



## Department of Environmental Protection Office of Inspector General

February 25, 2025

Report A-2324DEP-019

### ***Audit of Agreement WG017 with Town of Lake Placid for Utility Septic to Advance Waste Treatment Sewer***

#### **INTRODUCTION**

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Agreement WG017 (Agreement) with the Town of Lake Placid (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 the reimbursement period of July 1, 2021, 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.
- Reviewing appropriate documentation relating to deliverables, invoices, communications, and other supporting documentation.
- Conducting analyses of Grantee activities related to the Agreement.
- Interviewing appropriate Department employees and management regarding the processes and controls used in the duration of the Agreement.

#### **BACKGROUND**

The Division of Water Restoration Assistance (Division) is responsible for providing financial assistance to fund projects that improve the quality and quantity of the water resources of the state. The Division provides loans and grants to local governments, utilities, and sometimes other agencies for projects that improve the quality and quantity of the state's water resources and provide a significant benefit to the environment and local communities.

**Department of Environmental Protection  
Office of Inspector General  
Audit of Agreement WG017 with Town of Lake Placid for Utility Septic to AWT Sewer**

The Division entered into the Agreement with the Grantee on July 27, 2022. The Grantee was to construct an Advanced Waste Treatment (AWT) Plant and add wastewater collection lines to serve approximately 2,800 homes that connect to the plant (Project). The Agreement is set to expire on December 30, 2026, with a total amount of funding available set at \$40 million. The Agreement was cost reimbursable, including a reimbursement period of July 1, 2021, to the Agreement's expiration date. The costs eligible for reimbursement were limited to the contractual (subcontractors) and salaries/wages budget categories. The Grant Work Plan included eight tasks (see table below). Based on our review, the Grantee received seven payments under the original Agreement, totaling \$2,623,401.18. The budget and timeline for each task is provided in the table below.

Original Agreement					
Task No.	Task Title	Budget Category	Grant Amount	Task Start Date	Task End Date
1	BMAP <sup>1</sup> Commitment	No-Cost Deliverable	\$0	07/01/2021	12/31/2022
2	Project Administration	Salary	\$700,000	07/01/2021	06/30/2026
3	Pre-Design Study	Contractual Services	\$100,000	07/01/2021	06/30/2023
4	Design and Permitting	Contractual Services	\$3,000,000	07/01/2021	01/31/2024
5	Bidding and Contractor Selection	Contractual Services	\$600,000	07/01/2021	06/30/2024
6	Project Management	Contractual Services	\$1,500,000	07/01/2021	06/30/2026
7	Construction	Contractual Services	\$30,100,000	07/01/2021	06/30/2026
8	Connection to Central Sewer	Contractual Services	\$4,000,000	07/01/2021	06/30/2026

The Agreement was amended on June 17, 2024. The Amendment included revisions to the expiration date, budget categories, and the Grant Work Plan. The Amendment revised the expiration date to September 30, 2026. A Miscellaneous/Other Expenses category was added as a cost eligible for reimbursement. The Revised Grant Work Plan included seven tasks, instead of eight, and a reallocation of the budget across those tasks (see table below). Based on our review, the Grantee received one payment under the Amendment totaling \$152,500.96. The budget and timeline for each task under the Amendment is provided in the table below.

Amendment 1					
Task No.	Task Title	Budget Category	Grant Amount	Task Start Date	Task End Date
1	BMAP Commitment	No-Cost Deliverable	\$0	07/01/2021	12/31/2022
2	Project Administration	Salary	\$400,000	07/01/2021	06/30/2026
3	Pre-Design Study	Contractual Services	\$53,530	07/01/2021	06/30/2023
4	Preconstruction Activities	Contractual Services	\$3,092,500	07/01/2021	01/31/2025
		Miscellaneous/ Other Expenses	\$7,500		
5	Bidding and Contractor Selection	Contractual Services	\$100,000	07/01/2021	02/28/2025
6	Project Management	Contractual Services	\$1,000,000	07/01/2021	06/30/2026
7	Construction	Contractual Services	\$29,346,470	07/01/2021	06/30/2026
		Miscellaneous/ Other Expenses	\$6,000,000		

<sup>1</sup> BMAP (Basin Management Action Plan)

## **RESULTS OF AUDIT**

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During the audit, we reviewed the Grantee's compliance with the requirements of the Agreement, including deliverables, disbursements, Division oversight, and internal controls. A summary of our review is below.

