigned by:
Kristofer B. Sullivan
66AAC6E338F64F4...

Audit Report No. 23I-006
Ocean Highway and Port Authority Port of Fernandina

December 8, 2023

What We Did

The Florida Department of Transportation's (Department) Office of Inspector General conducted an audit of Ocean Highway and Port Authority Port of Fernandina's (Port Fernandina) accounting and financial management policies and processes. Additionally, we evaluated the financial management controls of Department funds to ensure invoices and expenses are in accordance with federal regulations, state statutes, Government Accountability Office's Standards for Internal Controls in the Federal Government (GAO Green Book), Department guidelines, and Grant Agreement (Agreement) G1943. This audit was conducted as a part of the fiscal year (FY) 2022-23 audit plan. The scope of this audit was Agreement G1943 for FY 2020-21 and 2021-22.

What We Found

We determined Port Fernandina does not have accounting policies or invoicing procedures and processes in accordance with federal regulations and GAO Greenbook.

We determined the language in the third-party consultant agreements complied with federal regulations, state statutes, GAO Greenbook, and Department policies and procedures.

We determined Port Fernandina invoiced costs are reasonable, based on actual costs, and adequately supported in accordance with state statutes, Florida Administrative Code, Agreement G1943, and Department guidelines.

What We Recommend

We recommend the Seaport Manager work with Port Fernandina's management to create sufficient policies and procedures that provide documented processes that comply with federal regulations, state statutes, and the GAO Green Book.

**Office of Inspector General
Florida Department of Transportation**

TABLE OF CONTENTS

BACKGROUND AND INTRODUCTION	3
RESULTS OF REVIEW	5
Finding 1 – Internal Controls	5
Finding 2 – Financial Management Controls	7
APPENDIX A – Purpose, Scope, and Methodology	8
APPENDIX B – Cost Compliance with Agreement and Rule 14B-1.006	9
APPENDIX C – Affected Entity Response	10
APPENDIX D – Management Response	11
PROJECT TEAM	14
STATEMENT OF ACCORDANCE	14
ATTACHMENT 1 – Criteria Summaries	15

**Office of Inspector General
Florida Department of Transportation**

BACKGROUND AND INTRODUCTION

SEAPORTS

The Seaport Office works with Florida's deep-water seaports to assist in planning and funding strategic seaport projects, as well as assisting with seaport-related issues. The Seaport Office is responsible for statewide seaport system planning, coordinating with statewide freight planning, project management, and coordinating seaport infrastructure projects with Florida's 15 publicly owned deep-water seaports.

The Florida Ports Council (FPC) is a Florida nonprofit corporation that serves as the professional association for Florida's 15 public seaports and their management. The FPC is governed by a Board of Directors comprised of 15 port directors with staff support located in Tallahassee. The FPC provides advocacy, leadership, and information on seaport-related issues before the legislative and executive branches of state and federal government.

The Florida Seaport Transportation and Economic Development (FSTED) Council is a public entity created by statute and charged with carrying out the state's economic development mission through the implementation of seaport capital improvement projects at the local level. The FSTED Council was created within the Department of Transportation and consists of the port directors of the 15 publicly owned seaports and a representative from the Florida Department of Transportation (Department) and the Florida Department of Economic Opportunity.

OCEAN HIGHWAY AND PORT AUTHORITY OF NASSAU COUNTY

The Ocean Highway and Port Authority of Nassau County (OHPA) was created by Florida State Legislature as an independent special district in 1941. The OHPA provides oversight of the Port of Fernandina and aids in the establishment and expansion of commercial enterprises for the benefit of the citizens of Nassau County and the State of Florida. The OHPA has policymaking, budgeting, and general oversight responsibilities for all port activities.

OHPA is led by the following five Commissioners, elected every four years on alternating schedules:

- Miriam Hill, Commissioner, District 1;
- Danny Fullwood, Commissioner, District 2;
- Scott Hanna, Commissioner, District 3;
- Carroll Franklin, Commissioner, District 4; and
- Michael Cole, Commissioner, District 5.

**Office of Inspector General
Florida Department of Transportation**

PORT FERNANDINA

Port Fernandina is on the Amelia River and is Florida's northernmost seaport. Port of Fernandina moves a variety of goods including steel, aluminum, paper, and forestry goods. The seaport has been operated by Worldwide Terminals Fernandina LLC, since October 19, 2018.

