



Department of Environmental Protection

Office of Inspector General

March 31, 2026

Report A-2526DEP-007

Audit of Agreement 24BA1 with Bay County

INTRODUCTION

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Agreement 24BA1 (Agreement) with Bay County (Grantee). This audit was initiated as a result of the OIG Annual Audit Plan for Fiscal Year 2025-2026.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of the audit included the activities, records, and disbursements associated with the Agreement between the Department and Grantee from April 16, 2024, to the present. 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 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.
- Conducting analyses of Grantee activities and related grant documents.
- Reviewing appropriate documentation relating to deliverables, invoices, communications, and other supporting documentation.
- Interviewing appropriate Department employees, management, and Grantee officials regarding the processes and controls used in the duration of the Agreement.

BACKGROUND

In 1986, pursuant to Sections 161.101 and 161.161, Florida Statutes (F.S.), the Department was directed to identify those beaches of the state which are critically eroding and to develop and maintain a comprehensive long-term management plan for their restoration. Funding for Florida's critically eroded beaches is managed by the Beach Management Funding Assistance Program within the Department's Office of Resilience and Coastal Protection (ORCP). The program provides and manages grants to local governments (up to 75 percent of project costs) for planning and implementing beach and inlet management projects on the Gulf of America, Atlantic Ocean, or Straits of Florida to protect upland structures and infrastructure, provide critical habitat for threatened and

endangered species, provide recreational opportunities, and support local economies through tourism. According to the Department's most recent Strategic Beach Management Plan, the Panama City Beach is critically eroded and has been a part of the Department's Plan for several years.

The Department entered into the Agreement with the Grantee on April 16, 2024. The Agreement is for the Panama City Beach Shore Protection Project, which is a continuation of a project started in 1999 that seeks to restore and nourish about 18 miles of critically eroded shoreline along the Gulf Coast in Bay County. This is a cost-reimbursement agreement with an original award amount of \$799,048.05, funded by the Department's Beach Management Funding Assistance Program; there is no grantee match. Costs eligible for reimbursement were limited to Contractual Services. The reimbursement period for the Agreement began on May 1, 2022, and the Agreement was set to expire on December 31, 2026, with project deliverables due on September 30, 2026.

The Agreement was amended on September 17, 2024. It increased the total funding amount to \$1,551,448.05, pushed the expiration date to December 31, 2027, set a new due date for deliverables for September 30, 2027, and made minor changes to the Agreement's attachments. At the time of our review, the Grantee had received six cost-reimbursements for Contractual Services totaling \$457,533.91.

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, subcontractor invoices, and ORCP's oversight of the Grantee's compliance with the Agreement. Based on our review, we found the following:

Tasks and Deliverables

The Agreement had one task related to design and permitting that included two associated deliverables: 1) a Certificate of Completion, including documentation of submittal affirming that the final design document was completed and submitted to the Department; and 2) Task Summary Reports for interim payment requests. The Certificate of Completion is not due until September 30, 2027; therefore, only the Task Summary Reports were reviewed. At the time of our review, seven Task Summary Reports had been submitted for payment requests for work conducted between May 2022 and September 2025.

The Agreement states, *a Task Summary Report signed by the Local Sponsor must be submitted detailing work progress during the payment request period. The Task Summary Report must include the dates and descriptions of all activities, surveys and reports completed or in progress during the time period of the interim payment request.* These deliverables were submitted and accepted in writing in accordance with the terms of the Agreement; however, they did not include detailed descriptions of the work performed. Most Task Summary Reports included a description of tasks with completion dates outside the payment request period, and most had already been listed in previous reports. For instance, see the table below for an example of three Task Summary Reports.