### **Completion of Deliverables**

We reviewed deliverables completed under the original Agreement and also following execution of the Amendment. Based on our review, we determined some deliverables were not completed in accordance with the Agreement or the Amendment, as applicable. Additionally, the Agreement states the Department's Grant Manager must provide written acceptance of deliverables prior to the Grantee submitting requests for payment. We found the Grantee generally submitted deliverables with payment requests and did not get prior written acceptance of the deliverables. Below is a summary of our review of deliverables completed under the Agreement and also after execution of the Amendment.

### **Deliverables Completed Under the Agreement**

<b>Task 1: Commitment to Basin Management Action Plan (BMAP)</b>
<b>Deliverables:</b> The Grantee will submit an official letter to the Department's Division of Environmental Assessment and Restoration indicating its commitment to completing this project and requesting this project be included in the Okeechobee BMAP.
<b>Documentation:</b> The Grantee will submit a signed copy of this letter to the Department's Grant Manager.
<b>Financial Consequences:</b> The Grantee may not proceed with any other tasks in this Agreement until written acceptance of the deliverables is provided by the Department's Grant Manager.
<b>Additional Financial Consequences:</b> The Department's Grant Manager must receive and accept the official letter prior to the processing of reimbursement requests for any other tasks.

Our review determined the Grantee submitted a draft commitment letter in June 2022 via email to the previous Grant Manager. The Grantee stated in the email *Please let me know if this is acceptable and I'll get the Mayor to sign*. A few weeks later, the Grant Manager stated the letter looked great and instructed the Grantee where to address and send the letter. While we were provided a copy of the official signed commitment letter, we were unable to determine when the official commitment letter was submitted to the Department and whether the official signed letter was approved by the Grant Manager. As noted in the table above, the *Grant Manager must receive and accept the official letter prior to the processing of reimbursement requests for any other tasks*. While it appears the Grant Manager reviewed a draft commitment letter for Task 1, the Division was unable to provide documentation showing when the signed official letter was submitted. Additionally, the Grant Manager provided written acceptance of the Task 1 deliverable on October 6, 2022, via email, along with approval for additional tasks already completed. The Grantee submitted Payment Request 1 on September 1, 2022, which included Tasks 2, 3, and 4. Based on our review, the Grantee submitted the commitment letter, but may not have received written acceptance from the Department's Grant Manager before proceeding with other tasks as required by the Agreement.

### Task 2: Project Administration

**Deliverables:** The Grantee will perform project administration, project scope determination, planning of proposed projects, design consultant direction and oversight, public meeting attendance, construction observation, site meetings with construction contractor(s) and design professionals, and overall project coordination and supervision. Town and County resolutions and ordinances preparation (to manage connections), public hearings, and meetings with County and Town Elected officials and staff. The hours and time spent on the project will be tracked and billed for reimbursement by the Grantee.

**Documentation:** The Grantee will submit interim progress status summaries including a summary of activities, as applicable.

**Performance Standard:** The Department's Grant Manager will review the documentation to verify that the deliverables have been completed as described above. Upon review and written acceptance by the Department's Grant Manager, the Grantee may proceed with payment request submittal.

The Agreement required *interim progress status summaries* as a deliverable for Task 2 and also states, *The hours and time spent on the project will be tracked and billed for reimbursement by the Grantee*. The Grant Manager stated they accepted either progress reports and/or salary reports as deliverables for Task 2. However, our review found the Grantee submitted progress reports and/or salary reports along with each payment request and did not obtain prior written acceptance by the Grant Manager as required. Additionally, we found written acceptance of deliverables was not clearly provided even after submission of the payment request. Some payment requests were for multiple tasks and included an Exhibit A, Progress Report Form. This form is required to be submitted based on another section of the Agreement not related to Task 2 or any Task. Our review also noted salary reports submitted by the Grantee did not always match the amount requested and one salary report was missing from the payment request. Without the Grantee submitting deliverables specific to Task 2 and receiving written approval, it is not clear if the Progress Report Forms or salary reports were deliverables specific to Task 2 or other areas of the Agreement.

### Task 3: Pre-Design Study

**Deliverables:** The Grantee will perform a pre-design study or master plan of the Grantee's wastewater infrastructure to determine if any existing facilities must be upgraded to accommodate the proposed projects and produce a pre-design report that will detail the scope of the problem in the analysis area, outline design options, and identify the tasks required to complete a resolution to the problem.

**Documentation:** The Grantee will submit the final pre-design study report.

**Performance Standard:** The Department's Grant Manager will review the documentation to verify that the deliverables have been completed as described above. Upon review and written acceptance by the Department's Grant Manager, the Grantee may proceed with payment request submittal.