Transportation Infrastructure Partners, a joint venture between Ridgewood Infrastructure, LLC and Savage, announced on July 14, 2022, the acquisition of Worldwide Terminals Fernandina, LLC, the manager and operator for the Port of Fernandina, Florida. The operating structure is a landlord/tenant agreement with the terminal operator to manage the port.

**Office of Inspector General
Florida Department of Transportation**

RESULTS OF REVIEW

We conducted an audit of Port Fernandina with the following objectives:

1. Determine if the Port Fernandina written accounting policies, invoicing procedures and processes, and third-party consultant agreements are in accordance with the federal regulations, state statutes, and Department policies and procedures.
2. Determine if invoiced costs are reasonable, based on actual costs, and adequately supported.

Finding 1 – Internal Controls

We determined Port Fernandina does not have accounting policies or invoicing procedures and processes in accordance with federal regulations and Government Accountability Office’s Standards for Internal Controls in the Federal Government (GAO Green Book)

We also determined the language in the third-party consultant agreements complied with federal regulations, state statutes, GAO Green Book, and Department policies and procedures.

The criteria used to evaluate Port Fernandina’s compliance with federal and state regulations and Department policies are as follows:

- Title 2, Part 200, Code of Federal Regulation (C.F.R.)- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D-Post Federal Award Requirements, subsection 303 Internal controls
- Section 215.97, F.S. Single Audit;
- Section 311.07, F.S. Florida Seaport Transportation and Economic Development Funding;
- Florida Legislature House Bill 619;
- Rule 14B-1.002, Port Project Funding Application Procedures and Requirements, Florida Administrative Code (F.A.C.);
- Rule 14B-1.004, Determination of Funding; Council/Agency Review, F.A.C.
- Government Accountability Office’s Standards for Internal Controls in the Federal Government (GAO Green Book);
- Public Transportation Grant Agreement G1943; and
- Public Transportation Grant Agreement G1943 General Requirements Section 11 Part F: Agency Compliance with Laws, Rules, and Regulations, Guidelines, and Standards.

The complete criteria used for this finding can be found in Attachment 1.

**Office of Inspector General
Florida Department of Transportation**

At the time of our audit, Port Fernandina had a total of 10 agreements, 7 were active and 3 were expired. Federal funding was received for 1 of the 10 agreements. Entities receiving federal funding are required to adhere to 2 C.F.R. 200.303 (a) - (d)-Internal Controls and Government Accountability Office's Standards for Internal Controls in the Federal Government (GAO Green Book).

Port Fernandina does not have any written internal control policies and procedures. Therefore, there are not any policies and procedures in accordance with federal regulations. Port Fernandina uses Statute 311 and House Bill 619 to guide operational processes and procedures. Port Fernandina recently hired an executive director and office manager in fiscal¹ year 2021-22, to improve internal controls of their operations, finances, and closer coordination with the Department.

Additionally, Port Fernandina's third-party consultant and vendor agreements below were reviewed for statutory criteria requirements, procedures to guide processes, and language to address internal controls following general accounting principles:

- Big Top Manufacturing Contract includes Legacy Engineering, Construction Engineering Inspection (CEI), and Coast to Coast, LLC;
- Crane Acquisition Contract;
- Internal Control Questionnaire;
- Ocean Highway and Port Authority Resolution - Purchasing Guidelines;
- ZPMC Equipment Services Agreement; and
- TranSystems Professional Services Contract.

The consultant and vendor agreements reviewed contained language that complied with Grant Agreement G1943 General Requirements Section 11 Part F Agency Compliance with Laws, Rules, Regulations, Guidelines, and Standards.

We recommend that the Seaport Manager work with Port Fernandina's management to create sufficient policies and procedures that provide documented processes that comply with federal regulations and the GAO Green Book.

¹ Port Fernandina's fiscal year runs from October 1st - September 30th.

**Office of Inspector General
Florida Department of Transportation**

Finding 2 – Financial Management Controls

We determined Port Fernandina invoiced costs are reasonable, based on actual costs, and adequately supported in accordance with state statutes, Florida Administrative Code, Agreement G1943, and Department guidelines.

The criteria used to evaluate Port Fernandina’s compliance with state regulations and Department policies are as follows:

- Section 311.07, Florida Statutes, (F.S.) (2022);
- Rule 14B-1.006, Eligible Port Funding Requirements, F.A.C.;
- Grant Agreement G1943 Public Transportation Grant Agreement Grant Fully Executed 5.29.2019-Agreement;
- FDOT Disbursements Handbook for Employees and Managers; and
- Florida Department of Financial Services Referenced Guide for State Expenditures.

