TO: The Honorable Chairman and Members of the Board of County Commissioners

FROM: Ken Burke, CPA
Clerk of the Circuit Court
Ex Officio County Auditor

SUBJECT: Follow-Up Audit of EpiCenter Interlocal Agreement

DATE: July 12, 2012

For your review and filing in the Official Records, I am enclosing a copy of the follow-up audit dated July 12, 2012 on the above-referenced audit.

I hope you find this report helpful in ensuring Pinellas County government provides the best possible service to our citizens.

cc: Robert S. LaSala, County Administrator
Jim Bennett, County Attorney
Mark Woodard, Assistant County Administrator
David J. DelMonte, Manager, Real Estate Management
Mike Meidel, Director, Economic Development
Claretha N. Harris, Chief Deputy Director, Finance Division
Ernst & Young
DIVISION OF INSPECTOR GENERAL
KEN BURKE, CPA
CLERK OF THE CIRCUIT COURT
PINELLAS COUNTY, FLORIDA

FOLLOW – UP AUDIT OF EPICENTER INTERLOCAL AGREEMENT

Hector Collazo, Jr., Director
Inspector General/Chief Audit Executive

Audit Team
Ronald Peters CIA, CISA, CIGA – Senior Inspector General Auditor
JULY 12, 2012
REPORT NO. 2012-08
July 12, 2012

The Honorable Chairman and Members
of the Board of County Commissioners

We have conducted a Follow-Up Audit of the EpiCenter Interlocal Agreement. The objectives of our review were to determine the implementation status of our previous recommendations.

Of the three recommendations contained in the audit report, we determined that two have been implemented and one has not been implemented. The status of each recommendation is presented in this follow-up review.

We appreciate the cooperation shown by the staff during the course of this review.

Respectfully Submitted,

Hector Collazo, Jr., Director
Division of Inspector General

Approved:

Ken Burke, CPA*
Clerk of the Circuit Court
Ex Officio County Auditor

*Regulated by the State of Florida

*Accredited Office of Inspector General by the Commission of Florida Law Enforcement Accreditation
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>4</td>
</tr>
<tr>
<td>Status of Recommendations</td>
<td></td>
</tr>
<tr>
<td>Pinellas County May Be Overpaying $79,000 Per Year For The</td>
<td>8</td>
</tr>
<tr>
<td>Shared Space At The EpiCenter.</td>
<td></td>
</tr>
</tbody>
</table>
Scope and Methodology

We conducted a follow-up audit of the EpiCenter Interlocal Agreement. The purpose of our follow-up review is to determine the status of previous recommendations for improvement.

The purpose of the original audit was to:

1. Evaluate compliance with the provisions of the Interlocal Agreement.
2. Determine if Pinellas County is efficiently using all its assigned space.
3. Determine if Pinellas County is reimbursing St. Petersburg College according to the provisions of the lease agreement.
4. Determine if WorkNet Pinellas is adhering to the provisions of the sublease agreement with Pinellas County.

To determine the current status of our previous recommendations, we surveyed and/or interviewed management to determine the actual actions taken to implement recommendations for improvement. We performed limited testing to verify the process of the recommendations for improvement.

Our follow-up audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Standards for Offices of Inspector General, and, accordingly, included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our follow-up testing was performed during the month of October 2011. The original audit period was October 1, 2009 to July 31, 2010. However, transactions and processes reviewed were not limited by the audit period.

Overall Conclusion

Of the three recommendations in the report, we determined that two were implemented, and one was not implemented. We commend management for implementation of most of our recommendations and continue to encourage management to fully implement the remaining recommendation.
## Status

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<tr>
<th>OFI NO.</th>
<th>PREVIOUS RECOMMENDATION</th>
<th>IMPLEMENTATION STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pinellas County May Be Overpaying $79,000 Per Year For The Shared Space At The EpiCenter.</td>
<td>Implemented</td>
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<tr>
<td>A.</td>
<td>Ensure that Pinellas County's current shared space allocation at the EpiCenter is accurate.</td>
<td>✓</td>
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<td>B.</td>
<td>At the next renewal of the Agreement, amend the square footage to reflect the accurate measurements of the leased space and shared space for the EpiCenter.</td>
<td>✓</td>
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<tr>
<td>C.</td>
<td>Evaluate the current shared space allocation for reasonableness. If feasible, renegotiate the Agreement with St. Petersburg College to decrease the percentage of the &quot;standard facility&quot; shared space Pinellas County is allocated under the leases.</td>
<td>✓</td>
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Background

The EpiCenter is a joint-use facility between St. Petersburg College and Pinellas County. On October 30, 2003, the County signed an operations agreement with the Board of Trustees of the St. Petersburg College. The County and the College agreed to develop the EpiCenter, a technology and business development center. Simultaneously, both institutions entered into an Interlocal Agreement in which the County contributed $8,000,000 and agreed to plan, design, construct, furnish, and equip the EpiCenter with the College. In exchange, the County would lease a proportionate share of space at the state mandated standard lease rate adjusted annually.

The EpiCenter began operations in November of 2007. The facility provides over 171,000 square feet of modern space for classrooms, labs, office spaces, and conference rooms. The EpiCenter hosts the St. Petersburg College Corporate Training Center, which offers classes in professional development, technology, and business solutions. In addition, the College of Technology and Management offers classes at this location.