**Payment Request Schedule:** The Grantee may submit a payment request for cost reimbursement at the conclusion of the task.

For Task 3, our review determined the Grantee submitted the final pre-design study report deliverable along with their payment request, without obtaining prior written acceptance of the Task 3 deliverable. The payment request was submitted by the Grantee on

September 1, 2022, while the written acceptance of the Task 3 deliverable was not provided until October 6, 2022.

#### **Task 4: Design and Permitting – Original Agreement**

**Deliverables:** The Grantee will complete the design and obtain all necessary permits for the construction of the project.

**Documentation:** The Grantee will submit: 1) a signed acceptance of the completed work to date, as provided in the Grantee's Certification of Payment Request; and 2) a summary of design activities to date, indicating the percentage of design completion for the time period covered in the payment request. For the final documentation, the Grantee will also submit a copy of the design completed with the funding provided for this task and a list of all required permits identifying issue dates and issuing authorities.

**Performance Standard:** The Department's Grant Manager will review the documentation to verify that the deliverables have been completed as described above. Upon review and written acceptance by the Department's Grant Manager, the Grantee may proceed with payment request submittal.

For Task 4, the Grantee submitted seven payment requests under the Agreement. Our review found the Grantee submitted the first required deliverable (a signed Certification of Payment Request) along with their payment requests, but did not obtain prior written acceptance of the Task 4 deliverables. However, the Grantee did not submit the second required deliverable (a summary of design activities to date) with any payment request. An email between the Grant Manager and the Grantee shows the missing summary of design activities was requested for all payment requests. The Grantee submitted a summary of design activities as requested; however, we noted the summary did not include the percentage of design completed during each payment request, as required by the Agreement.

Although the Grantee did not obtain written approval of deliverables prior to submitting payment requests, we found some emails where the Grant Manager acknowledges receipt of the deliverables and payment request but does not expressly communicate acceptance of the deliverables. Specifically, the Grant Manager expressly approved Task 4 deliverables in Payment Request 1, but for Payment Request 2, 3, 4, 5, 6, and 7, the written acceptance was not clearly provided. Based on our review, the Grantee did not submit the Task 4 deliverables in accordance with the Agreement but received payment. We also found the Department's Grant Manager did not always provide clear communication to the Grantee regarding acceptance of the deliverables.

#### **Task 4: Preconstruction Activities – Post Amendment**

**Deliverables:** The Grantee will complete the design of the Lake Placid Septic to AWT Sewer and obtain all necessary permits for the construction of the project. The Grantee will also perform engineering services for preliminary engineering reports, boundary and topography surveying, field surveying, geotechnical exploration and design reporting, natural resource assessments, and a protected species report for the project area.



**Documentation:** The Grantee will submit: 1) preliminary engineering reports; 2) boundary and topography survey(s); 3) field survey(s); 4) geotechnical exploration and design reports; 5) a natural resource assessment report; 6) a protected species report; 7) a signed acceptance of the completed work to date, as provided in the Grantee's Certification of Payment Request; and 8) a summary of preconstruction activities to date, indicating the percentage of design completion for the time period covered in the payment request. For the final documentation, the Grantee will also submit a copy of the design completed with the funding provided for this task and a list of all required permits identifying issue dates and issuing authorities.

**Performance Standard:** The Department's Grant Manager will review the documentation to verify that the deliverables have been completed as described above. Upon review and written acceptance by the Department's Grant Manager, the Grantee may proceed with payment request submittal.

For payment requests submitted after execution of the Amendment, the Grantee submitted some of the documentation required for Task 4, including the Certification of Payment Request and the summary of preconstruction activities to date. We requested the Grant Manager's written acceptance of the Task 4 deliverables. During discussions with the Grant Manager, we were told that acknowledgement of the deliverables was the acceptance. For example, in response to one payment request and deliverable submitted via email, the Grant Manager replied, *Perfect! Thank you* acknowledging that the deliverable was accepted. Based on our review, the Grantee submitted some Task 4 deliverables; however, the Department's Grant Manager did not clearly provide written acceptance of the deliverables to the Grantee, and the Grantee did not submit the deliverables prior to submitting payment requests.

#### **Task 5: Bidding and Contractor Selection – Post Amendment**

**Deliverables:** The Grantee will prepare a bid package, publish a public notice, solicit bids, conduct pre-bid meetings, and respond to bid questions in accordance with the Grantee's procurement process, to select one or more qualified and licensed contractors to complete construction of the project.

