



Department of Environmental Protection Office of Inspector General

July 14, 2023

Report A-2223DEP-012

Audit of Agreement R2232 with the City of Fernandina Beach for the Comprehensive Historic Downtown Resiliency Plan Segment 2 Project

INTRODUCTION

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Grant Agreement R2232 (Agreement) with the City of Fernandina Beach (Grantee) for the Comprehensive Historic Downtown Resiliency Plan Segment 2 Project (Project). This audit was initiated as a result of the OIG Annual Audit Plan for Fiscal Year 2022-2023.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

Our review was conducted under the authority of § 20.055, Florida Statutes (F.S.), and in accordance with the *International Standards for the Professional Practice of Internal Auditing*, as published by the Institute of Internal Auditors. The scope of this audit included the requirements, oversight, deliverables, and disbursements associated with the Agreement.

The objectives of the audit were to:

- Determine whether required deliverables were completed in accordance with the Agreement.
- Evaluate Department management oversight and controls over the Grantee's compliance with the Agreement.

To achieve our audit objectives, our methodology included:

- Reviewing applicable statutes, regulations, internal operating procedures, and other authoritative documentation.
- Reviewing the requirements of the Agreement, attachments, change orders, and amendments.
- Reviewing associated records and documentation; including, deliverables, invoices, communications, and other supporting documentation.
- Interviewing appropriate Department staff regarding processes and controls in place.

BACKGROUND

The Department's Office of Resilience and Coastal Protection (ORCP) manages more than 5.3 million acres of submerged lands and coastal uplands in Florida. The ORCP oversees the Florida Resilient Coastlines Program, which looks to offer technical assistance and funding to coastal communities dealing with increasingly complex flooding, erosion, and habitat shifts. The Department entered into the Agreement with the Grantee on September 3, 2021. The Project funded under this Agreement included the construction of a natural shoreline and fortification of an earthen berm on Segment 2 within the historic downtown in the City of Fernandina Beach. This Project's Scope of Work included the armoring of the existing slope and development of a living shoreline consisting of oyster shell bags and marsh grass plantings to prevent erosional

**Department of Environmental Protection
Office of Inspector General
Audit of Agreement R2232 with the City of Fernandina Beach for the Comprehensive
Historic Downtown Resiliency Plan Segment 2 Project**

impacts to the shoreline. This was a cost-reimbursement grant with eligible expenses limited to contractual services in the amount of \$493,142. On September 7, 2022, the Grantee submitted its first and only request for payment for the total grant amount of \$493,142. The Agreement included three tasks with associated deliverables, as noted in the table below.

Task No.	Task Title	Task Due Date	Funding Amount
1	SLIP Study Report	30 Days before construction begins	\$0
2	Living Shoreline at Segment 2	8/25/2022	\$312,075
3	Fortification of Earthen Berm at Segment 2	8/25/2022	\$181,067
Grant Total			\$493,142

RESULTS OF AUDIT

During the audit, we reviewed documentation and records relating to the Grantee's completion of the deliverables and the subsequent payment request. Based on our review, the Grantee appears to have generally completed the overall Project described in the Agreement; however, we found some deliverables were never submitted by the Grantee and some were not submitted timely.

Completion of Deliverables

Our review found that the Grantee submitted deliverables for Task 1, and final deliverables required by the Agreement. However, deliverables outlined in the Agreement for Task 2 and Task 3 were not submitted prior to the Grantee receiving payment. A summary of our review of each task and accompanying deliverables is provided below.

Tasks 1, 2 and 3

Task 1: SLIP Study Report

Deliverable: A Sea Level Impact Projection (SLIP) Study Report submitted to the Department, approved by the Department, and then published on the Department's website for no less than 30 days before construction commences. If the project is not located in the Coastal Building Zone, the Grantee will submit one pdf document to the Department's Grant Manager containing a written explanation to show that the project is not subject to § 161.551, F.S., based on its location.

The deliverable for Task 1 required the Grantee to submit a SLIP Study Report. However, if the project is not located in a Coastal Building Zone, then the Grantee was to submit one pdf document containing a written explanation to show that the project is not subject to § 161.551, F.S. Based on our review, the Grantee submitted documentation to the Grant Manager on September 3, 2021, demonstrating that the Project was not located in a Coastal Building Zone, and therefore no SLIP study was required. The Grant Manager approved the Task 1 deliverable on September 8, 2021.

**Department of Environmental Protection
Office of Inspector General
Audit of Agreement R2232 with the City of Fernandina Beach for the Comprehensive
Historic Downtown Resiliency Plan Segment 2 Project**

Task 2: Living Shoreline at Segment 2

Deliverable: The Grantee will submit all task/deliverables for each task via one pdf document to the Department's Grant Manager on or before the task/deliverable due date listed in the Project Timeline.

- 1) Monthly Construction Progress Reports with Photographs
- 2) Task 2 Project Completion Report with Photographs
- 3) Engineer's Certificate of Completion when Task 2 is completed

Task 3: Fortification of Earthen Berm at Segment 2

Deliverable: The Grantee will submit all task/deliverables for each task via one pdf document to the Department's Grant Manager on or before the task/deliverable due date listed in the Project Timeline.

