



## **Department of Environmental Protection**

### **Office of Inspector General**

November 8, 2023

Report A-2223DEP-007

### ***Audit of Florida Communities Trust Agreement F2115 With Hillsborough County***

#### ***INTRODUCTION***

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Grant Agreement F2115 (Agreement) between the Florida Communities Trust (FCT), a non-regulatory agency and instrumentality within the Department, and Hillsborough County (Grantee). This audit was initiated as a result of the OIG Annual Audit Plan for Fiscal Year 2022-2023.

#### ***AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY***

The scope of the audit included the activities, records, and disbursements associated with the Agreement between the FCT and the Grantee from April 22, 2022, to the present.

The objectives of the audit were to:

- Determine whether reimbursements were for eligible costs as defined by the Agreement.
- Evaluate Department management oversight and controls over the Grantee's compliance with the Agreement terms and reimbursement requirements.

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, change orders, and amendments.
- Conducting analyses of Grantee and subcontractor activities and related purchase order 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***

The FCT, created by Chapter 380, Florida Statutes (F.S.), is a state-funded land acquisition program housed within the Department's Division of State Lands (Division). According to the Department's website, the FCT administers two competitive grant programs funded through the Florida Forever Program. The Parks and Open Space Program and Working Waterfronts Program provide state funds to local governments and nonprofit organizations for land acquisitions.

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In December 2020, the Grantee submitted an application for grant funding of the Rocky Creek Trails Phase Two Project in Hillsborough County. On the application, the acquisition type was checked as *pre-acquired*, meaning the entire project site had been pre-acquired by the Grantee within twenty-four months prior to the application deadline. The Agreement was executed on April 22, 2022, and the Grantee was awarded funding in the amount of \$825,000, which was based on the total project costs of \$1,650,000. The grant award amount was limited to the land purchase price and acquisition costs, and also required a 50% match. The application indicates the Grantee had pre-acquired approximately 10.2 acres of land that consisted of three parcels referred to as the Billingsley (parcel 110) and Hockman (parcels 111 and 112). While the Hockman property appears to consist of two parcels, it will be henceforth referred to as the Hockman parcel due to the parcels being appraised and sold as one unit. Our review noted that the Hockman parcel was purchased for \$1,000,000, with reported acquisition expenses of \$17,803.11. The Billingsley parcel was purchased for \$614,000, with reported acquisition expenses of \$18,200.11. There was one payment made to the Grantee in the amount of the full award of \$825,000 on May 11, 2023. The reimbursement amount was based on an FCT Reconciliation Statement which included the following costs:

**FCT Reconciliation Statement**

|                                                                                                                                                                                                                        |                                                                                                                              |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| <b>Land Purchase Price:</b> <ul style="list-style-type: none"><li>• Billingsley</li><li>• Hockman</li></ul> <div>Total</div>                                                                                           | <div>\$614,000.00</div> <div><u>1,000,000.00</u></div> <div>1,614,000.00</div>                                               |
| <b>Acquisition Expenses Billingsley:</b> <ul style="list-style-type: none"><li>• Survey</li><li>• Appraisals</li><li>• ESA</li><li>• Title Insurance</li><li>• Real Estate Fees/Commissions</li></ul> <div>Total</div> | <div>4,105.61</div> <div>9,550.00</div> <div>945.00</div> <div>3,545.00</div> <div><u>54.50</u></div> <div>\$18,200.11</div> |
| <b>Acquisition Expenses Hockman:</b> <ul style="list-style-type: none"><li>• Survey</li><li>• Appraisals</li><li>• ESA</li><li>• Title Insurance</li><li>• Real Estate Fees/Commissions</li></ul> <div>Total</div>     | <div>4,105.61</div> <div>9,550.00</div> <div>945.00</div> <div>3,122.50</div> <div><u>80.00</u></div> <div>\$17,803.11</div> |
| <b>Total Acquisition Expenses</b>                                                                                                                                                                                      | <b>\$36,003.22</b>                                                                                                           |
| <b>Total Project Costs</b>                                                                                                                                                                                             | <b>\$1,650,003.22</b>                                                                                                        |
| <b>Total Amount Reimbursed<br/>(50% of Grant Award Amount)</b>                                                                                                                                                         | <b>\$825,000.00</b>                                                                                                          |

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**RESULTS OF AUDIT**

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During the audit, we reviewed documentation and records relating to the Grantee's completion of the deliverables and the subsequent payment request and disbursement. 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 in accordance with the Agreement. A summary of our review is below.