**Documentation:** The Grantee will submit: 1) the public notice of advertisement for the bid; 2) the bid package; 3) a written notice of selected contractor(s).

**Performance Standard:** The Department's Grant Manager will review the documentation to verify that the deliverables have been completed as described above. Upon review and written acceptance by the Department's Grant Manager, the Grantee may proceed with payment request submittal.

Our review determined the Grantee submitted the required documentation for Task 5. We noted the Grantee submitted part of the deliverable documentation on August 29, 2024, and the remaining documentation on August 30, 2024. The Grant Manager provided written acceptance of the Task 5 deliverables on August 30, 2024. However, the Grantee received payment on August 1, 2024. Based on our review, the Grantee submitted the Task 5 deliverables; however, the Grantee received payment prior to the submission of the deliverables and did not obtain prior written acceptance by the Department's Grant Manager, as required by the Amendment.

**Task 6: Project Management – Original Agreement and Post Amendment**

**Deliverables:** The Grantee will perform project management, including field engineering services, construction observation, site meetings with construction contractor(s) and design professionals, and overall project coordination and supervision for the project.

**Documentation:** The Grantee will submit interim progress status summaries including a summary of inspection(s), meeting minutes, and field notes, as applicable.

**Performance Standard:** The Department's Grant Manager will review the documentation to verify that the deliverables have been completed as described above. Upon review and written acceptance by the Department's Grant Manager, the Grantee may proceed with payment request submittal.

The Agreement and the Amendment required *interim progress status summaries* as a deliverable for Task 6 and also states *Upon review and written acceptance by the Department's Grant Manager, the Grantee may proceed with payment request submittal*. Based on our review, the Grantee did not submit deliverables for Task 6 in accordance with the Agreement or prior to submitting a payment request. The Grantee received payment for Task 6 under payment requests 7 and 8. No deliverables were submitted for Task 6 under payment request 7. For payment request 8, the Grant Manager stated invoices were deemed as acceptable as deliverable documentation for Task 6. However, the invoices submitted with each payment request were from the Grantee's subcontractor and only included a brief description of services provided, such as *review of Grant Agreement and Project Files*. The Grant Manager stated no other documentation was provided with the Task 6 invoices.

Additionally, as noted in Task 2 above, some payment requests were for multiple tasks and included an Exhibit A, Progress Report Form. This form is required to be submitted based on another section of the Agreement not related to any Task. The Progress Reports we reviewed covered the period July 2021 through June 2024. However, our review noted that on every Progress Report Form submitted, Task 6 was noted as *This task has not begun*. Based on our review, the Grantee did not submit the Task 6 deliverables, and the Grant Manager did not provide written acceptance of deliverables for Task 6. However, the Grantee received payment under Task 6.

**Cost Reimbursement Requirements**

Regarding payment requests, the Agreement states, *the Grantee shall be paid on a cost reimbursement basis for all eligible Project costs upon the completion, submittal, and approval of each deliverable identified in the Grant Work Plan. Reimbursement shall be requested on Exhibit C, Payment Request Summary Form*.

The Agreement further 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*. We reviewed the Grantee's payment requests and supporting documentation. During our review, the Grantee submitted and received reimbursement for seven interim payment requests under the Agreement and one interim payment request after execution of the Amendment. As previously stated, the Grantee did not obtain prior written approval of deliverables before proceeding with submitting payment requests. Our review found the Grantee submitted Exhibit C for each payment request, but some discrepancies were noted. Specifically, we found the following:

#### Payment 1

The payment request was for Tasks 2, 3, and 4 and totaled \$100,832. The Grantee submitted the invoices, salary report, and proof of payment as required. However, the Grantee did not receive written approval of the deliverables from the Department's Grant Manager before proceeding with the payment request submittal, as required by the Agreement. Specifically, the Grantee submitted their payment request on September 1, 2022, but received written approval of the deliverables on October 6, 2022. Additionally, our review of the deliverables found the Grantee did not submit the Task 4 deliverables in accordance with the Agreement. Specifically, the Grantee did not submit the summary of design activities, indicating the percentage of design completion for the time period covered in the payment request, as required. Based on our review, the Grantee received payment for incomplete deliverables.

#### Payment 2

The payment request was for Tasks 2, 3, and 4 and totaled \$215,556. The Grantee submitted the invoices, salary report, and proof of payment as required. However, the Department's Grant Manager did not provide clear communication to the Grantee regarding acceptance of the deliverables. Our review of the deliverables found the salary report submitted included more hours worked and billed than the payment request reported. Additionally, the Grantee did not submit the Task 4 deliverables in accordance with the Agreement. Specifically, the Grantee did not submit the summary of design activities, indicating the percentage of design completion for the time period covered in the payment request, as required. Based on our review, the Grantee received payment for incomplete deliverables.

