



Department of Environmental Protection Office of Inspector General

September 16, 2025

Report A-2425DEP-005

Audit of 22FRP66 With Village of Islamorada

INTRODUCTION

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of 22FRP66 (Agreement) with Village of Islamorada (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 includes the requirements, deliverables, disbursement, and oversight associated with the Agreement between the Department and the Grantee from October 11, 2022, to current activities.

The objectives of this audit were to:

1. Determine whether deliverables were completed in compliance with the requirements of the Agreement.
2. Determine whether payments were completed in compliance with the requirements of the Agreement.
3. Determine whether the Grantee complied with the overall requirements of the Agreement.
4. 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, change orders, and amendments.
- Verifying payments were made in accordance with the Agreement and that they were eligible expenses.
- Confirming whether expenses had sufficient supporting documentation meeting Agreement requirements.
- Interviewing appropriate Department employees and management regarding the processes and controls used in the duration of the Agreement.

BACKGROUND

Pursuant to Section 380.093, Florida Statutes (F.S.), the Department administers the Resilient Florida Grant Program, where the Department provides grants to counties, municipalities, and water management districts. The program aims to effectively address

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the impacts of flooding and sea level rise by providing eligible applicants with funding to analyze and plan for vulnerabilities as well as implement projects for adaptation and mitigation. Oversight of the program is provided by the Department's Office of Resilience and Coastal Protection (ORCP).

On October 11, 2022, the Department entered into the Agreement with the Grantee for the Islamorada Transmission Main Adaptation Project (Project). The Project included the design and installation of a new 36-inch diameter water transmission north of Mile Marker (MM) 79 to south of MM 84. A portion of the Project included a subaqueous crossing at Tea Table Relief Bridge. The Project includes the final design of the water transmission main, permitting, utility coordination, project administration, public outreach support during the design, construction bidding services, and construction. This was a cost-reimbursement grant with costs eligible for reimbursement limited to the budget categories of Contractual and Miscellaneous/Other Expenses. The date of expiration for the Agreement is September 30, 2026. The Agreement was funded through a Federal funding source for \$17,500,000 and required a Grantee Match of \$17,500,000. The budget for the Project was divided into three main tasks: 1) Design and Permitting, 2) Bidding and Contractor Selection, and 3) Construction, as shown below.

Task Title	Budget Category	Department Amount	Match Amount	Total Amount
Task 1: Design and Permitting	Contractual Services	\$94,760.42	\$881,855.83	\$976,616.25
Task 2: Bidding and Contractor Selection	Contractual Services	\$12,123.20	\$901.50	\$13,024.70
Task 3: Construction	Contractual Services	\$13,886,121.88	\$13,110,248.17	\$26,996,370.05
	Miscellaneous/ Other Expenses	\$3,506,994.50	\$3,506,994.50	\$7,013,989.00
Project Totals:		\$17,500,000.00	\$17,500,000.00	\$35,000,000.00

The Agreement allowed the Grantee to sell, assign, or transfer its rights, duties, or obligations under the Agreement with prior written consent of the Department. Prior to the execution of the Agreement, the Grantee entered into an Interlocal Agreement with the Florida Keys Aqueduct Authority (Assignee) on October 3, 2022, for the purpose of having them perform the work and services required in the Agreement. On October 18, 2022, the Department signed a Consent to Assignment of Grant Agreement approving the transfer of all rights and obligations under the Agreement to the Assignee.

There have been two Amendments to the Agreement. Amendment 1 was executed on April 26, 2024, and updated the Project name to *FCAA Islamorada Transmission Main Adaptation Project*. Amendment 2 was executed on October 2, 2024. The Tasks and Deliverables were revised in Amendments 1 and 2. As of June 23, 2025, there had been 11 payments made for a total of \$17,404,424.68.

RESULTS OF AUDIT

During the audit, we reviewed documentation and records related to the Grantee's completion of tasks and deliverables, disbursements, and Department oversight associated with the Agreement. The Grantee assigned the rights, duties, and obligations under the Agreement to the Assignee. A summary of our review is provided below.

Task and Deliverables

The Agreement included a Grant Work Plan that detailed the work to be completed on the Project, including tasks and deliverables. The Project was broken down into three tasks, each with multiple deliverables related to each task. The due date for all tasks and deliverables is June 30, 2026. According to the Agreement, the Department shall review and accept deliverables within 30 days of receipt. At the time of audit, not all deliverables and tasks had been completed. A summary of our review is below.

Task 1: Design and Permitting

For Task 1, the Grantee was to acquire professional services for the engineering and design of the Project. The original Agreement had a single deliverable which included the Grantee submitting all final design documents; however, the deliverable was updated in Amendments 1 and 2 and divided into three separate deliverables as described below.