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**Completion of Agreement Requirements**

The Agreement set forth three requirements to be completed prior to disbursement of the FCT award and one ongoing requirement for site management (see table below).

| <b>Agreement Requirements</b> | <b>Deliverable Timeline</b>                                                                                  |
|-------------------------------|--------------------------------------------------------------------------------------------------------------|
| Project Plan                  | Due prior to Final Disbursement of FCT Award                                                                 |
| Management Plan               | Due prior to approval of Project Plan and Final Disbursement of FCT Award                                    |
| Reimbursement Requirements    | Due prior to Final Disbursement of FCT Award                                                                 |
| <b>On-going Requirement</b>   |                                                                                                              |
| Special Management Conditions | Ongoing Site Management for 3 years after Final Disbursement of FCT Award as outlined in the Management Plan |

For each requirement, the Agreement lists deliverable documentation which must be provided. Based on our review, the Grantee completed deliverables for the Project Plan and Management Plan requirements in accordance with the Agreement. While the Special Management Conditions were set forth as a requirement under the Agreement, it is an ongoing requirement, and no deliverables were due to be received during our review as the project had recently been closed. However, there were some deliverables under the Reimbursement Requirements which were not met, were improperly submitted, or appeared to be ineligible expenditures. A summary of our review of the reimbursement requirements and their deliverables is provided below.

**Reimbursement Requirements**

In accordance with the Agreement, the Grantee must submit the following documents to FCT in order for FCT to disburse the grant funds:

1. *Documents associated with the acquisition of the parcels:*
  - a. *An executed copy of the Purchase Agreement(s) for sale and purchase of the parcel(s) between the Recipient and Ronald Hockman, Steven Billingsley and Kenneth Billingsley.*
  - b. *An executed copy of closing statements from Buyer(s) and Seller(s) for the purchase of the parcel(s).*
  - c. *A copy of the recorded deed(s) conveying title of the parcel(s) to the Recipient.*
  - d. *A copy of the appraisals of the parcel(s).*
  - e. *Unless the requirement has been waived, a copy of a Certified Survey of the parcels.*
  - f. *Copies of all title insurance commitments, including supporting documents, and title insurance policies, including any endorsements, issued in furtherance of the Recipient's acquisition of the parcel(s).*
  - g. *A copy of environmental site assessments (ESA) of the parcels, certified to the Recipient.*

Additionally, the Agreement requires *All invoices for approved Project Costs, with proof of payment, must be submitted to FCT Planner and be in detail sufficient for a proper pre-audit and post-audit thereof.* Payment for the grant award was based on the FCT Reconciliation Statement which contained an itemized list of the project costs by parcel. Acquisition expenses listed on the

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Reconciliation Statement included surveys, appraisals, ESA, title insurance, and real estate fees or commissions. Based on our review, the Grantee submitted some of the required reimbursement documentation with their grant application; however, other required documents were not submitted or contained insufficient information. Specifically, the Grantee did not submit the following prior to disbursement:

- An executed copy of the purchase agreement for the Billingsley Parcel.
- The title commitment for the Billingsley parcel.
- Invoices for the appraisal costs for both parcels.
- An invoice for survey costs for the Hockman parcel.
- An invoice for the ESA for the Billingsley parcel.
- Adequate proof of payment for all expenditures.

