



Department of Environmental Protection Office of Inspector General

March 26, 2025

Report A-2324DEP-020

Audit of Agreement 22FRP01 with Peace River Manasota Regional Water Supply Authority

INTRODUCTION

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Agreement 22FRP01 (Agreement) with the Peace River Manasota Regional Water Supply Authority (Grantee). This audit was initiated as a result of the OIG Annual Audit Plan for Fiscal Year 2023-2024.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of the audit included the requirements, deliverables, disbursement, and oversight associated with the Agreement between the Department and the Grantee from May 24, 2022, to current activities. The objectives of the audit were to:

1. Determine whether payments and deliverables were completed in compliance with the requirements of the Agreement.
2. Determine whether the Grantee complied with the overall requirements of the Agreement.
3. Evaluate Department oversight over the Grantee's compliance with the Agreement.

To achieve our audit objectives, our methodology included:

- Reviewing applicable statutes, regulations, Department procedures, and other authoritative documents.
- Reviewing the requirements of the Agreement, attachments, and amendments.
- Conducting analyses of Grantee and subcontractor activities and related documents.
- Reviewing associated records and documentation; including, deliverables, invoices, communications, and other supporting documentation.
- Interviewing appropriate Department employees and management regarding the processes and controls used in the duration of the Agreement.

BACKGROUND

Pursuant to Section 380.093, Florida Statutes (F.S.), the Department administers the Resilient Florida Grant Program, where the Department provides grants to counties, municipalities, water management districts, flood control districts, and regional resilience entities. The program looks to effectively address the impacts of flood rise by providing eligible applicants with funding to analyze and plan for vulnerabilities as well as implement

**Department of Environmental Protection
Office of Inspector General
Audit of Agreement 22FRP01 With Peace River Manasota Regional Water Supply
Authority**

projects for adaptation and mitigation. The program is housed within the Department's Office of Resilience and Coastal Protection (ORCP).

The Agreement was executed on May 24, 2022, and expires on September 30, 2026. According to the Agreement, the Grantee will implement the Peace River Reservoir No. 3 Project (Project) which will evaluate the benefits of locating a new intake structure further upstream to mitigate the impacts of sea-level rise, as well as include the preliminary design of the new intake structure, pump station, conveyance piping, and raw water storage reservoir. Originally, Federal funds available for the project were \$2,001,000 with a Grantee match requirement of \$5,249,000, for a total project cost of \$7,250,000.

As of our review, three amendments had been executed under the Agreement. As a result of the Amendments, the Grantee's required match was removed, the overall award was increased to \$14,750,000, and additional deliverables were added to the Agreement. Throughout all changes of the Agreement, one task has remained for the purpose of the Design and Permitting for the Project with an allowable budget for cost reimbursement of contractual services. As of December 2024, the Grantee had received \$8,893,463.58 in awarded funds.

RESULTS OF AUDIT

During the audit, we reviewed the Grantee's compliance with the requirements of the Agreement, deliverables, disbursements, as well as management oversight and internal controls. Our review was limited to deliverables and payments made prior to Amendment 2. A summary of our review is provided below.

Tasks, Deliverables, and Reimbursement:

For Task 1 the Grantee was to acquire professional services for the preliminary engineering, design, and permitting of the Project. There were two deliverables for Task 1. One deliverable was the submission of the design documents to verify 30% completion, as signed by a Florida-registered Professional Engineer. The second was the submission of all permit documentation from all appropriate state and federal regulatory agencies. According to the Agreement, *Interim payments may be made by Department, at its discretion, if the completion of deliverables to date have first been accepted in writing by Department's Grant Manager and for interim payment requests, Exhibit A may serve as the deliverable for a task.* During our review, no tasks had been completed although there had been five interim payments made to the Grantee in the amount of \$5,095,753.19.

Interim Payments 1-5

The Agreement states, *Upon review and written acceptance by the Department's Grant Manager of deliverables under the task, the Grantee may proceed with payment request submittal.* Our review found the Grantee submitted 5 interim payment requests prior to the submission of the deliverables. According to the Agreement, *Interim payment requests cannot be made more frequently than quarterly and must be made using Exhibit A, detailing all work progress made during that payment request period, and Exhibit C.* Our review found payments 1 and 2 were requested on the same day with the acceptance of deliverables not being completed until after funds were disbursed to the Grantee.