#### Payment 3

The payment request was for Tasks 2 and 4 and totaled \$446,853. The Grantee submitted the invoices, salary report, and proof of payment as required. However, the Department's Grant Manager did not provide clear communication to the Grantee regarding acceptance of the deliverables. Our review of the deliverables found the salary report submitted included more hours worked and billed than the payment request reported. Additionally, the Grantee did not submit the Task 4 deliverables in accordance with the Agreement. Specifically, the Grantee did not submit the summary of design activities, indicating the percentage of design completion for the time period covered in the payment request, as required. Based on our review, the Grantee received payment for incomplete deliverables.

#### Payment 4

The payment request was for Tasks 2 and 4 and totaled \$628,321. The Grantee submitted the invoices and proof of payment as required. However, we noted the salary report submitted included fewer hours worked and billed than the payment request reported. Specifically, the salary report shows 308 hours worked totaling \$14,331.24, whereas the payment request shows 320 hours worked totaling \$14,569.60. Additionally, our review found the Grantee did not submit the Task 4 deliverables in accordance with the Agreement. Specifically, the Grantee did not submit the summary of design activities, indicating the percentage of design completion for the time period covered in the payment request, as required. We also found the Department's Grant Manager did not provide clear communication to the Grantee regarding acceptance of the deliverables. Based on



our review, the Grantee received payment for incomplete deliverables. Moreover, it appears the Grantee was paid more for Task 2 deliverables than was supported by documentation.

#### Payment 5

The payment request was for Tasks 2 and 4 and totaled \$511,311. The Grantee submitted the invoices and proof of payment as required. However, our review of the deliverables determined the Grantee did not submit the Task 2 or the Task 4 deliverables in accordance with the Agreement. Specifically, the Grantee did not submit the salary report showing the hours worked and billed for reimbursement. Additionally, the Grantee did not submit the summary of design activities, indicating the percentage of design completion for the time period covered in the payment request, as required. Based on our review, the Grantee received payment for incomplete deliverables and without supporting documentation.

#### Payment 6

The payment request was for Tasks 2 and 4 and totaled \$631,108. Most of the invoices and proof of payment submitted by the Grantee supported the payment request. However, our review found some invoices appear to be ineligible for reimbursement. Specifically, three invoices totaling \$7,500 were originally approved and accepted under Task 4 for contractual services. Based on communications provided, these invoices were later moved to miscellaneous/other expenses following the execution of the Amendment. However, at the time of the original payment request, miscellaneous/other expenses was not an approved budget category under the Agreement. Additionally, we noted the salary report submitted by the Grantee included fewer hours worked and billed than the payment request reported. Specifically, the salary report shows 112 hours totaling \$6,462.40, whereas the payment request shows 192 hours totaling \$8,741.76. Our review also found the Grantee did not submit the Task 4 deliverables in accordance with the Agreement. Specifically, the Grantee did not submit the summary of design activities, indicating the percentage of design completion for the time period covered in the payment request, as required. Based on our review, the Grantee received payment for incomplete deliverables and ineligible expenses. Moreover, it appears the Grantee was paid more for Task 2 deliverables than was supported by documentation.

#### Payment 7

The payment request was submitted for Task 4 and totaled \$89,416. Our review determined the Grantee did not submit complete deliverables for Task 4. Specifically, for Task 4 the Grantee did not submit the summary of design activities, indicating the percentage of design completion for the time period covered in the payment request, as required. The Grantee also did not submit interim progress status summaries including a summary of inspection(s), meeting minutes, and field notes, as required. Additionally, our review noted the amount paid for this request was later adjusted in Payment 8 to be for Tasks 4 and 6. Although the Grantee also had not submitted deliverables for Task 6. Based on our review, the Grantee received payment for incomplete deliverables.

#### Payment 8

The payment request was for Tasks 4, 5, and 6 and totaled \$152,500. The Grantee submitted the invoices and proof of payment as required. Our review of the deliverables found the Grantee submitted the Task 4 and Task 5 deliverables in accordance with the

Amendment. However, the Grantee did not submit the deliverables for Task 6, including the interim progress status summaries. Additionally, our review found the Grantee received written approval from the Department's Grant Manager for the Task 5 deliverables. However, based on communication with the Department's Grant Manager, no written acceptance was provided for the Task 6 deliverables, and the Task 4 deliverables were acknowledged through email but not clearly accepted. We also determined the Grantee received payment prior to receiving any written acceptance of the deliverables from the Department's Grant Manager. Based on our review, the Grantee received payment for incomplete deliverables and before receiving written acceptance of the deliverables from the Department's Grant Manager, as required by the Amendment.