During the audit, we requested the missing documentation from the Division. The Division subsequently requested the information from the Grantee, which appears to confirm payment was processed without receipt of all documentation as required by the Agreement. As a result of our request, we were able to obtain payment documentation regarding the purchase of the parcels, real estate fees, and title policies. However, the Division was unable to provide some invoices and proof of payment documentation (see table below).

| <b>Expenditures Missing Reimbursement Documentation</b> |                                                            |                                             |                                                              |                                                                                                                                                                 |
|---------------------------------------------------------|------------------------------------------------------------|---------------------------------------------|--------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Parcel(s)                                               | Expense Type:<br>Required Documentation                    | Total Expense Amount<br>Reported by Grantee | Estimated Amount<br>Reimbursed to Grantee based on 50% Match | Non-compliance Issue                                                                                                                                            |
| Billingsley                                             | Purchase Price:<br>Executed copy of the Purchase Agreement | \$614,000.00                                | \$307,000.00                                                 | The executed version of the purchase agreement was not provided to the Department prior to disbursement of grant funds; however, was obtained during our audit. |
| Billingsley                                             | Title Commitment:<br>copy of document                      | \$0.00                                      | \$0.00                                                       | The title commitment for this parcel was not provided, though it was a required reimbursement document.                                                         |
| Hockman                                                 | ESA: Invoice and Proof of Payment                          | \$945.00                                    | \$472.50                                                     | No proof of payment provided. An invoice for Hockman was provided for \$1,890 but the expense was split between both parcels.                                   |
| Billingsley                                             | ESA: Invoice and Proof of Payment                          | \$945.00                                    | \$472.50                                                     | No invoice or proof of payment provided.                                                                                                                        |
| Hockman                                                 | Survey: Invoice and Proof of Payment                       | \$4,105.61                                  | \$2,052.80                                                   | No invoice or proof of payment provided.                                                                                                                        |
| Billingsley                                             | Survey: Invoice and Proof of Payment                       | \$8,211.22                                  | \$2,052.80                                                   | No proof of payment provided.                                                                                                                                   |

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|                                           |                                              |              |              |                                                                                                                                                    |
|-------------------------------------------|----------------------------------------------|--------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Hockman and Billingsley<br>and Parcel 113 | Appraisal 1:<br>Invoice and Proof of Payment | \$6,800.00   | \$3,400.00   | No invoice or proof of payment provided. However, a subcontractor agreement for \$6,800 included costs for ineligible Parcel 113 (see more below). |
| Hockman and Billingsley<br>and Parcel 113 | Appraisal 2:<br>Invoice and Proof of Payment | \$12,300.00  | \$6,150.00   | Invoice includes ineligible Parcel 113. No proof of payment provided.                                                                              |
| TOTAL                                     |                                              | \$647,306.83 | \$321,600.60 |                                                                                                                                                    |

Ineligible Expenditures - Parcel 113

As noted above, our review found an invoice and subcontractor agreement for appraisals which included costs for an additional parcel (referred to as Parcel 113). Parcel 113 was not included in the Agreement. According to the subcontractor agreement, the cost for one appraisal with the additional parcel included was \$6,800. The costs for the second appraisal with the additional parcel included was \$12,300. The total cost of \$19,100 was split 50/50 between the Hockman and Billingsley parcels with no reduction made for the ineligible expenditures for Parcel 113.

Missing Invoices

Based on our review, the Grantee received reimbursement for the following expenditures although no invoice or proof of payment was provided to the Division:

- ESA - Billingsley
- Survey - Hockman
- Appraisal 1 - Hockman and Billingsley

For the ESA expenditure, there was an invoice provided for the Hockman parcel only in the amount of \$1,890; however, the cost of the invoice was split between both parcels on the reimbursement request. We requested the information and in turn the Division requested it from the Grantee. However, the documents were not provided. The Grantee did confirm *"The invoice incorrectly neglects to call out the Billingsley parcel along with the Hockman parcel."*

For the Survey expenditure, there was an invoice included for the Billingsley parcel only in the amount of \$8,211.22; however, the cost of the invoice was split between both parcels on the reimbursement request. We requested the information and in turn the Division requested it from the Grantee. In response the Grantee stated *"Upon review, we realize that we did not include the cost for the Hockman boundary survey....The [subcontractor] invoice was incorrectly divided between the Hockman and Billingsley in error. Cost should be assigned exclusively to the Billingsley acquisition."* During our review no invoice was provided to support the expenditure reimbursement request of \$4,105.61 for the Hockman parcel. The survey provided for Hockman was also signed by a different provider than the survey provided for Billingsley, which confirms the survey was completed by a different provider and a separate invoice and payment should have been received and reimbursed.