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Payment Request Service Period	Description of Work Performed from Task Summary Reports
2/1/2024-6/6/2024	<i>The reconnaissance [sic] level sand search is underway. The initial field work, not including vibracores, was completed in February 2024. The reconnaissance [sic] level data is being analyzed and vibracore locations being finalized.</i>
6/1/2024-8/31/2024	<i>The reconnaissance [sic] level sand search is underway. The initial field work, not including vibracores, was completed in February 2024. The reconnaissance [sic] level data was analyzed and vibracore locations were finalized. Vibracoring field work was conducted in September 2024.</i>
9/1/2024-12/31/2024	<i>The reconnaissance [sic] level sand search is underway. The initial field work, not including vibracores, was completed in February 2024. The reconnaissance [sic] level data was analyzed and vibracore locations were finalized. Vibracoring field work was conducted in September 2024. Draft report complete March 2025.</i>

The Task Summary Reports included a description of activities that were completed in February 2024, which had already been included in some prior reports. Additionally, the description of activities sometimes included work completed before or after the reported service period. Because the description of work tended to be copied between other required progress reports, similar issues were found in those reports as discussed below.

Reimbursements

According to the Agreement, *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.* Exhibit C includes a Project Progress Report, which instructs Grantees to *Describe progress accomplished during the billing period, including statement(s) regarding percent of task completed to date.*

Our review determined that payment requests were submitted in a timely manner and included only eligible expenses. However, the Project Progress Reports, submitted with the payment requests, used the same or similar description of work found in the Task Summary Reports and did not include all the required information. For instance, none of the reports included a statement regarding percent of tasks completed to date. Additionally, most Project Progress Reports included a description of tasks with completion dates outside the payment request period and were already listed in previous reports.

We also reviewed subcontractor invoices. The Agreement states, *Match or reimbursement requests for payments to subcontractors must be substantiated by copies of invoices with backup documentation identical to that required from Grantee. Subcontracts which involve payments for direct salaries shall clearly identify the personnel involved, salary rate per hour, and hours spent on the Project.* We reviewed 29 invoices submitted to the Grantee by the subcontractor. Our review determined there was a lack of supporting documentation for several invoices. The first 10 invoices that the subcontractor submitted were reimbursed for salaries and wages for time worked on the

project. The Agreement requires the Grantee to *...list personnel involved, position classification, direct salary rates, and hours spent on the Project...in their documentation for reimbursement or match requirements*. None of the 10 subcontractor invoices included hours spent on the project. Additionally, one subcontractor invoice, which was a lump sum payment, did not include work performed on one of its line items as required by the subcontract and Reference Guide for State Expenditures.

Additional Requirements

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. Our results are outlined below.

Quarterly Status Reports

The Agreement requires the Grantee to submit Quarterly Status Reports that describe the work performed during the reporting period, problems encountered, problem resolutions, scheduled updates, and proposed work for the next reporting period. They are due no later than 20 days after the quarterly reporting period and must be reviewed by the Department within 30 days. At the time of our review, seven Quarterly Status Reports had been submitted.

We found that, like Task Summary Reports and Project Progress Reports, Quarterly Status Reports did not detail the work performed during the reporting period. Most of the reports included a description of tasks with completion dates outside the payment request period and were already listed in previous reports. In addition, the first two reports were not submitted by the due date.

Subcontract

The Agreement states, *The Grantee shall submit a copy of the executed subcontract to the Department prior to submitting any invoices for subcontracted work*. We requested the subcontract from the Grant Manager, but it was not provided; we then requested it from the Grantee. According to the contracted consultant, the subcontract was likely sent before the current Agreement because it was part of another grant project attached to the same subcontract, but no proof of submission was provided. The subcontract was not subsequently requested for this Agreement.

Our review determined several provisions that are required to be in subcontracts were missing, either partially or in their entirety, as noted below:

- *Match or reimbursement requests for payments to subcontractors must be substantiated by copies of invoices with backup documentation identical to that required from Grantee. Subcontracts which involve payments for direct salaries shall clearly identify the personnel involved, salary rate per hour, and hours spent on the Project...The Grantee shall comply with this requirement and ensure its subcontracts issued under this Agreement, if any, impose this requirement, in writing, on its subcontractors.* This exact language is not included in the subcontract, but it does specify required backup documentation. The required documentation for lump sum payments is generally the same as required by the Reference Guide for State Expenditures, which is what is required from Grantees

and therefore also subcontractors; however, documentation for “time-incurred” payments do not include timesheets, payroll registers, or other proof of hours worked as required in the Reference Guide for State Expenditures.