The complete criteria detail reviewed for this finding can be found in Attachment 1.

Specific criteria within Agreement G1943 stipulates the Department shall reimburse the Agency for allowable costs incurred as described in Exhibit “A”, Project Description and Responsibilities, and as set forth in Exhibit “B”, Schedule of Financial Assistance and Section 10 (c) - Invoicing. Invoicing shall be submitted no more often than monthly by the Agency. Reimbursement is limited to the maximum amount authorized by the Department. Requests for reimbursement by the Agency shall include an invoice, progress report, and supporting documentation for the deliverables being billed that are acceptable to the Department. The Agency shall use the format for the invoice and progress report that is approved by the Department.

The District Two, Freight and Logistics Supervisor provided invoice packages for the selected Agreement to the Office of Inspector General. There was a total of eight invoices for the Agreement period of 07/01/2020 - 10/31/2022. We reviewed all eight invoice packages’ cover pages, itemized expenditure detail reports, progress reports, and supporting documentation. We determined that each expense from the eight invoices for the Agreement in the amount of \$2,763,530.21 were eligible costs following Rule 14B-1.006, Eligible Port Funding Requirements, F.A.C. and Agreement G1943 Exhibit “A”, Project Description and Responsibilities, and as set forth in Exhibit “B”, Schedule of Financial Assistance. We also verified that the total amounts reflected on the invoice packages match the amounts in the Florida Accountability Contract Tracking System. Port Fernandina has a remaining balance of \$136,469.79. All funds are to be expended by the end of the Agreement terms on May 21, 2024. **See Appendix B.**

There are no recommendations for this finding.

**Office of Inspector General
Florida Department of Transportation**

APPENDIX A – Purpose, Scope, and Methodology

The **purpose** of this engagement was to determine if Port Fernandina's financial management procedures, processes, and documentation comply and are in accordance with federal regulations, state statutes, and Department guidelines and Agreements.

The **scope** of this audit consisted of the Department Agreement G1943 with Port Fernandina for fiscal years (FYs) 2020-21 and 2021-22.

The **methodology** included:

- Reviews of statutes, regulations, policies, and procedures:
 - 2 C.F.R. 200; and
 - Federal and State statutes.
- Documentation reviews:
 - Grants G1943, amendments, and invoices with supporting documentation for expenses billed to the Seaport Grants Program for Grants G1943 (FYs 2020-21 and 2021-22);
 - Port Fernandina By-Laws;
 - Port Fernandina third-party vendor agreements;
 - Single Audit Reports for Port Fernandina for 2019, 2020, and 2021; and
 - Ocean Highway and Port Authority Resolution - Purchasing Guidelines.
- Interviews with staff members:
 - Department District Two Staff; and
 - Port Fernandina Staff.

**Office of Inspector General
Florida Department of Transportation**

APPENDIX B – Cost Compliance with Agreement and Rule 14B-1.006

Invoice #	Invoice Period	Project Phases	FDOT Invoice Amount	Costs are in compliance with	
				Agreement	Rule 14B-1.006
G1943-1	07/13/2020 - 11/30/2020	Warehouse Construction	\$75,603.73	Yes	Yes
G1943-2	11/09/2020 - 05/04/2021	Warehouse Construction	\$1,182,281.78	Yes	Yes
G1943-3	05/25/2021 - 05/25/2021	Warehouse Construction	\$461,720.00	Yes	Yes
G1943-4	06/29/2021 - 11/30/2021	Capital Equipment	\$259,632.50	Yes	Yes
G1943-5	11/30/2021 - 11/30/2021	Capital Equipment	\$371,265.00	Yes	Yes
G1943-6	11/30/2021 - 11/30/2021	Capital Equipment	\$185,632.50	Yes	Yes
G1943-7	11/30/2021 - 07/27/2022	Capital Equipment	\$123,755.00	Yes	Yes
G1943-8	10/01/2021 - 11/30/2021	Warehouse Construction	\$1,968.40	Yes	Yes
		Capital Equipment	\$101,671.30	Yes	Yes
		Grand Total	\$2,763,530.21		

Source: Created by Auditor from Port Fernandina invoices provided by District Two

