Department of Environmental Protection
Office of Inspector General

November 12, 2025 Report A-2425DEP-024

Audit of Agreement APC01 with Palm Beach County Board of County Commissioners

INTRODUCTION

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Agreement APC01 (Agreement) with Palm Beach County Board of County Commissioners (Grantee). This audit was initiated as a result of the OIG Annual Audit Plan for Fiscal Year 2024-2025.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of this audit included the activities, records, and disbursements associated with the Agreement between the Department and Grantee, from January 1, 2022, to current activities. The objectives of the audit were to:

1. Determine whether the Grantee complied with the requirements of the Agreement, including deliverables and disbursements.
2. Evaluate Department oversight and internal controls 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 an analyses of Grantee activities related to the Agreement.
- Interviewing appropriate Department employees regarding the processes and controls used in the duration of the Agreement.

BACKGROUND

The Office of Water Policy and Ecosystems Restoration (OWPER) is responsible for the regulatory programs that focus on water supply protection and environmental restoration in Florida. The project funded by the Agreement is Phase II Cell 12 of the C-51 Reservoir Project (Project) and includes items such as levees, a slurry wall, cell excavation, roller compacted concrete on the inside and top of the levees with grass on the outside, drains, and geotextile fabric to complete construction of the Project. According to Section 373.4598(9), F.S., the C-51 reservoir project is a water storage facility located in western Palm Beach County south of the lake and consists of in-ground reservoirs and conveyance structures that will provide water supply and water management benefits to participating water supply utilities and will also provide environmental benefits by reducing freshwater discharges to tide and making water available for natural systems.

The Agreement was executed on August 24, 2023, with an expiration of December 31, 2026. The grant was awarded with $48,000,000 in federal funds from Coronavirus State and Local Fiscal Recovery Funds or Catalog of Federal Domestic Assistance (CFDA) 21.027. According to the Agreement, it is a combination of fixed fee/cost reimbursement with a reimbursement period beginning January 1, 2022, and ending at its expiration. The costs eligible for reimbursement were limited to the budget categories of Contractual (Subcontractors), Salaries/Wages, and Overhead/Indirect/General and Administrative Costs. However, the Agreement only includes Contractual Services in the budget summary.

The Agreement contained one task with three associated deliverables. At the time of our review, the Grantee received one advance payment and eighteen cost reimbursements totaling $43,758,872.49.

RESULTS OF AUDIT

During the audit, we reviewed documentation related to the Agreement's requirements, the Grantee's completion of tasks and deliverables, payment requests, and OWPER's oversight of the Grantee's compliance with the Agreement. Based on our review, we found the following:

Tasks and Deliverables

The Agreement contained one task with three associated deliverables as shown in the table below.

Task 1: Final Design, Permitting and Construction		Project Timeline
Deliverable 1.1	Final Design Documents / Permits / Executed Subcontract	Due July 31, 2023
Deliverable 1.2	Construction Status Report with Photographic Evidence of Construction	Due monthly, by the 15th of each proceeding month.
Deliverable 1.3	Final As-Built Drawings with Certifications	Due March 31, 2026

At the time of our review, deliverables had only been received for Deliverables 1.1 and 1.2. A summary of our review is below.

Task 1: Final Design, Permitting and Construction
Deliverable 1.1
Deliverables: A) An electronic copy of the final design, comments and resolutions of South Florida Water Management District's (SFWMD) "doc-check" design review, and all professional certifications; B) a list of all required permits identifying application and/or issue dates and issuing authorities; and C) electronic copies of executed subcontracts, including the scope of work for tasks as described above.

Deliverable 1.1 had three components, due July 31, 2023. Based on our review, we found the following:

A. An electronic copy of the final design including professional certification was provided to OWPER. However, the copy did not include comments and resolutions from the SFWMD.
B. The Grantee provided copies of their required permits to OWPER identifying issue dates and issuing authorities.
C. The Grantee had one subcontractor and provided OWPER with an electronic copy of the subcontract including the scope of work for tasks as described in the Agreement.

The Grantee submitted Deliverable 1.1 to OWPER on April 16, 2024, which was eight months past the due date of July 31, 2023. The Agreement also states, *Upon review and written acceptance by the Department's Grant Manager of each deliverable under this task, the Grantee may proceed with their payment request submittals.* We requested copies of the Grant Manager's written acceptance; however, the current Grant Manager was unable to provide documentation for this deliverable.

Task 1: Final Design, Permitting and Construction
Deliverable 1.2
Deliverables: The Grantee will submit A) a written description of completed construction tasks; B) date-stamped color photographs of the construction site prior to, during, and immediately following completion of the construction tasks as listed in the narrative description provided; C) any construction inspection reports (if applicable in current reporting period). Deliverables cannot be submitted more frequently than monthly.