- *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 subcontract includes stipulations about employees, but does not mention this requirement.
- *The Grantee and all its agents shall comply with all federal, state and local regulations, including, but not limited to, nondiscrimination, wages, social security, workers’ compensation, licenses, and registration requirements. The Grantee shall include this provision in all subcontracts issued as a result of this Agreement.* The subcontract states that the subcontractor *and its entire work product shall comply with all Federal, State, and Local laws, rules regulations and ordinances applicable to the work or payment for work thereof*, and it specifies nondiscrimination and workers’ compensation requirements. It does not use the Agreement’s exact language, nor does it specify requirements for wages or social security.

Insurance

At all times during the Agreement and prior to performing any work, the Agreement requires the Grantee, at its sole expense, to maintain insurance coverage to include Commercial General Liability Insurance, Commercial Automobile Insurance, and Workers’ Compensation and Employer’s Liability Coverage. It further states, *The Board of Trustees of the Internal Improvement Trust Fund must be listed as additional insured to general liability insurance required by the Agreement and, if the Grantee is a non-governmental entity, indemnified by the Grantee.* We found that the Grantee’s insurance coverage met the minimum threshold; however, there was no supporting documentation to show coverage before October 2022, although work had started in May 2022; there was also no proof of coverage between October 2023 to October 2024. Additionally, there was no documentation showing that the Board of Trustees of the Internal Improvement Trust Fund had been listed as additional insured to the general liability insurance. A finding pertaining to supporting documentation for insurance coverage was made in a previous audit and has been addressed by the ORCP. The missing documentation for this audit, occurred prior to the previous finding being issued.

Written Communication

The Agreement states that *All approvals, written or verbal, and other written communication among the parties, including all notices, shall be obtained by or sent to the parties’ Grant Managers.* However, our review found that almost all notifications, including written approvals, were sent to a contracted consultant that was the Grantee’s designated county coastal engineer and had authority to act on behalf of the Grantee, and not the Grantee’s Grant Manager listed in the Agreement. The Grantee’s Grant Manager was copied on two of three change order emails from the Department, but none of the approval letters for deliverables, Quarterly Status Reports, or delivery emails for invoices. Additionally, it was the contracted consultant who sent all Task Summary Reports, Project Progress Reports, Quarterly Status Reports, and subcontractor invoices.

The Grantee's Grant Manager stated that he was responsible for ensuring that the procurement process and grant contracts are handled in accordance with county policy; contracts are reviewed and approved by the County Attorney's Office prior to execution; items that require County Commission approval are placed on Commission agendas and acted upon in public meetings; and payments are made in accordance with County and grant requirements as a final authorization authority. The contracted consultant confirmed that she does not oversee payments, and as the designated county coastal engineer, her role mostly pertains to technical matters of the grant.

CONCLUSION

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Progress Reports – The Task Summary Reports, Project Progress Reports, and Quarterly Status Reports did not adequately describe work performed during the reporting period as required by the Agreement. Project Progress Reports also did not have a statement regarding percent of task completed to date as required by its instructions.

The Agreement requires three different reports be submitted from the Grantee: Task Summary Reports, Project Progress Reports, and Quarterly Status Reports.

- Task Summary Reports: Must be submitted for interim payment requests detailing work progress during the payment request period. They must include the dates and descriptions of all activities, surveys, and reports completed or in progress during the time period of the interim payment request.
- Project Progress Reports: Required to be submitted with reimbursement requests. It must describe progress accomplished during the billing period, including statement(s) regarding percent of task completed to date.
- Quarterly Status Reports: The Grantee shall submit status reports quarterly describing the work performed during the reporting period, problems encountered, problem resolutions, scheduled updates, and proposed work for the next reporting period.

Our review determined that while the reports were generally submitted, they did not detail the work performed during the reporting period, and the Project Progress Reports did not include statements regarding percent of task completed to date. The reports included tasks with completion dates outside the reporting period or had already been listed in previous reports.

Recommendation:

We recommend ORCP ensure that required reports submitted by the Grantee include adequate descriptions of work performed during the reporting period and any other required information.