- 1) Monthly Construction Progress Reports with Photographs
- 2) Task 3 Project Completion Report with Photographs
- 3) Engineer's Certificate of Completion when Task 3 is completed

The deliverables for Tasks 2 and 3 had a due date of August 25, 2022, and consisted of monthly progress reports, task-specific completion reports, and task-specific Engineer Certificates of Completion, as noted in the tables above. Based on our review, it appears the Grantee did not submit the deliverables outlined in Tasks 2 or 3, as required by the Agreement. During the audit, we reviewed the Grant Manager's files and subsequently requested a copy of the deliverables for Tasks 2 and 3 from the Grant Manager. Following our inquiry, the Grant Manager requested the information from the Grantee, which would appear to confirm that the ORCP had not received the deliverables prior to approving payment. Even after our subsequent requests and discussions with the Grant Manager, Monthly Construction Progress Reports and task-specific Engineer Certificates of Completion were not obtained. We were able to obtain Project Completion Reports for Tasks 2 and 3; however, both were provided to the ORCP on January 12, 2023. The Task 2 Project Completion Report stated in part, "Task 2 was completed within its extended deadline without issues." The report also included some photos. The Task 3 Project Completion Report stated in part, "Task 3 was completed within the extended timeline, within the original FDEP contract timeframe, without issues." The Task 3 report also included photos, most of which were the same as those provided in the Task 2 report.

Final Project Report

Pursuant to the Agreement, *the Grantee shall submit Exhibit F, Final Project Report Form, prior to requesting final payment.* The Grantee submitted the Final Project Report on June 29, 2022, along with Final Progress Photos, an Engineer's Certification of Payment Request, and a Photographer Release Form. Following the Grantee's submission of these final deliverables, the Grant Manager signed a letter dated July 22, 2022, notifying the Grantee that the deliverables for Tasks 2 and 3 were received and approved (and stating that Task 1 had been previously approved). Although the letter states it is for approval of Task 2 and Task 3 deliverables, the letter was in response to the Grantee's submission of the Final Project Report and supporting documents listed above.

Quarterly Status Reports

The Agreement states, *The Grantee shall submit status reports quarterly...to the Department's Grant Manager describing the work performed during the reporting period.* The quarterly reports

**Department of Environmental Protection
Office of Inspector General
Audit of Agreement R2232 with the City of Fernandina Beach for the Comprehensive
Historic Downtown Resiliency Plan Segment 2 Project**

were required to be submitted using Exhibit A, Progress Report Form, and were due no later than five days following the completion of the quarterly reporting period. Pursuant to the Agreement, the quarterly reporting periods ended on *March 31, June 30, September 30, and December 31*. As the Agreement began on September 3, 2021, the first Quarterly Report would have been due on October 5, 2021. Based on our review, there were four Quarterly Reports signed by the Grantee. We were unable to determine when the reports were submitted to the Department; however, based on the date the Grantee signed the reports, most could not have been submitted timely in accordance with the Agreement (see table below).

Quarterly Status Reports			
Report Time Period Covered	Date Due	Date Signed by Grantee	Number of Days Past the Due Date
9/3/21-9/31/21	10/5/21	11/15/21	41
10/1/21-12/31/21	1/5/22	1/5/22	0
1/1/22-3/31/22	4/5/22	4/22/22	17
4/1/22-6/30/22	7/5/22	7/30/22	25

Our review also noted that the third quarterly report dated 1/1/2022-3/31/2022 showed 100 percent completion of all tasks. Specifically, work for Task 2 was completed April 1, 2022, and work for Task 3 was completed on February 8, 2022.

Payment

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 the Grantee may submit one request for the Grant Amount Awarded, by using the Exhibit C, after the project is 100% completed. The request for the Grant Amount Awarded, must include an Exhibit A showing 100% completion for all tasks, and must be submitted within 45 days of the last task/deliverable due date. The Grantee submitted its first and only payment request on September 7, 2022, for the total grant amount of \$493,142. The Grantee had previously submitted Exhibit A (Quarterly Progress Reports) showing 100 percent completion of all tasks. In addition, the Grantee submitted documents required by Exhibit C, Payment Request Summary Form. The Grantee also submitted invoices from their subcontractor detailing costs incurred during the Project.

Department Oversight

Based on our review, the Department approved payment to the Grantee even though some deliverables were never submitted, and some deliverables were not submitted timely. Additionally, the Grant Manager formally notified the Grantee of the approval of all tasks in a letter stating, "The deliverable(s) can be accepted and demonstrates that the work outlined in the task was satisfactorily performed." During the audit, we reviewed the Payment Request Review Checklist form that was completed by the Grant Manager prior to the Grantee receiving payment. The form contains several items that had been checked-off by the Grant Manager including the following:

- Deliverables for all tasks included with the payment request have been submitted and approved in writing by the Department Grant Manager.