- Deliverable 1.1 required the submission of all final design documents as signed by a Florida-registered professional engineer or other applicable Florida licensed professional in responsible charge of the design. A final design document was submitted for both aspects of the Project and were signed by a Florida-registered professional engineer. The Department reviewed and accepted the deliverable within 30 days of receipt.
- Deliverable 1.2 required the Grantee to submit a copy of the final permit documents from all applicable agencies including any permits listed in the original application and those required by the Agreement. Our review determined the Assignee provided permit documentation for multiple permits to the Department, and the Department issued an acceptance letter within 30 days of receipt of permit documents. However, some additional required permits were not provided to the Department prior to the issuance of deliverable acceptance. During the audit, the Grant Manager requested and received the additional permit documentation from the Assignee.
- Deliverable 1.3 required the Grantee to submit Project administration and management reports signed by the Grantee's Grant Manager. At the time of the audit, none of these reports had been submitted.

Task 2: Bidding and Contractor Selection

For Task 2, the Grantee was to conduct bidding and solicitation activities in order to select one or more qualified and licensed contractors to complete construction of the Project. The Task had three deliverables and based on our review, all deliverables had been provided in accordance with the Agreement and were approved in writing by the Grant Manager.

Task 3: Construction

Task 3 was related to the construction of the Project. The construction task includes the purchase of up to four miles of steel pipe and associated valves, storage by the manufacturer, and the installation by the Contractor. This task was broken down into four deliverables. At the time of our review, complete deliverables had only been submitted for 3.1. Deliverable 3.1 was the submission of a copy of the record as-built drawings. The Grantee submitted the drawings which were signed and certified by a professional surveyor and mapper and were approved by the Department's Grant Manager.

Payments and Supporting Documentation

According to the Agreement, reimbursement for costs were limited to two approved budget categories of *Contractual (Subcontractors)* and *Miscellaneous/Other Expenses*. The Agreement established the supporting documentation that must be provided to substantiate cost reimbursement and match requirements based on the approved budget category. The Agreement also stated that reimbursement of expenses shall be submitted to the Department in sufficient detail for proper pre-audit and post-audit to be performed, including the following requirements:

- If the payments are related to direct salaries, the documentation shall clearly identify the personnel involved, the salary rate per hour, and hours spent on the project. We determined that most invoices related to salaries included the required information to identify the personnel involved, salary rate per hour, and hours spent on the project.
- Invoices submitted to the Department for fixed-price subcontracted activities shall be supported with a copy of the subcontractor's invoice and a copy of the tabulation form for the competitive procurement process that resulted in the fixed-price subcontract. Our review determined invoices submitted to the Department related to fixed-price subcontracted activities were supported with a copy of the subcontractor's invoice and a copy of the tabulation form from the competitive procurement process.
- If miscellaneous or other expenses were reimbursable or available for match or reimbursement, the documentation supporting these expenses must be itemized and include copies of receipts or invoices. We determined invoices for miscellaneous expenses included documentation that was itemized and included copies of the receipts or invoices.

The Agreement also states, *Match or reimbursement requests for payments to subcontractors must be substantiated by copies of invoices with backup documentation identical to that required from the Grantee*. Our review found that some subcontractor invoices contained charges that did not have the required supporting documentation. For example:

- Some subcontractor invoices included expense line items for *subconsultants* that were not further itemized or supported by an invoice from the subconsultant.
- Some invoices included line items for *reimbursable expenses* that were not supported or itemized.
- Some subconsultant invoices were related to salaries but did not include all required information. The invoice did not indicate the personnel involved.
- Supporting documentation for one subcontractor included a monthly status report that described the status of work done on Windley Key, which is not an area within

the scope of the Project. The subcontractor's invoice did not provide a breakdown of charges by project area; therefore, we could not determine whether the Assignee was reimbursed for charges related to Windley Key. However, based on discussions with the Grant Manager, Windley Key was not within the scope of the Project.

- On one reimbursement request, the Grant Manager noted during their review that some materials were outside the approved amount and the Assignee removed the materials from their payment request. However, our review determined there were also freight charges associated with the materials. While the material cost was removed from the reimbursement request, the freight cost of \$720 was not removed and was reimbursed to the Assignee.

Additional Agreement Responsibilities

The Agreement detailed multiple responsibilities for the Grantee and Grant Manager aside from deliverables and reimbursement requests. We reviewed these responsibilities against the provided documentation to confirm compliance. The Assignee was assigned the rights, duties and obligations under the Agreement.

Insurance

The Agreement stated, the Grantee shall provide the Department documentation demonstrating the existence and amount for each type of applicable insurance coverage prior to the performance of work related to this Agreement. The Grantee provided the Department documentation demonstrating the existence and amount of each type of insurance carried, and the certificate of insurance indicated that the policy was effective prior to the execution of the Agreement. The Assignee provided documentation demonstrating insurance carried; however, the insurance documentation provided indicated a coverage period starting in October 2023, a year after Agreement execution. The Grant Manager stated they were unable to locate documentation confirming if a certificate of insurance was received earlier due to employee turnover.

Provisions for Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Agreements

The Agreement contains contract provisions for the use of SLFRF funds and the Grantee is required to pass these requirements to all lower-tiered subcontractors. A review of each subcontract confirmed the Assignee conformed with this requirement.