### **Additional Requirements**

#### **Status Reports**

The Agreement states, *the Grantee shall submit status reports quarterly, unless otherwise specified in the Attachments, on Exhibit A, Progress Report Form, to Department's Grant Manager describing the work performed during the reporting period, problems encountered, problem resolutions, scheduled updates, and proposed work for the next reporting period. 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.* Based on our review, four of the nine status reports submitted by the Grantee were submitted more than 20 days following the completion of the quarterly reporting period.

#### **Statutory Notices Relating to Unauthorized Employment and Subcontracts**

The Agreement states, *the Department shall consider the employment by any Grantee of unauthorized aliens a violation of Section 274A(e) of the Immigration and Nationality Act. If Grantee/subcontractor knowingly employs unauthorized aliens, such violation shall be cause for unilateral cancellation of this Agreement. The Grantee shall be responsible for including this provision in all subcontracts with private organizations issued as a result of this Agreement.* The Grantee submitted six subcontracts. Based on our review, four out of six subcontracts did not include the required provision relating to unauthorized employment.

#### **Subcontracting**

The Agreement states, *the Grantee may subcontract work under this Agreement without the prior written consent of the Department's Grant Manager except for certain fixed-price subcontracts pursuant to this Agreement, which require prior approval. The Grantee shall submit a copy of the executed subcontract to the Department prior to submitting any invoices for subcontracted work. Regardless of any subcontract, the Grantee is ultimately responsible for all work to be performed under this Agreement.* Based on our review, the Grantee did not submit five of six subcontracts prior to submitting any invoices for subcontracted work, as required. The Grantee submitted and received payment for seven payment requests that included invoices from five subcontractors.

#### **Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Requirements**

The Agreement states, *the Department, as a pass-through entity, also requires the Grantee to pass on these requirements to all lower tier subrecipients/contractors, and to comply with the provisions of the award, the SLFRF implementing regulation, including*

*applicable provisions of the OMB Uniform Guidance (2 CFR Part 200), and all associated terms and conditions. Therefore, Grantees must include these requirements in all related subcontracts and/or subawards. Grantees can include these requirements by incorporating this Attachment in the related subcontract and/or sub-awards, however for all such subcontracts and sub-awards, the Grantee shall assume the role of the Non-Federal Entity and the subrecipients shall assume the role of the Recipient.*

As mentioned previously, the Grantee submitted six subcontracts. Based on our review, four of the six subcontracts submitted by the Grantee do not appear to include any language relating to SLFRF requirements required by the Agreement.

Additionally, for all infrastructure projects, the Agreement requires *the Grantee shall provide the following project information on a quarterly basis to the Department: projected/actual construction start date (month/year), projected/actual initiation of operation date (month/year), and location details.* For water and sewer projects, once the project starts, the Grantee shall provide the following information to the Department:

- National Pollutant Discharge Elimination System (NPDES) Permit Number
- Public Water System (PWS) ID Number
- Median Household Income of service area
- Lowest Quintile Income of service area

Based on our review, the Grantee submitted the required information to the Department. The project information required on a quarterly basis was included at the bottom of each progress report submitted by the Grantee. The Department's Grant Manager explained the first two bulleted items are required of water projects and the last two bulleted items are required of sewer projects. Our review found the Grantee submitted the Median Household Income and Lowest Quintile Income as required by the Agreement.

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## **CONCLUSION**

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During the audit, we reviewed the Grantee's compliance with the requirements of the Agreement, including deliverables and disbursements. We also reviewed the Division's oversight and internal controls. Based on our review, we determined the Grantee did not submit deliverables for approval prior to submitting payment requests, did not obtain written approval of deliverables prior to submitting payment requests, and some deliverables were not submitted in accordance with the Agreement. Our findings and recommendations are listed below.

