

# The Wastewater Audit

What led up to the request for an audit?

On April 13, 2023, the Village Council approved wastewater expenditures of \$3,945,000 to Page Excavating for two years: 2021-2021 and 2022-2023.

There were serious issues regarding the nearly \$4 million in payments:

- Work was not previously put out for competitive bid
- A majority of approval was for work that had not been authorized by Council before the work was done and payments made.
- Invoices showed significant irregularities

Marcum noted just one exception requiring review and consideration by the Village: specific requirements detailing the contracting of services ***when using federal funding***. Services were performed and payments were made before a formal agreement was finalized due to lack of internal controls over the procurement process.

**Their recommendation:** Marcum recommends that management develop internal control policies and procedures to ensure supervisors review and approve procurement and contracting decisions for compliance with federal and organizational policies, verify that ***procurements provide full and open competition***, and ensure procurement contracts are in writing and approved before services and/or goods are received.

## Our opinions as lay observers and taxpayers:

1. We found virtually no details in this report that hadn't already been discussed during council meetings and conveyed to the council and staff from the public.
2. We found it of concern that some of the individuals involved in the procedural concerns that was cause for auditing were the people providing

the data, defending the Village process, and showing the auditors samples of the work done.

3. We certainly agree with the auditor's statement that procurements need to provide full and open competition. We wish the auditors had explained specifically how that was an issue in this audit.
4. There was no specific recommendation by Marcum as to whether the two major projects spread over 2 years and exceeding \$3 million should have been competitively bid – only that a formal agreement should have been finalized before the work was done and paid for.
5. Odd that the audit agreement with Marcum, was approved **waiving competitive bidding** even though the cost was expected to exceed the \$25,000 threshold.
6. When the auditors were approved, the resolution stated: "Village has determined that an audit of the Continuing Service Agreement with Page Excavating is needed." We disagree – we think the Council discussed the need for an audit to assure the Village is following procurement requirements. It was not intended to audit Page Excavating.
7. Why did the concern seem restricted to instances when funds are coming from a Federal grant. Shouldn't procurement regulations always be followed?
8. Why did our annual 2021-2022 audit by Maudlin and Jenkins LLC not identify the procurement issues when they conducted the single audit of the \$2 million Federal grant?
9. According to the report "Marcum judgmentally selected twenty-five (25) ring repairs and twenty-five (25) valve repairs for visual inspection. For the selected ring maintenance locations, Marcum visually inspected the vacuum pit rings, noting quality and condition consistent with dates of maintenance service."

One of the primary concerns regarding the invoices – the number of vacuum pit rings that were invoiced for locations where the properties are not connected to the vacuum system and therefore no rings exist. Several of the 25 ring repairs that Marcum indicated were verified are not connected to the vacuum system and do not have a vacuum pit ring.

It was reported to council at public meetings that Columbus Dr had 26 rings invoiced and paid – but they do not have vacuum pits on the street. No rings were selected for review by Marcum on Columbus Dr.

There are 39 homes on Columbus Dr. According to the invoices provided, the Village paid for 26 concrete vacuum pit rings on the street at \$1000 each, \$26,000. And that is just one Village street checked.

10. According to the invoices we reviewed, the Village paid Page to replace 2,289 vacuum pit rings and approved 720 to be done by 9/30/2023, though Page was originally authorized to replaced only 30 that were damaged. The cost billed per concrete ring is \$1000.

11. Page submitted a quote, dated July 28, 2023, as a result of a recent Village 2023 RFQ. His own quote for “Replacement of reinforced concrete around existing vacuum valve pit” was \$800... \$200 less than the council approved for 3009 concrete rings Page installed in the last two years. That could have saved \$601,800.

12. Did the 3009 concrete rings all need to be replaced, when only 30 had been identified as damaged? What would Islamorada have paid if the ring replacement project was competitively bid? We are guessing Page would have bid \$800, as he quoted in the recent RFQ, not the \$1000 the Village paid him. Would other contractors have bid on a multi-million project to replace concrete rings if the project had been competitive bid?

13. A single vacuum pit can be used for anywhere from 1 to 4 homes. According to the August 2023 wastewater utility report on the Village website, there are 4210 improved parcels connected to the wastewater system. Apparently there are approximately 600 that use grinder pumps

(based on numbers projected for complete check valve replacement project), leaving 3610 properties on the vacuum system. Therefore there are less than 1.2 properties per vacuum pit. Has anyone verified how many vacuum pits there are in the village? The original design would likely have placed more than an average of 1.2 homes on a single vacuum pit that is capable of accommodating up to 4 homes.

14. According to the previous authorizations, the Village approved the replacement of 100 check valves, and determined that 90% were faulty. The village council then approved the replacement of all grinder pump check valves in the village. (To save money the Village bought the 500 valves for the contractor, to add to the 100 he bought and installed previously).

Columbus Dr has 39 homes with grinder pumps. According to invoices, 24 check valves were installed. Four were invoiced for addresses that do not exist. Three addresses were billed for multiple check valves. Even if the addresses were mistakes, only 24 of 39 homes got new check valves possibly leaving 15 homes of the 39 without the authorized work, considered critical.

15. According to the invoices and the future check valves authorized, Page was provided 500 and purchased another 100 check valves to replace all valves in the Village. According to invoices only 430 were installed by April 2023, with 20 listed as yet to be installed. That is 450. Where are the remaining 150 valves the Village paid for. And have all check valves been replaced as the replacement is considered critical?
16. The Village paid \$900 per check valve installation using valves supplied by the Village according to the individual invoices. The audit states the Village paid over \$1100 per check valve. What would the cost have been if competitively bid? How much of an emergency was it to get 450 valves replace?
17. The Village issued a Request for Quotes back in 2018. Four firms responded and were approved by the Village, ranked alphabetically during the

selection process. Three signed Continuing Service Agreements, including Page. From 2018 to date, the Village authorized Page to do all work needed. The other two qualified firms with Continuing Service Contracts were never contacted to submit proposals on any projects.

### **Building community trust...**

Auditing is an essential tool for building trust with the community. The council wanted to assure the process used and the invoices paid for the wastewater work were accurate, complete, and in compliance with the law.

In addition to improving trust, auditing can help identify areas where the government can improve its financial management practices and increase transparency. It can identify areas where costs can be reduced and efficiency improved.

Islamorada is not unique. Only 24% of Americans say they can trust the government to do what is right. And let's face it, low trust in government makes it harder to solve our problems.

We offer this suggestion. The most important way for a local government to build trust is through transparency and following the procurement requirements of the local, state and Federal governments.