**Department of Environmental Protection
Office of Inspector General
Audit of Agreement 22FRP01 With Peace River Manasota Regional Water Supply
Authority**

Additionally, the deliverable acceptance provided for payment 4 was the same acceptance document provided for payment 3 and did not evidence the acceptance of an additional Exhibit A for the fourth interim payment.

The Agreement also states *If any work associated with this Agreement is completed by a subcontractor(s), the Grantee shall require that such subcontractor(s) submit documentary evidence (e.g., workshop agendas; meeting recordings) to Grantee demonstrating that the subcontractor(s) has fully performed its Project obligation(s). The Grantee shall forward copies of all such documentary evidence to the Department with the Grantee's relevant deliverable(s).* None of the 5 interim payment requests included any documentary evidence to support the progress noted on Exhibit A, which was used as a deliverable. As of Amendment 2, the Grantee was instead required to submit deliverables and no longer required to submit documentary evidence for work completed by subcontractors. Additionally, interim payments were no longer accepted. Based on our review, the Grantee received \$5,095,753 in interim payments prior to the submission of a deliverable required under the Agreement and without the required documentary evidence. In some cases, acceptance documentation was not completed prior to interim payments being made.

Deliverables and Payment 6

According to the deliverable requirements, the Grantee was to submit *the design documents to verify 30% completion, as signed by a Florida-registered Professional Engineer.* Our review of the deliverables submitted found that many documents were provided to support Project design and permit application activities were performed. However, most of the design documents provided were not signed by a Florida-registered Professional Engineer as required. The ORCP provided acceptance of the full deliverables for Task 1 prior to the Grantee submitting payment 6 in the amount of \$1,284,010, which was disbursed on January 23, 2024.

Deliverable Acceptance

The Agreement states *All deliverables must be received and accepted in writing by Department's Grant Manager before payment.* However, deliverable acceptance for all payments were not completed by the Department's Grant Manager as required by the Agreement. Instead, the acceptance documents were signed by contracted employees who were not a Florida Certified Contract Manager pursuant to Section 287.057(15)(c) F.S., which states *each contract manager who is responsible for contracts in excess of \$100,000 annually must...become a certified contract manager.* According to the ORCP, recent internal updates require the Department's Grant Manager named in the Agreement to sign all deliverable acceptance documents.

Payments for Subcontractors

According to the Agreement, *The Grantee shall submit a copy of the executed subcontract to the Department prior to submitting any invoices for payment.* Based on our review, the ORCP did not request or obtain a copy of the executed subcontractor agreement until the third payment request.

Status Reports:

The Agreement states, *The Grantee shall submit status reports quarterly.... Quarterly status reports are due no later than twenty (20) days following the completion of the quarterly reporting period. For the purposes of this reporting requirement, the quarterly reporting periods end on March 31, June 30, September 30 and December 31. The Department will review the required reports submitted by Grantee within thirty (30) days.* Our review determined that most status reports were provided to the Department timely; however, some status reports appeared to have been completed past the due date. According to the ORCP, they had contacted the Grantee to improve the timely submission of Status Reports.

CONCLUSION

During the audit, we reviewed the Grantee's compliance with the requirements of the Agreement, deliverables, disbursements, as well as management oversight and internal controls. Our review was limited to deliverables and payments made prior to Amendment 2. Based on our review, the Grantee appears to have completed some of the task and deliverables specified in the Agreement. However, we determined that supporting documentation was not always provided, some deliverables were not signed by a Florida-registered Professional Engineer as required, and the Grantee received payment more frequently than allowed under the Agreement. Our findings and recommendations are noted below.

FINDINGS AND RECOMMENDATIONS

Finding 1: Deliverables – The Grantee submitted payment requests more frequently than allowed under the Agreement, documentary evidence was not provided as required, and some documents were not signed by a Florida-registered Professional Engineer as required.

During our review, no tasks had been completed although there had been five interim payments made to the Grantee in the amount of \$5,095,753.19. The Agreement states *Interim payments may be made by Department, at its discretion, if the completion of deliverables to date have first been accepted in writing by Department's Grant Manager.* For interim payment requests, the Grantee was to submit Exhibit A, Progress Report Form, detailing all work progress made during that payment request period, and Exhibit C, Payment Request Summary Form.