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## **FINDINGS AND RECOMMENDATIONS**

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<p><b>Finding 1: Deliverable Written Acceptance – The Grantee did not submit deliverables prior to submitting payment requests, and the Division did not provide written acceptance of deliverables prior to the Grantee submitting payment requests, as required by the Agreement.</b></p>
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Both the Agreement and the Amendment state, *upon review and written acceptance by the Department's Grant Manager, the Grantee may proceed with payment request submittal.* The Agreement further 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.* During our review, the Grantee submitted eight interim payment requests. Our review determined the Grantee did not submit deliverables prior to submitting payment requests and did not obtain prior written approval of the deliverables from the Grant Manager. While our review showed deliverables were sometimes acknowledged as being received by the Grant Manager, the Division did not always provide the Grantee with written acceptance of deliverables even after submission with the payment request.

Additionally, for Task 1, the Agreement required the Grantee to *submit an official letter to the Department's Division of Environmental Assessment and Restoration indicating its commitment to completing this project and requesting this project be included in the Okeechobee BMAP.* Task 1 required the Grantee to submit a signed copy of the letter and *may not proceed with any other tasks in this Agreement until written acceptance of the deliverables is provided by the Department's Grant Manager.* Our review found the Grantee submitted a draft commitment letter in June 2022 via email to the previous Grant Manager. The Grantee stated in the email *Please let me know if this is acceptable and I'll get the Mayor to sign.* A few weeks later, the Grant Manager stated the letter looked great and instructed the Grantee where to address and send the letter. While we were provided with a copy of the official signed commitment letter, we were unable to determine when the official commitment letter was submitted to the Department. As noted above, the *Grant Manager must receive and accept the official letter prior to the processing of reimbursement requests for any other tasks.* While it appears the Grant Manager reviewed a draft commitment letter for Task 1, the Division was unable to provide documentation showing when the official signed letter was submitted. Additionally, the Grant Manager provided written acceptance of the Task 1 deliverable on October 6, 2022, via email, along with approval for other tasks already completed. Based on our review, the Grantee submitted the commitment letter but may not have received written acceptance from the Department's Grant Manager before proceeding with other tasks as required by the Agreement.

### **Recommendations:**

We recommend the Division provide training to Grant Managers to ensure deliverables are received and written acceptance is provided to the Grantee prior to submittal of payment requests, as required by the Agreement. We also recommend the Division ensure such documentation is maintained in the contract files.

### **Management's Response:**

We acknowledge the recommendation and have provided training for the Division's grant managers to ensure that the deliverable documentation is accepted in writing as required by the grant agreement and that the deliverable documentation acceptance is maintained in the grant files. Guidance on this process, as well as example language to use when accepting deliverables, was provided to grant managers in September 2024. Additional training is planned for March 2025.

**Finding 2: Incomplete Deliverables and Ineligible Expenses – The Grantee received reimbursement for deliverables that were not completed in accordance with the Agreement or included ineligible expenses.**

Our review determined some deliverables for Tasks 2, 4, and 6 were not submitted in compliance with the Agreement or prior to the Grantee receiving payment. For Task 2, the salary report did not always support the number of hours billed. For example, on payment request 6, the salary report submitted by the Grantee included fewer hours worked and billed than the payment request reported. Specifically, the salary report showed 112 hours totaling \$6,462.40, whereas the payment request shows 192 hours totaling \$8,741.76.

For Task 4, one of the deliverables required the Grantee to submit *a summary of design activities to date, indicating the percentage of design completion for the time period covered in the payment request*. While the Grantee did not initially submit this deliverable with any payment request, an email between the Grant Manager and the Grantee shows the missing deliverable was later requested. The Grantee submitted a summary of design activities as requested; however, we noted the summary did not include the percentage of design completed during each payment request, as required by the Agreement.

For Task 6, both the Agreement and the Amendment required *interim progress status summaries* as a deliverable. Our review found that the Grantee did not submit deliverables for Task 6 in accordance with the Agreement or prior to submitting a payment request. The Grantee received payment for Task 6 under payment requests 7 and 8. No deliverables were submitted for Task 6 under payment request 7. For payment request 8, the Grant Manager stated invoices were deemed as acceptable as deliverable documentation for Task 6. However, the invoices submitted with each payment request were from the Grantee's subcontractor and only included a brief description of services provided, such as *review of Grant Agreement and Project Files*. Additionally, we reviewed Quarterly Progress Report Forms submitted based on another section of the Agreement and noted that on every report submitted, Task 6 was noted as *This task has not begun*.

Additionally, the Agreement states the costs eligible for reimbursement are limited to the following budget categories: salaries/wages and contractual (subcontractors). Our review found some invoices appear to be ineligible for reimbursement. Specifically, three invoices totaling \$7,500 were originally approved and accepted under Task 4 for contractual services. Based on communications provided, these invoices were later moved to miscellaneous/other expenses following the execution of the Amendment. However, at the time of the original payment request, miscellaneous/other expenses was not an approved budget category under the Agreement.

