



Department of Environmental Protection Office of Inspector General

January 27, 2025

Report A-2425DEP-002

Audit of Agreement 23FL4 with Flagler County Board of County Commissioners

INTRODUCTION

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an Audit of Agreement 23FL4. This audit was initiated as a result of the OIG Annual Audit Plan for Fiscal Year 2024-2025.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this audit includes the requirements, deliverables, disbursement, and oversight associated with Agreement 23FL4 (Agreement) between the Department and the Flagler County Board of County Commissioners (Grantee) from November 22, 2022, to current activities.

The objectives of this audit were to:

1. Determine whether the Grantee complied with the requirements of the Agreement, including deliverables and disbursements.
2. Evaluate Department oversight and internal controls of the Grantee's compliance with the Agreement.

To achieve our audit objectives, our methodology included:

- Reviewing the mission, goals, and objectives of the program area.
- Reviewing background information on the Department's website related to the program area.
- Reviewing the Agreement to determine the requirements of the Grantee and the Department.
- Reviewing applicable federal or state laws, rules, and directives.
- Interviewing the Department staff regarding any discrepancies discovered during the audit.

BACKGROUND

The Department's Beaches Programs is housed within the Office of Resilience and Coastal Protection (ORCP). According to their website, the Beaches Programs *have the primary mission of protecting, restoring, and managing Florida's coastal systems*. Funding for Florida's critically eroded beaches is managed by the Beach Management Funding Assistance Program (BMFA). BMFA manages funding for Florida's critically eroded beaches and provides as well as manages grants to local governments to plan and implement beach and inlet management projects.

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On August 29, 2023, the Grantee and the Department executed a cost-reimbursement Agreement with no matching requirements. The Project funded under the Agreement consists of beach and dune sand placement consistent with the recovery plan to address impacts of Hurricane Ian and Nicole. Per the Agreement, the project is located along 18.1 miles of the Atlantic Ocean shoreline in Flagler County, Florida.

The Agreement had a begin date of November 22, 2022, and an expiration date of December 31, 2025. The Agreement includes one task and deliverable with a deliverable due date of September 30, 2025. The Grantee will only be compensated for costs that meet the contractual (subcontractors) budget category and the total amount of funding available for the Agreement is \$5,000,000.00.

RESULTS OF AUDIT

During the audit, we reviewed the Grantee's compliance with the requirements of the Agreement, deliverables, disbursements, ORCP oversight, and internal controls. Since the Agreement remains active and does not expire until 2025, our review included the work and activities completed within the duration of the audit period. Based on our review, we found the following:

Tasks and Deliverables

According to the Agreement, the only task included *work performed and costs incurred associated with the placement of fill material and/or the construction of erosion control structures within the Project area*. The Agreement established that the Grantee may submit interim payment requests with a Task Summary Report signed by the Grantee required as the deliverable. Per the Agreement, the *Task Summary Report must include the dates and descriptions of all activities, surveys and reports completed or in progress during the time period of the interim payment request*. Our review found that a Task Summary Report was provided that included the details and dates of most activities completed during the payment period; however, the Task Summary Report did not include the date of completion for the footpaths that were graded, and the signature of the Grantee was missing.

The Agreement also required the Department's Grant Manager to provide written acceptance of each deliverable prior to reimbursement. We found that the Department's Grant Manager provided a written approval of the Task Summary Report. Based on the date of the approval letter, the written acceptance of the deliverable was provided prior to reimbursement.

Disbursements

At the time of our review, the Grantee had received one interim payment on March 20, 2024, in the amount of \$3,296,645.31. According to the Agreement, the Grantee shall request reimbursement for all eligible Project costs on the Exhibit C, Payment Request Form *upon the submittal, completion, and approval of each deliverable identified in the Grant Work Plan*. Additionally, the Agreement states that reimbursement requests for payments to subcontractors must be substantiated by copies of invoices with backup documentation identical to that required from the Grantee. Based on our review, it

appears that the Exhibit C form was submitted after the submittal, completion, and approval of the deliverable. Additionally, we found that the Grantee provided invoices with backup documentation for subcontracted work completed within this Agreement.