Deliverable 1.2 required a monthly report that contained three specific components listed in the table above, due the 15th of each month, and submitted no more frequently than monthly. At the time of our review, we determined approximately 18 monthly reports had been submitted which contained the required information and had written approval from the Grant Manager. However, none of the reports were submitted by the due date and some monthly reports were submitted more frequently than monthly although the report covered a monthly time period. In March 2025, the Grantee informed the Grant Manager that reimbursement requests will be ending so that the last $9,600,000 of payments will be made from the advanced funds leaving just the accrued interest. The accrued interest will then be returned to the Department within sixty days of Agreement completion. In response, the Grant Manager reminded the Grantee that while reimbursement requests will stop, the submission of deliverables does not. At the time of our review, the Grantee had not submitted any monthly reports after January 2025.

Disbursements

At the time of our review, the Grantee received one advance payment and eighteen cost reimbursements totaling $43,758,872.49.

Advance Payment

The Agreement authorizes advance payment to the Grantee, subject to the written approval from the State's Chief Financial Officer (CFO). Our review found one request for Advance Payment in the amount of $9,600,000, which was approved by the CFO as required. The Agreement further states, *if advance payment is authorized, the Grantee shall report, on a quarterly basis in conjunction with the Progress Report as required under in this Agreement, the amount of funds expended during the reporting period, the Agreement expenditures to date, and interest earned during the quarter, and clearly* *indicate the method for repayment of the interest to the Department. Expenditures shall be documented in accordance with the requirements for reimbursement identified below. Interest earned and method of repayment shall be reported on the Advance Payment - Interest Earned Memorandum, Exhibit E1*. While the Grantee submitted some Advance Payment - Interest Earned Memorandums, they did not always include the required information, were not always filled out accurately by the Grantee, and were not provided on a quarterly basis in conjunction with the Progress Report. For example, one stated the Grantee expended $14,287,768.20 of advanced funds though they had only received $9,600,000. According to Advance Payment - Interest Earned Memorandum instructions, project management verification, by signature evidence, is to be completed by the Grant Manager to verify that the information received from the Advanced Funds Recipient is true and accurately reflects the status of the advanced funds received from the Department. Based on communications with OWPER, it appears that the current Grant Manager signed off on the memorandum without reviewing the Grantee's information.

Additionally, at the time of our review, supporting documentation and receipts for advance pay expenditures have not been provided to OWPER in accordance with the cost-reimbursement requirements of the Agreement. However, it is noted that the Agreement does not expire until December 31, 2026.

<u>Payment Requests</u>
The Agreement states that *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*. We determined that there have been eighteen cost reimbursement payment requests at the time of our review that each were provided on Exhibit C as required.

The Agreement further states that *the Grantee will submit invoices no more frequently than monthly and must include the Department Grant Manager's written approval of the submitted deliverable. Each monthly payment request will be based on the Schedule of Values for Payment Milestones found on Exhibit G, not to exceed the initial three-month advanced values of the total project grant amount. All payment requests must include written approval of the Grantee's third-party engineer*. Based on review, it appears that the Grantee submitted payment requests in accordance with the Schedule of Values listed in Exhibit G of the Agreement, each including the written approval of a third-party Engineer. All invoices were for eligible expenses within the Agreement's reimbursement period. However, the Grantee submitted payment requests to OWPER more frequently than monthly. For example, the Grantee requested three separate payments on December 16, 2024 and two payments on March 27, 2025.

<u>**Additional Requirements**</u>

<u>Status Reports</u>
The Agreement requires that the Grantee *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. Our review found that most of the quarterly reports were submitted timely.

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*. Based on our review, the Grantee had one subcontract that included the required provision relating to unauthorized employment.

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.*. Based on our review, the Grantee's subcontract submitted included 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 infrastructure projects over $10 million, *Grantees may provide a certification that all laborers and mechanics employed by Grantee in the performance of such project are paid wages at the rates not less than those prevailing, as determined by the U.S. Secretary of Labor in accordance with the Davis-Bacon Act, for the corresponding classes of laborers and mechanics employed projected of a character similar to the contract work in the civil subdivision of Florida in which the work is to be performed. If the Grantee does not provide such certification, the Grantee must provide a project employment and local impact report detailing:*

- *i. The number of employees of contractors and sub-contractors working on the project;*
- *ii. The number of employees on the project hired directly and hired through a third party;*
- *iii. The wages and benefits of workers on the project by classification; and*
- *iv. Whether those wages are at rates less than those prevailing.*

Based on our review, the required information listed above was not submitted to OWPER prior to the audit. During our review, the Grantee submitted certification to OWPER that all laborers and mechanics employed to work on the Project are paid wages in accordance with the Davis-Bacon Act.

Insurance

The Agreement requires the Grantee to provide proof of, as well as maintain, adequate general liability insurance, commercial automobile insurance, and worker's compensation insurance coverage upon execution the Agreement. Based on our review, we found that proof of applicable insurance coverage was obtained.