**Recommendations:**

We recommend the Division provide training to Grant Managers and ensure deliverables are submitted, meet the requirements of the Agreement, and payment requests contain supporting documentation and are for eligible expenditures prior to approving payment. We also recommend the Division review payments made to the Grantee to determine whether any ineligible expenditures were reimbursed and seek reimbursement for any amount determined to be owed to the Department.



**Management's Response:**

We acknowledge the recommendation and will provide training for grant managers to ensure deliverables, payment requests, and supporting documentation meet the requirements of the agreement. Training for this requirement is planned for March 2025. In May 2024, the Division developed a template deliverable format to be used by grantees when a summary of work is required by the task. An update to Division's Grant Work Plan template to require use of this deliverable format was approved and implemented June in 2024. This deliverable format is now widely in use and will help ensure that deliverables meet the requirements of the Agreement. The Division will review payments to the Grantee and seek reimbursement for any costs determined to be ineligible.

**Finding 3: Subcontracts – The Grantee did not always follow the provisions of the Agreement regarding subcontracting requirements.**

The Agreement states, *the Grantee may subcontract work under this Agreement without the prior written consent of the Department's Grant Manager except for certain fixed-price subcontracts pursuant to this Agreement, which require prior approval. The Grantee shall submit a copy of the executed subcontract to the Department prior to submitting any invoices for subcontracted work. Regardless of any subcontract, the Grantee is ultimately responsible for all work to be performed under this Agreement.* Our review found the Grantee did not submit five of six subcontracts prior to submitting any invoices for subcontracted work as required. Specifically, the Grantee submitted and received payment for seven payment requests that included invoices from five of six subcontracts.

The Agreement states, *the Department shall consider the employment by any Grantee of unauthorized aliens a violation of Section 274A(e) of the Immigration and Nationality Act. If Grantee/subcontractor knowingly employs unauthorized aliens, such violation shall be cause for unilateral cancellation of this Agreement. The Grantee shall be responsible for including this provision in all subcontracts with private organizations issued as a result of this Agreement.* Our review found four out of six subcontracts did not include a provision relating to unauthorized employment.

The Agreement states, *the Department, as a pass-through entity, also requires the Grantee to pass on these requirements to all lower tier subrecipients/contractors, and to comply with the provisions of the award, the SLFRF implementing regulation, including applicable provisions of the OMB Uniform Guidance (2 CFR Part 200), and all associated terms and conditions. Therefore, Grantees must include these requirements in all related subcontracts and/or subawards. Grantees can include these requirements by incorporating this Attachment in the related subcontract and/or sub-awards, however for all such subcontracts and sub-awards, the Grantee shall assume the role of the Non-Federal Entity and the subrecipients shall assume the role of the Recipient.* Our review found four of the six subcontracts submitted by the Grantee do not appear to include any language relating to SLFRF requirements as required by the Agreement. The Department's Grant Manager stated in a phone call that she hasn't received all of the attachments for one of the subcontracts, but the SLFRF requirements are likely included in the Project Manual attachment.

**Recommendations:**

We recommend the Division work with Grant Managers to ensure the Grantee complies with all provisions required by the Agreement.

**Management's Response:**

We acknowledge the recommendation and will provide additional training to grant managers on the requirements and review of subcontracts. This training is planned for March 2025.

<b>Finding 4: Status Reports – The Grantee did not always submit status reports in accordance with the Agreement.</b>
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The Agreement states, *the Grantee shall submit status reports quarterly, unless otherwise specified in the Attachments, on Exhibit A, Progress Report Form, to Department's Grant Manager describing the work performed during the reporting period, problems encountered, problem resolutions, scheduled updates, and proposed work for the next reporting period. **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 four of the nine status reports submitted by the Grantee were submitted more than 20 days following the completion of the quarterly reporting period.

**Recommendations:**

We recommend the Division work with Grant Managers to ensure the Grantee submits quarterly status reports in accordance with the Agreement.

**Management's Response:**

We acknowledge the recommendation and will work with grant managers on ensuring grantees submit progress reports on time, including ensuring reminders are sent to grantees and that we are reporting instances where the grantee is not meeting requirements. The Division has added a feature to our grant management system database to send automatic emails to grantees at the start of each quarter as a reminder to submit quarterly progress reports. This feature was added in October 2023.

## STATEMENT OF ACCORDANCE

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### 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 Section 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 Melanie Prescott 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:

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