For SLFRF infrastructure projects over \$10 million, the Grantee was subject to provisions regarding wage certification, project labor agreements, and other reporting requirements. For wage certification and other reporting requirements, the Grantee provided the required certifications. For the project labor agreements, the Grantee may provide a certification that the project included a project labor agreement or a workforce continuity plan. Our review determined that this documentation had not been provided; however, during the audit, the Grant Manager reached out to the Assignee and obtained the required documentation. Additionally, the Grantee shall provide the following information to the Department once the project starts: National Pollutant Discharge Elimination System (NPDES) permit number, Public Water System (PWS) ID number, median household income of service area, and lowest quintile income of the service area. The NPDES permit number and PWS ID number were provided on the quarterly report

covering July to September 2023. The required information regarding median household income and lowest quintile income of the service area were provided by the Assignee on their SLFRF reporting form.

Status Reports

According to the Agreement, the Grantee shall submit status reports quarterly to the Department's Grant Manager. The status report shall describe the work performed during the reporting period, problems encountered, problems resolutions, scheduled updates, and proposed work for the next period. Quarterly status reports were due no later than 20 days after the completion of the quarterly reporting period. Our review determined status reports were received timely.

CONCLUSION

During the audit, we reviewed documentation and records related to the Grantee and Assignee's completion of tasks and deliverables, disbursements, and the Department's oversight associated with the Agreement. The Grantee assigned the rights, duties, and obligations under the Agreement to the Assignee. Our review determined that management generally provided adequate oversight over the Agreement, with a few exceptions as noted in our finding and recommendations listed below.

FINDINGS AND RECOMMENDATIONS

Finding 1: Supporting Documentation and Ineligible Expense – The Assignee was reimbursed for some ineligible expense and supporting documentation from subcontractors was not always substantiated by copies of invoices and backup documentation required by the Agreement.

The Agreement established supporting documentation must be provided to substantiate cost reimbursement or match requirements based on the approved budget categories of *Contractual (Subcontractors)* or *Miscellaneous/Other Expenses*. The Agreement also states, *Match or reimbursement requests for payments to subcontractors must be substantiated by copies of invoices with backup documentation identical to that required from the Grantee*. Our review found that some subcontractor invoices contained charges that did not have the required supporting documentation and may have included ineligible expenses, as described below:

- Some subcontractor invoices included expense line items for 'subconsultants' that were not further itemized or supported by an invoice from the subconsultant.
- Some invoices included line items for *reimbursable expenses* that were not supported or itemized.
- Some subconsultant invoices were related to salaries but did not include all required information. The invoice did not indicate the personnel involved.
- Supporting documentation for one subcontractor included a monthly status report that described the status of work done on Windley Key, which is not an area within the scope of the Project. The subcontractor's invoice did not provide a breakdown of charges by project area; therefore, we could not determine whether the Assignee was reimbursed for charges related to Windley Key. However, based on

discussions with the Grant Manager, Windley Key was not within the scope of the Project.

- On one reimbursement request, the Grant Manager noted during their review that some materials were outside the approved amount and the Assignee removed the materials from their payment request. However, our review determined there were also freight charges associated with the materials. While the material cost was removed from the reimbursement request, the freight cost of \$720 was not removed and was reimbursed to the Assignee.

Recommendations:

We recommend ORCP ensure supporting documentation for subcontractor invoices is received and substantiates the cost reimbursement request, as required by the Agreement. We also recommend ORCP review any payments made for Windley Key and freight charges and seek reimbursement for any costs deemed ineligible.

Management's Responses:

- The missing backup documentation (invoices and supporting documentation for personnel involved) for the subcontractors to the Assignee's contractors have been received from the Assignee and are saved in the respective payment request folder. The backup documentation originally identified as missing (and that have now since been received) were as follows:
 - Payment request #1: Wade Trim invoice #4004739, missing subcontractor invoices from ECHO UES and Corrosion Control Incorporated.
 - Payment request #4: Wade Trim invoice #4005628, missing subcontractor invoices from Ardurra Group Inc. and Infrastructure Development LLC.
- The Assignee provided a response and clarification regarding the reference to Windley Key: Windley Key is not a part of the project and not included in any reimbursement requests, but it is located within the mile markers identified in the Project Description of the Project. The Assignee provided a map to support the location of Windley Key with regards to the Project included in 22FRP66.
- The Assignee confirmed that the reimbursement of \$720 in freight expense from payment request #7 was in error. The freight charges related to the ineligible material/pipe expense should have been removed when the material/pipe expense was removed. The Assignee is currently preparing to submit their final payment request and the \$720 in ineligible freight funds will be withheld from the total reimbursement.
- The Program's Budget Section and Grants Section conduct reviews of the payment request packages and the assigned reviewers complete a QAQC checklist to ensure that the Exhibit C and supporting fiscal and grant documents are accurate and eligible for reimbursement and/or match. The Program will ensure that all contractual services invoices include the required backup documentation identical to that required from the Grantee and will request additional clarification and information on any expenses that may not be detailed enough to verify eligibility.

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 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 Robert Oakley and supervised by Susan Cureton.

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