CONCLUSION

During the audit, we reviewed documentation related to the Agreement's requirements, the Grantee's completion of tasks and deliverables, subsequent payment requests, and OWPER's oversight of the Grantee's compliance with the Agreement. Our findings and recommendations are listed below.

FINDINGS AND RECOMMENDATIONS

Finding 1: Advance Payment – The Grantee did not always provide timely or accurate Advance Payment – Interest Earned Memorandums as required by the Agreement.

Our review determined the Grantee was authorized and received one advance payment in the amount of $9,600,000. The Agreement states, *if advance payment is authorized, the Grantee shall report, on a quarterly basis in conjunction with the Progress Report as required under in this Agreement, the amount of funds expended during the reporting period, the Agreement expenditures to date, and interest earned during the quarter, and clearly indicate the method for repayment of the interest to the Department. Expenditures shall be documented in accordance with the requirements for reimbursement identified below. Interest earned and method of repayment shall be reported on the Advance Payment - Interest Earned Memorandum, Exhibit E1*.

While the Grantee did submit some Advance Payment - Interest Earned Memorandums, they did not always include all required information, were not always filled out accurately by the Grantee, and were not provided on a quarterly basis in conjunction with the Progress Reports. Additionally, the Grantee did not indicate the method for repayment of the interest to the Department.

According to the Advance Payment - Interest Earned Memorandum instructions, project management verification, by signature evidence, is to be completed by the Grant Manager to verify that the information received from the Advanced Funds Recipient is true and accurately reflects the status of the advanced funds received from the Department. Based on communications with OWPER, it appears that the current Grant Manager signed off on the memorandum without reviewing the Grantee's information.

<u>Recommendations:</u>
We recommend OWPER implement internal controls and provide training to Grant Managers to ensure Advance Payment - Interest Earned Memorandums are reviewed for accuracy and completeness and are submitted timely by the Grantee in accordance with the Agreement.

<u>Management's Response:</u>
To address these items, our office has updated our standard operating procedure (SOP) to improve the process for handing off grants when we have turnover in our grant

managers. We also have initiated weekly update meetings for all our grants and grant managers to ensure that our databases are being updated at a frequency to avoid the issues identified and to share awareness of the status of each grant. These meetings also provide the supervisor of the grant managers an opportunity to provide regular reviews of the SOP to remind each of them of the importance of following the SOP to avoid future instances as identified in the audit.

Additionally, the grant manager recently met with Palm Beach County to identify opportunities for greater oversight of the interest earned from the advanced pay.

Finding 2: Deliverable and Payment Request Submissions – Some deliverables were not submitted timely, payment requests were submitted more frequently than allowed by the Agreement, and written acceptance was not always provided by OWPER.

Our review determined that some deliverables were not submitted timely, payment requests were submitted more frequently than allowed by the Agreement, and written acceptance was not always provided by OWPER as summarized below:

- According to the Agreement, Deliverable 1.1 was due July 31, 2023. However, Deliverable 1.1 documentation was provided on April 16, 2024, eight months past the due date.
- According to the Agreement, *Upon review and written acceptance by the Department's Grant Manager of each deliverable under this task, the Grantee may proceed with their payment request submittals.* OWPER was unable to provide documentation showing written acceptance for Deliverable 1.1.
- The Agreement states that Deliverable 1.2 is due by the 15th of each proceeding month and cannot be submitted more frequently than monthly. However, we found that deliverables were submitted more frequently than monthly and after the 15th of each proceeding month. At the time of our review, the Grantee had not submitted any monthly reports after January 2025.
- The Agreement states that *the Grantee will submit invoices no more frequently than monthly*. Based on review, the Grantee submitted payment requests to OWPER more frequently than monthly. For example, the Grantee requested three separate payments on December 16, 2024 and two payments on March 27, 2025.

Recommendations:

We recommend OWPER implement internal controls and provide training to Grant Managers to ensure deliverables are submitted timely, payment requests are not submitted more frequently than allowed, and written acceptance of deliverables is documented and maintained in the grant files.

Management's Response:

To address these items, our office has updated our standard operating procedure (SOP) to improve the process for handing off grants when we have turnover in our grant managers. We also have initiated weekly update meetings for all our grants and grant managers to ensure that our databases are being updated at a frequency to avoid the issues identified and to share awareness of the status of each grant. These meetings also provide the supervisor of the grant managers an opportunity to provide regular reviews of the SOP to remind each of them of the importance of following the SOP to avoid future instances as identified in the audit.

Additionally, the grant manager recently met with Palm Beach County to identify opportunities for greater oversight of the interest earned from the advanced pay.

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 audit was conducted pursuant to Section 20.055, F.S., and in accordance with *Government Auditing Standards*, as published by the United States Government Accountability Office, and *Principles and Standards for Offices of Inspectors General,* as published by the Association of Inspectors General. The audit was conducted by Alexis Keller and supervised by Susan Cureton.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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