**Department of Environmental Protection
Office of Inspector General
Audit of Agreement R2232 with the City of Fernandina Beach for the Comprehensive
Historic Downtown Resiliency Plan Segment 2 Project**

- Proof of payment (copies of canceled checks, bank statement, pay stubs, etc.) must be provided for all costs included in Part I-IV.

We requested the *proof of payment for all costs included in Part I-IV* which included verification of payment made to the subcontractor. Although this was checked-off as being reviewed by the Grant Manager, the documentation supporting proof of payment was not obtained or reviewed prior to the Grantee receiving payment. During our audit, we were able to obtain cancelled checks that supported the invoice documentation provided by the Grantee and verified the subcontractor was paid.

CONCLUSION

Based on the results of our review, we found weak internal controls and a lack of ORCP oversight regarding the review and approval of deliverables required by the Agreement. Although the Grantee appears to have generally completed the overall Project described in the Agreement, our review found some deliverables were not submitted timely and some were never submitted at all. Our finding and recommendation are listed below.

FINDINGS AND RECOMMENDATIONS

Finding 1: ORCP Oversight – The Grantee received full payment even though the Grantee did not submit some deliverables in accordance with the requirements of the Agreement.

Our review found that the Grantee submitted deliverables for Task 1, and final deliverables required by the Agreement. However, deliverables for Task 2 and Task 3 were not submitted to the ORCP, as required by the Agreement. Although, the Grantee did not adhere to the requirements of the Agreement, the Grant Manager documented deliverables for Tasks 2 and 3 had been received and approved in a letter to the Grantee, and again in the Payment Request Review Checklist. Additionally, Quarterly Status Reports were not submitted to the Department timely.

Completion of Deliverables for Tasks 2 and 3

The deliverables for Tasks 2 and 3 had a due date of August 25, 2022, and consisted of monthly progress reports, task-specific completion reports, and task-specific Engineer Certificates of Completion. Based on our review, it appears the Grantee did not submit any of the deliverables outlined in Tasks 2 or 3, prior to receiving payment. During the audit, we reviewed the Grant Managers' files and subsequently requested a copy of the deliverables for Tasks 2 and 3 from the Grant Manager. Following our inquiry, the Grant Manager requested the information from the Grantee, which would appear to confirm that the ORCP had not received the deliverables prior to approving payment. Even after our subsequent requests and discussions with the Grant Manager, Monthly Construction Progress Reports and task-specific Engineer Certificates of Completion were not obtained. We were able to obtain a Project Completion Report for Task 2 and Task 3; however, both were provided to the ORCP in January 2023, during our audit. Additionally, we noted that although the deliverables were never submitted, the Grant Manager formally notified the Grantee that deliverables for Tasks 2 and 3 had been received and approved. However, this notification appears to be in response to the Grantee's submission of the Final Project Report and not the deliverables specific to Tasks 2 and 3.

**Department of Environmental Protection
Office of Inspector General
Audit of Agreement R2232 with the City of Fernandina Beach for the Comprehensive
Historic Downtown Resiliency Plan Segment 2 Project**

Timely Completion of Deliverables

The Grantee was required to submit quarterly status reports using Exhibit A, Progress Report Form, as part of the Agreement's program-specific requirements. The Agreement states, *The Grantee shall submit status reports quarterly...to the Department's Grant Manager describing the work performed during the reporting period.* The quarterly reports were due no later than five days following the completion of the quarterly reporting period. Pursuant to the Agreement, the quarterly reporting periods ended on *March 31, June 30, September 30, and December 31.* Based on our review, there were four Quarterly Reports signed by the Grantee. We were unable to determine when the reports were submitted to the Department; however, based on the date the Grantee signed the reports, most could not have been submitted timely in accordance with the Agreement (see table below).

Quarterly Status Reports			
Report Time Period Covered	Date Due	Date Signed by Grantee	Number of Days Past the Due Date
9/3/21-9/31/21	10/5/21	11/15/21	41
10/1/21-12/31/21	1/5/22	1/5/22	0
1/1/22-3/31/22	4/5/22	4/22/22	17
4/1/22-6/30/22	7/5/22	7/30/22	25

Recommendation:

- 1.1 We recommend the ORCP work with Grant Managers to ensure deliverables required by agreements are received and reviewed for completeness prior to approving payment requests.

Management Response:

The Resilient Florida Grant Management Section is implementing the following corrective actions to ensure that deliverables are received and accepted prior to making payments to grantees.

- Standard Operating Procedures (SOP) guidance for accepting and approving deliverables was updated on June 20, 2023, as a tool for Grant managers to use while reviewing and accepting deliverables to ensure that deliverables meet contract grant agreement requirements.
- Payment requests will now require that proof of the deliverable receipt is included within the payment request, along with deliverable acceptance letter.
- All fiscal documentation will be reviewed by the budget team prior to submitting a payment request into the accounting system.
- Continuing education curriculum has been developed and is discussed during recurring monthly meetings. The team discusses the process of reviewing deliverables, grant manager responsibilities in routing to subject matter expert reviewers, completing the deliverable acceptance letters, and requesting additional information from grantees where needed.

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 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:

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

Candie M. Fuller,
Inspector General