Interim Payments 1-5

The Agreement states, *Upon review and written acceptance by the Department's Grant Manager of deliverables under the task, the Grantee may proceed with payment request submittal.* Our review found the Grantee submitted 5 interim payment requests prior to the submission of the deliverables. According to the Agreement, *Interim payment requests cannot be made more frequently than quarterly and must be made using Exhibit A, detailing all work progress made during that payment request period, and Exhibit C.* Our review found payments 1 and 2 were requested on the same day with the acceptance of deliverables not being completed until after funds were disbursed to the Grantee.

**Department of Environmental Protection
Office of Inspector General
Audit of Agreement 22FRP01 With Peace River Manasota Regional Water Supply
Authority**

Additionally, the deliverable acceptance provided for payment 4 was the same acceptance document provided for payment 3 and did not evidence the acceptance of an additional Exhibit A for the fourth interim payment.

The Agreement also states *If any work associated with this Agreement is completed by a subcontractor(s), the Grantee shall require that such subcontractor(s) submit documentary evidence (e.g., workshop agendas; meeting recordings) to Grantee demonstrating that the subcontractor(s) has fully performed its Project obligation(s). The Grantee shall forward copies of all such documentary evidence to the Department with the Grantee's relevant deliverable(s).* None of the 5 interim payment requests included any documentary evidence to support the progress noted on Exhibit A, which was used as a deliverable. Based on our review, the Grantee received \$5,095,753 in interim payments prior to the submission of a deliverable required under the Agreement and without the required documentary evidence. In some cases, acceptance documentation was not completed prior to interim payments being made.

Deliverables and Payment 6

According to the deliverable requirements, the Grantee was to submit *the design documents to verify 30% completion, as signed by a Florida-registered Professional Engineer.* Our review of the deliverables submitted found that many documents were provided to support Project design and permit application activities were performed. However, most of the design documents provided were not signed by a Florida-registered Professional Engineer as required. The ORCP provided acceptance of the full deliverables for Task 1 prior to the Grantee submitting payment 6 in the amount of \$1,284,010, which was disbursed on January 23, 2024.

Recommendations:

We recommend the ORCP implement stronger internal controls to ensure Grant Managers review and approve deliverables prior to approving payments. Additionally, we recommend the ORCP review the interim payments and obtain the documentary evidence including supporting documentation for all disbursements made where Exhibit A was accepted as a deliverable. We also recommend the ORCP determine whether the subcontractor had fully performed its Project obligations described and subsequently reimbursed to the Grantee.

Management Response:

- The interim payment request language was removed from the Program's OGC-approved Attachment 3 in June 2023. The Deliverables, Performance Measures, and Payment Request Schedule language have been updated in all Program grant agreements to require more clear, strong, and strict deliverables, and to only reimburse grantees following the completion of a partial or full formal deliverable.
- The program has strengthened internal controls for the review of deliverables and payment requests, including all supporting and required documentation, in both the Grant Management and Budget and Contract Section. Deliverables are required to be reviewed by a second-level grant reviewer prior to the Department grant manager providing the grantee with a deliverable acceptance or non-

acceptance letter. Payment requests are required to be reviewed by two Budget Section staff and two Grants Section staff (a primary and second-level review from each section) prior to processing the payment request. This will ensure that sufficient documentation has been received prior to deliverable acceptance and reimbursement.

- The Documentary Evidence Requirement for Subcontractor(s) was removed from the Program's OGC-approved Attachment 2 in January 2024. The language is no longer included in Program grant agreements, and it is also being proactively removed from current grant agreements through formal amendments. Further discussion with the Program administrators and OGC concluded that the language was not necessary as an additional term in the grant agreements as it is otherwise provided and sufficiently documented with the relevant grant deliverables and Exhibit C. The Program has also strengthened the grant deliverables, so this additional documentation is not necessary to ensure subcontractor performance.

STATEMENT OF ACCORDANCE

Statement of Accordance

The Mission of the OIG is to promote accountability, integrity, and efficiency by providing quality audits, investigations, management reviews, and technical assistance.

This work product was prepared pursuant to § 20.055, Florida Statutes, in accordance with the *Principles and Standards for Offices of Inspectors General* as published by the Association of Inspectors General and the *International Standards for the Professional Practice of Internal Auditing*, as published by the Institute of Internal Auditors, Inc. The audit was conducted by Tessa Jordan and supervised by Susan Cureton.

This report and other reports prepared by the OIG can be obtained through the Department's website at <https://floridadep.gov/oig> or by contacting:

Office of Ombudsman and Public Services
public.services@floridadep.gov
(850) 245-2118

Candie M. Fuller,
Inspector General