For the Appraisal expenditure, a partial subcontractor agreement was provided for Appraisal 1 in the amount of \$6,800 instead of the required invoice. We requested the documentation from the Division but were not provided any updated documents.

Proof of Payment

The Agreement requires *All invoices for approved Project Costs, with proof of payment, must be submitted to FCT Planner and be in detail sufficient for a proper pre-audit and post-audit thereof.*

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The Department of Financial Services Reference Guide for State Expenditures explains reimbursement will be made based on proof of payment processing, such as canceled checks and bank statements. However, there were no canceled checks or bank statements provided by the Grantee to the Division. During the audit, we requested proof of payment documentation and were provided wire transfer statements for the real estate sale, fees, and title policies. However, we were not provided adequate proof of payment for the remaining expenditures reimbursed to the Grantee. These items include:

- ESA - Billingsley and Hockman
- Survey - Billingsley and Hockman
- Appraisals 1 and 2 - Billingsley and Hockman

#### **Department Oversight of Cost Reimbursement**

The Agreement was awarded as a 50% match of the overall project costs for eligible expenditures under Rule 62-818.002(33), F.A.C. Based on this guidance, the reimbursement of costs were set not to exceed \$825,000, per the Grantee's reported project costs within their application. In accordance with the Reimbursement Requirements set forth in the Agreement, the Grantee was to be reimbursed for the awarded amount upon approval of all required documentation. The FCT Reconciliation Statement included in the reimbursement documentation was signed by the Grantee on February 6, 2023, and the Department on March 23, 2023. The payment date for the disbursement of the full award was May 11, 2023. However, based on our review, the Division did not verify that all required documentation was received in accordance with the Agreement and State guidance prior to approving payment. Additionally, it appears the Division did not verify all expenditures listed in the reimbursement documentation were for eligible costs.

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### **CONCLUSION**

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Our review found internal controls and oversight regarding the review and approval of deliverables could be improved. Although the Grantee appears to have generally completed the Management and Project Plan requirements, our review found some reimbursements were for ineligible expenditures or lacked documentation required by the Agreement. Our findings and recommendations are listed below.

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### **FINDINGS AND RECOMMENDATIONS**

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**Finding 1: Division Oversight – The Grantee received reimbursement for expenditures that included ineligible costs or were lacking supporting documentation required by the Agreement.**

Our review determined the Grantee was reimbursed for expenditures that lacked supporting documentation required by the Agreement or included ineligible costs. These expenditures were approved, and the Grantee received reimbursement for the full award amount of \$825,000.

#### **Insufficient Reimbursement Documentation**

In accordance with the Agreement, the Grantee must submit specific documents associated with the acquisition of the parcels. Based on our review, the Grantee did not submit the following required documentation prior to disbursement:

- An executed copy of the purchase agreement for the Billingsley Parcel.
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- Invoices for the appraisal costs for both parcels.
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**Recommendations:**

- 1.1 We recommend the Department work with Grant Managers to ensure required documentation is received and reviewed prior to approval of reimbursement, as required by the Agreement.
- 1.2 We recommend the Division review payments made to the Grantee to determine whether the Grantee received payment for any ineligible expenditures, and request reimbursement for any amount determined to be owed to the Department.

**Management Response:**

The Division has reviewed the findings as outlined in 1.1 and 1.2 of the Audit Report regarding Hillsborough County – Rocky Creek Acquisition Park – F2115 and agrees with the findings.

Program leadership and staff are compiling a checklist that will include agreement requirements and program rules for reimbursements. Staff will review due diligence products along with reimbursement requests and invoices to support the expenditures and reimbursements against the checklist to ensure proper documentation is in the file before reimbursement is made. We anticipate that the checklist can be completed and implemented by the end of January. By the end of December, program leadership will review documentation for this FCT grant to determine if an overpayment was made.

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**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 § 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:

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