The County’s Convention and Visitors Bureau and Economic Development have their offices there and WorkNet Pinellas subleases office space from the County. The County’s proportionate share of the space totals 47,694 square feet. In Fiscal Year 2009/2010, the County paid the State mandated lease rate of $8.525 per square foot. The total annual
payment to the College for the County-occupied 30,355 square feet of space is $258,776. WorkNet Pinellas subleases from the County a total of 17,339 square feet of space and pays $147,815 directly to the College.
STATUS OF RECOMMENDATIONS

This section reports our follow-up on actions taken by management on the Recommendations for Improvement in our original audit of the EpiCenter Interlocal Agreement. The recommendations contained herein are those of the original audit, followed by the current status of the recommendations.

*Pinellas County May Be Overpaying $79,000 Per Year For The Shared Space At The EpiCenter.*

In 2003, the County signed an Interlocal Agreement (Agreement) with St. Petersburg College (College) to lease space at the EpiCenter. According to the Agreement, 29,367 square feet, 22% of the available office and storage space, was allotted to the County with the remaining 106,275 square feet, 78% of the remaining office and storage space, allotted to the College. According to the Agreement, 35,831 square feet of shared space consisting of “meeting/work rooms” and “standard facility space” was divided equally between both organizations. Consequently, the County agreed to pay for 50% of the shared space, but uses only 22% of the EpiCenter’s allotted office and storage space.
Economic Development management stated that the sharing of the common space was based on the joint projects objective to provide Pinellas County residents a facility to meet and promote the development of businesses in the area with the support of St. Petersburg College.

County Real Estate management stated that it is customary in the business of leasing space to assign area equal to 12-14% of rented space as the shared space (i.e., for each 1,000 square feet rented, the assigned shared space should be between 120-140 square feet). However, Management does not consider the EpiCenter a standard office building since the design was for a "One Stop Shop for Business Development," thus shared space may be affected. Our calculation noted that the County has been assigned area equal to 69% of their total useable rented space as building shared space.

Consideration should be given that some of the shared space includes meeting/workrooms, which various Board of County Commissioners (BCC) and County departments use extensively (per County management). Consequently, it would be understandable for the County to pay 50% for 8,426 square feet of the shared "meeting/work rooms" space. However, paying for 50% of the remaining 27,405 square feet ("standard facility space"), which includes the food service, lobby, atrium, passageways, break and rest rooms, and utility areas, is excessive considering the College occupies 78% of the building.

Taking into account the scenario in which the County pays for 50% of shared "meeting/work rooms" space and 22% of the remaining common shared space ("standard facility space"), the County should be paying $87,314 annually for the shared space. Instead, the County is currently paying $166,655 and may possibly be overpaying $79,341 annually for the excessive shared space assigned.

<table>
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<tr>
<th>SHARED SPACE COSTS</th>
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<td>Estimated annual cost of the shared space (County)</td>
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<td>(50% of shared meeting space and 22% of the remaining common shared space)</td>
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<tr>
<td>Current annual cost of the shared space (County)</td>
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<td>Possible Overpayment</td>
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During the review of the EpiCenter documentation, we noticed a discrepancy in the total space assigned to the County. The original 2003 EpiCenter Interlocal Agreement assigns 47,283 square feet of space to the County. However, the most recent calculation of the EpiCenter operational costs to the County is based on 47,694 square feet of space. The shared space calculation changed from the 2003 number of 35,831 square feet to 39,098 square feet. Economic Development management stated that the 2003 Agreement for square footage was pre-construction projection and the current calculations are more accurate. The diagram on the next page displays the space usage of the EpiCenter building.
Based on the current lease agreements, the County annually pays $166,655 ($8.525 per square foot per year) for 19,549 square feet of assigned shared space that represents 41% of the total lease payment of $406,591 paid by County functions.

**We Recommended** County management:

A. Ensure that Pinellas County’s current shared space allocation at the EpiCenter is accurate.

B. At the next renewal of the Agreement, amend the square footage to reflect the accurate measurements of the leased space and shared space for the EpiCenter.

C. Evaluate the current shared space allocation for reasonableness. If feasible, renegotiate the Agreement with St. Petersburg College to decrease the percentage of the “standard facility” shared space Pinellas County is allocated under the leases.

**Status:**

A. **Implemented.** Economic Development reviewed this with County Administration and followed-up with Real Estate Management (REM). REM indicated that there was an activity to measure space a few years ago, but there are no plans for a similar future service. If St. Petersburg College conducts a measurement, Economic Development will share that information with REM.

B. **Not Implemented.** Economic Development reviewed this with County Administration and the County will not reopen the entire contract with St. Petersburg College. All agree that there is no “next renewal of the agreement” as it shall perpetually continue in full force unless jointly terminated.

C. **Implemented.** Economic Development reviewed the shared space allocation and maintains that this component of the Agreement is but one element of the program that has created an innovative center of economic activity, as was envisioned. Economic Development reviewed this with County Administration and no change is planned with the Agreement between the College and the County.
DIVISION OF INSPECTOR GENERAL

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