Additional Agreement Requirements

Insurance

The Agreement requires the Grantee to provide proof of, as well as maintain, adequate general liability insurance, commercial automobile insurance, and worker's compensation insurance coverage prior to the completion of any work under the Agreement. Based on review, we found the Grantee had sufficient general liability and commercial automobile insurance coverage as required. Based on communication with ORCP, we found that verification of the submission date for proof of insurance was not available due to the absence of some correspondence retention with former employees. Although we were able to verify the Grantee provided proof of adequate general liability and commercial automobile insurance coverage, we were unable to determine whether it was submitted prior to the performance of work included in the Agreement. Our review also found that proof of worker's compensation insurance coverage was not obtained until we requested verification of it during the audit. Therefore, proof of worker's compensation insurance coverage was not obtained prior to the completion of work in this Agreement.

Status Reports

The Agreement requires the Grantee to submit quarterly reports to the Department's Grant Manager no more than twenty days following the completion of each quarter. Based on the reporting periods specified in the Agreement, we found that four quarterly reports were required during the Agreement period. Based on review, we found that all required quarterly reports were provided. Out of the four quarterly reports provided, we only found verification that one of the reports was submitted within the deadline established in the Agreement. Based on communication with ORCP, we found verification of the submission date for the three other status reports was not available due to the lack of some correspondence retention with former employees. Based on the date of signing, two of the reports were signed by the Grantee after the twenty-day due date established in the Agreement.

Subcontracts

Per the Agreement, the Grantee *shall submit a copy of the executed subcontract to the Department prior to submitting any invoices for subcontracted work*. Based on review, we found that executed subcontracts were provided to ORCP prior to the Grantee submitting invoices for subcontracted work, as required. Although the executed subcontracts were provided, we found the subcontracts referenced a prior executed agreement number (23FL1) and not the Agreement under audit. Based on an interview with ORCP staff, we found that the subcontracts provided for this Agreement were initially created for the execution of the prior agreement and documentation that references the prior agreement were used interchangeably for required documentation under this Agreement.

Scopes of Work

Per the Agreement, the Grantee was required to submit detailed scopes of work and each scope of work required written approval from the Department's Grant Manager. Based on

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the Scope Summary Table provided by ORCP, we determined there were a total of three scopes of work submitted for approval, and the subcontracts were also utilized as scopes of work for the Agreement. Our review found that the Department's Grant Manager provided written approvals for each scope of work identified in the Scope Summary Table; however, the subcontracts/scopes of work provided for this Agreement referenced the prior agreement number.

Duplicative Agreements

While completing our review of the Agreement, we found that the subcontracts and approved scopes of work referenced prior agreement number 23FL1, executed in December 2022. After comparing the prior agreement to the Agreement under audit, we found both agreements contained identical tasks and deliverables for the same Grantee. Also, both agreements had a begin date of November 22, 2022, and an expiration date of December 31, 2025. Having duplicative tasks and deliverables in separate agreements was noted in a prior audit conducted by the Department's OIG¹. The audit report included a recommendation that ORCP ensure tasks and deliverables in future agreements identify specific tasks that are not identical to deliverables in other agreements. However, the Agreement under audit, which was executed on August 29, 2023, includes an identical control weakness identified by the prior audit. By duplicating tasks and deliverables among different agreements for the same project, the Department increases its risk of acquiring duplicative billing.

CONCLUSION

During the audit, we reviewed the Grantee's compliance with the requirements of the Agreement, deliverables, disbursements, ORCP oversight, and internal controls. Based on our review, it appears that the Grantee generally complied with the requirements specified in the Agreement. However, our review noted some areas where oversight and internal controls could be strengthened. Our findings and recommendations are listed below.

FINDINGS AND RECOMMENDATIONS

Finding 1: Required Documentation - The Grantee did not always provide completed deliverables, timely quarterly reports, or proof of insurance.

Deliverable

The Agreement established that the Grantee may submit interim payment requests with a Task Summary Report signed by the Grantee required as the deliverable. Per the Agreement, the *Task Summary Report must include the dates and descriptions of all activities, surveys and reports completed or in progress during the time period of the interim payment request*. Our review found that a Task Summary Report was provided that included the details and dates of most activities completed during the payment

¹ Audit of Agreement 18PB7 with the City of Boca Raton for the Central Boca Raton Beach Nourishment Project, report number A-2021DEP-006, issued October 2021.

period; however, the Task Summary Report did not include the date of completion for the footpaths that were graded, and the signature of the Grantee was missing.