Office of Inspector General
Florida Department of Transportation

APPENDIX C – Affected Entity Response



Ocean Highway & Port Authority
Nassau County

October 16, 2023

Joe Gilboy, CIA, CISA, CGAP, CIG
Director of Audit
Office of Inspector General
Florida Department of Transportation
605 Suwannee Street, MS 44
Tallahassee, FL 32399-0450

RE: Inspector General Audit Report No. 23I-006
Ocean Highway and Port Authority Port of Fernandina

Mr. Gilboy;

During your audit of the Port of Fernandina accounting and financial management policies and processes you identified the following item:

The Port Fernandina does not have accounting policies or invoicing procedures and processes in accordance with federal regulations and Government Accountability Office's Standards for Internal Controls in the Federal Government (GAO Green Book).

The port has implemented and monitors the processes and procedures to ensure proper internal controls and financial reporting, but these policies, processes and procedures are not documented. We agree with the audit finding that these policies and procedures are not documented. The Port of Fernandina will undertake the following actions to remediate this item:

The Ocean Highway and Port Authority of Nassau County will develop accounting policies, invoicing procedures and processes in accordance with federal regulations and Government Accountability Office's Standards for Internal Controls. We expect to have these policies and procedures in place by April 1, 2024.

Sincerely,

Pierre Laporte
Accountant
Ocean Highway and Port Authority of Nassau County

516 S 10th Street* Suite 103* Fernandina Beach, Florida 32034 * Phone (904) 468.2073

Office of Inspector General
Florida Department of Transportation

APPENDIX D – Management Response



Florida Department of Transportation

RON DESANTIS
GOVERNOR

605 Suwannee Street
Tallahassee, FL 32399-0450

JARED W. PERDUE, P.E.
SECRETARY

MEMORANDUM

DATE: November 30, 2023

TO: Joseph Gilboy, Director of Audit

FROM: Lauren Rand, Manager, Seaport Office

COPIES: Kristofer Sullivan, Inspector General
Jessica Mobley, Deputy Audit Director for Intermodal
Barbara Brown-Walton, Senior Audit Supervisor-Intermodal
Melissa Smith, Chief of Modal Development

SUBJECT: Audit Report 23I-006, Port Fernandina

Finding 1: Internal Controls

Finding: We determined Port Fernandina does not have accounting policies or invoicing procedures and processes in accordance with federal regulations and Government Accountability Office's Standards for Internal Controls in the Federal Government (GAO Green Book)

We also determined the language in the third-party consultant agreements complied with federal regulations, state statutes, GAO Green Book, and Department policies and procedures.

Recommendation: We recommend that the Seaport Manager work with Port Fernandina's management to create sufficient policies and procedures that provide documented processes that comply with federal regulations and the GAO Green Book.

Response to Finding: We concur with the finding and recommendation.

Corrective Action: Seaport Office will work with the Ocean Highway and Port Authority (OHPA) as they develop their policy document for accounting, invoicing, and related processes to address the audit findings. Policy document is currently underway.

Estimated Completion Date: February 29, 2024

www.fdot.gov

**Office of Inspector General
Florida Department of Transportation**

Finding 2 – Financial Management Controls

Finding: We determined Port Fernandina invoiced costs are reasonable, based on actual costs, and adequately supported in accordance with state statutes, Florida Administrative Code, Agreement G1943, and Department guidelines.

Recommendation: There are no recommendations for this finding.

Response to Finding: We concur with the finding and recommendation.

Corrective Action: N/A

Estimated Completion Date: N/A

LR:lr

**Office of Inspector General
Florida Department of Transportation**

DISTRIBUTION

Responsible Manager:

Melissa Smith, Chief of Modal Development
Lauren Rand, Manager, Seaport Office

Internal Distribution:

Jared W. Perdue, P.E., Secretary, Department of Transportation
Leda Kelly, Chief of Staff
Will Watts, P.E., Assistant Secretary for Engineering and Operations
Lisa Saliba, Assistant Secretary for Finance and Administration
Kim Holland, P.E., Assistant Secretary for Strategic Development
Rebekah Davis, General Counsel
V.Y. "Trey" Tillander, P.E., Executive Director of Transportation Technology
Greg Evans, P.E., District Two Secretary
Kyle Coffman, Freight & Logistics Supervisor, District Two

External Distribution:

Melinda Miguel, Chief Inspector General, Executive Office of the Governor
Sherrill Norman, Auditor General, State of Florida
Jamie Christian, Florida Division Administrator, Federal Highway Administration
Ralph Yoder, Executive Director, Florida Transportation Commission
Danny Fullwood, Commissioner District Two, Ocean Highway and Port Authority Port of Fernandina
David Kaufman, Executive Director, Ocean Highway and Port Authority Port of Fernandina
Pierre Laporte, Accountant, Ocean Highway and Port Authority Port of Fernandina

**Office of Inspector General
Florida Department of Transportation**

PROJECT TEAM

Engagement was conducted by:
Melinda Coleman, Auditor

Under the supervision of:
Barbara Brown-Walton, Senior Audit Supervisor
Jessica Mobley, Deputy Audit Director for Intermodal
Joseph W. Gilboy, Director of Audit

Approved by:
Kristofer B. Sullivan, Inspector General

STATEMENT OF ACCORDANCE

The Department's mission is to provide a safe transportation system that ensures the mobility of people and goods, enhances economic prosperity, and preserves the quality of our environment and communities.

The Office of Inspector General's mission is to provide independent and objective investigative and audit services that promote accountability, integrity, and efficiency within the Florida Department of Transportation and its partners.

This work product was prepared pursuant to section 20.055, Florida Statutes, in accordance with the Association of Inspectors General *Principles and Standards for Offices of Inspector General*, and conforms with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Please address inquiries regarding this report to the Department's Office of Inspector General at (850) 410-5800.

**Office of Inspector General
Florida Department of Transportation**

ATTACHMENT 1 – Criteria Summaries

The following criteria are summaries used for this engagement.

2 C.F.R. 200.303 (a) – (d) Internal Controls: Non-Federal entity is responsible for:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations, and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Government Accountability Office’s Standards for Internal Controls in the Federal Government (2014) (GAO Green Book):

- 12.02 Management documents in policies the internal control responsibilities of the organization.
- 12.04 Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.
- 12.05 Management periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity’s objectives or addressing risks. If there is a significant change in an entity’s process, management reviews this process in a timely manner after the change to determine that the control activities are designed and implemented appropriately.

Section 215.97, F.S. Single Audit Act (2022): Establishes uniform state audit requirements for State financial assistance provided by State agencies to non-State entities to carry out State projects.

Section 311.07, F.S. Florida seaport transportation and economic development funding (2022): Describes the amount of funding available to the FSTED program annually, where the funds will be kept, and what projects are eligible for funding.

Section 311.09, F.S. Florida Seaport Transportation and Economic Development Council (2022): Describes the authority, intended purpose, and function of the FSTED Council.

**Office of Inspector General
Florida Department of Transportation**

Florida Legislature House Bill 619: An act relating to the Ocean Highway and Port Authority, Nassau County; codifying, reenacting, amending, and repealing special acts of the Ocean Highway and Port Authority; providing for its membership, terms of office, officers, quorum, and meetings; defining the powers and duties of the authority; providing for compensation of authority members; authorizing the issuance of bonds and other instruments of indebtedness; providing for road and other projects.

Rule 14B-1.002, Port Project Funding Application Procedures and Requirements, F.A.C.: Describes seaport project funding and application criteria.

Rule 14B-1.004, Determination of Funding; Council/Agency Review, F.A.C.: Describes the criteria used to evaluate each project's eligibility for funding.

Rule 14B-1.006, Eligible Port Funding Requirements, F.A.C.: Describes the requirement for program funds to be expended only on eligible costs and defines eligible costs.

Grant Agreement G1943 PTGA Grant Fully Executed: This Public Transportation Grant Agreement is between the State of Florida, Department of Transportation ("Department"), and Ocean Highway and Port Authority ("Agency") to provide for the Department's participation in Port of Fernandina's warehouse development initiative to provide Department financial assistance to the Agency, state the terms and conditions upon which Department funds will be provided, and set forth the manner in which the Project will be undertaken and completed.

Contract Exhibits A- Project Description and Responsibilities, B- Schedule of Financial Assistance, C-Terms and Conditions of Construction, D- Agency Resolution, E-Program Specific Terms and Conditions, F-Contract Payment Requirements, and G- Financial Assistance (Single Audit Act).

Disbursements Handbook for Employees and Managers: To provide guidance and information required for state disbursement, on the Department's management of Standard Operating Procedures (SOP).

Referenced Guide for State Expenditures: Provide state agencies guidance regarding the requirements applicable to the disbursement of funds from the State Treasury.