Status Reports

The Agreement requires the Grantee to submit quarterly reports to the Department's Grant Manager no more than twenty days following the completion of each quarter. Based on the reporting periods specified in the Agreement, we found that four quarterly reports were required during the Agreement period. Based on review, we found that all required quarterly reports were provided. Out of the four quarterly reports provided, we only found verification that one of the reports was submitted within the deadline established in the Agreement. Based on communication with ORCP, we found verification of the submission date for the three other status reports was not available due to the lack of some correspondence retention with former employees. Based on the date of signing, two of the reports were signed by the Grantee after the twenty-day due date established in the Agreement.

Proof of Insurance

The Agreement requires the Grantee to provide proof of, as well as maintain, adequate general liability insurance, commercial automobile insurance, and worker's compensation insurance coverage prior to the completion of any work under the Agreement. Based on review, we found the Grantee had general liability and commercial automobile insurance coverage as required by the Agreement. Although we were able to verify the Grantee provided proof of adequate general liability and commercial automobile insurance coverage, proof of worker's compensation insurance coverage was not obtained until we requested verification of it during the audit. Additionally, we were unable to determine whether proof of insurance was submitted prior to the performance of work included in the Agreement due to the absence of some correspondence retention with former employees.

Recommendations:

We recommend ORCP provide training to Grant Managers and strengthen internal controls to ensure supporting documentation for deliverables are complete before acceptance, status reports are submitted timely, and insurance requirements are met by the Grantee as required by the Agreement. We also recommend that ORCP ensure maintenance and retention of documentation is sufficient to ensure Grantee compliance with the terms of the Agreement.

Management's Response:

Office of Resilience and Coastal Protection (ORCP) will ensure that the Beach Management Funding Assistance Program (BMFA) maintains an updated grant management manual and provides grant management training to grant managers and support staff as needed at the discretion of BMFA and ORCP management. Internal controls will be strengthened to ensure the tracking and maintenance of grant compliance documentation in a centralized location for all grants, until the program is migrated into the Salesforce grant management framework. Once in the Salesforce platform, all documents will be centralized, and tracking can be automated.

Finding 2: Duplicate Agreements – Subcontracts and scopes of work referenced a prior agreement that included identical timeframe, tasks, and deliverables.

While completing our review of the Agreement, we found that the subcontracts and approved scopes of work referenced prior agreement number 23FL1, executed in December 2022. After comparing the prior agreement to the Agreement under audit, we found both agreements contained identical tasks and deliverables for the same Grantee. Also, both agreements had a begin date of November 22, 2022, and an expiration date of December 31, 2025. Having duplicative tasks and deliverables in separate agreements was noted in a prior audit conducted by the Department's OIG. The audit report included a recommendation that ORCP ensure tasks and deliverables in future agreements identify specific tasks that are not identical to deliverables in other agreements. However, the Agreement under audit, which was executed on August 29, 2023, includes an identical control weakness identified by the prior audit. By duplicating tasks and deliverables among different agreements for the same project, the Department increases its risk of acquiring duplicative billing.

Recommendations:

We recommend ORCP ensure tasks and deliverables in different agreements for the same Grantee are not identical and include specific tasks to be undertaken. We also recommend ORCP ensure that supporting documentation relates to the same agreement in which payment is being requested.

Management's Response:

Following the 2021 A-2021DEP-006 OIG audit, BMFA annually identifies if appropriated funding for each project is in relation to an ongoing project grant resulting in an amendment to an existing grant, or if the appropriated funding is for a novel project resulting in an original grant agreement. Henceforth, ORCP and BMFA staff will ensure different grant agreements do not contain identical tasks and deliverables by combining future appropriations into single grant agreements when necessary, including when funding appropriations may be from separate sources when allowable (i.e., state legislative appropriation and federal ARPA funding). If requirements associated with specific appropriations do not allow for single inclusive agreements, each individual grant agreement will contain specific tasks pertaining to the scope of work with a precise period of performance. The implementation of this change will occur with any new legislative appropriation (expected 7/1/2025) including special hurricane recovery appropriation.

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 Phylea Daugherty and supervised by Susan Cureton.

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