Management's Response:

The program agrees with the finding. Corrective action for each type of report listed below:

Task Summary Reports: Grant managers will receive additional training to verify task summary reports for interim payments have all information required per the agreement and will be exclusive to the payment request period of the corresponding interim payment request to be submitted. Grant managers will be provided with a checklist for reference when reviewing task summary reports to ensure all required information per the grant agreement is present.

Project Progress Reports: Programmatic reimbursement request review procedures will be updated to ensure the project progress reports accurately describe only the information on work progress within the billing period and that percentage of tasks completed to date are present.

Quarterly Status Reports: BMFA has recently updated the quarterly reporting template (Exhibit A to the grant agreement) which provides greater detail for the grantees to document work performed during the reporting period, problems encountered, problem resolutions, scheduled updates, and proposed work for the next reporting period, and percentage of tasks completed to date. This new quarterly report template has been provided and communicated to grantees and will be used in all future grant agreements.

Finding 2: Subcontractor Requirements - The subcontract was not submitted prior to the Grantee's first reimbursement request and did not include all required provisions. Additionally, the subcontractor's invoices were not substantiated by supporting documentation as required by the Agreement and the Reference Guide for State Expenditures.

The Agreement states, *The Grantee shall submit a copy of the executed subcontract to the Department prior to submitting any invoices for subcontracted work.* According to the contracted consultant, the subcontract was likely sent before the current Agreement because it was part of another grant project attached to the same subcontract, but no proof of submission was provided. The subcontract was not subsequently requested for this Agreement. Our review determined several provisions that are required to be in subcontracts were missing, either partially or in their entirety. Among some of the provisions that were missing in the subcontract was a requirement regarding supporting documentation for payment requests; subsequently, the first 10 subcontractor invoices were missing the required supporting documentation.

The Agreement states, *Match or reimbursement requests for payments to subcontractors must be substantiated by copies of invoices with backup documentation identical to that required from Grantee. Subcontracts which involve payments for direct salaries shall clearly identify the personnel involved, salary rate per hour, and hours spent on the Project.* Our review determined that there was a lack of supporting documentation for

several invoices. The first 10 invoices that the subcontractor submitted were reimbursed for salaries and wages for time worked on the project. The Agreement requires the Grantee to ... *list personnel involved, position classification, direct salary rates, and hours spent on the Project...in their documentation for reimbursement or match requirements.* None of the 10 subcontractor invoices included hours spent on the project. Additionally, one subcontractor invoice, which was a lump sum payment, did not include work performed on one of its line items as required by the subcontract and Reference Guide for State Expenditures.

Recommendations:

We recommend ORCP implement internal controls to ensure that Grantee subcontracts are submitted prior to payment requests and contain all required information. We also recommend ORCP ensure that subcontractor invoices include required supporting documentation prior to approving payment.

Management's Response:

The program agrees with the finding. The program will communicate and train grant managers to ensure receipt of the actual executed subcontract rather than just individual task orders or proposals for scope of work approval and allocation within the grant task's budget. This will be incorporated when updating the program's grant management manual. Internal controls will also be added within the reimbursement request procedures to ensure subcontractor invoices contain all required supporting documentation.

Finding 3: Grantee Communication – Written notifications and approvals were sent to the Grantee's consultant and not through the Grantee's Grant Manager as required by the Agreement.

The Agreement states that *All approvals, written or verbal, and other written communication among the parties, including all notices, shall be obtained by or sent to the parties' Grant Managers.* However, our review found that almost all notifications, including written approvals, were sent to a contracted consultant that was the Grantee's designated county coastal engineer and had authority to act on behalf of the Grantee, but was not the Grantee's Grant Manager listed in the Agreement. The Grantee's Grant Manager was copied on two of three change order emails from the Department, but none of the approval letters for deliverables, Quarterly Status Reports, or delivery emails for invoices. Additionally, it was the contracted consultant who sent all Task Summary Reports, Project Progress Reports, Quarterly Status Reports, and subcontractor invoices.

Recommendations:

We recommend that ORCP ensure communication with the Grantee is obtained by and sent to the parties' Grant Managers as required by the Agreement.

Management's Response:

The program agrees with the finding. The program will ensure that the grantee's grant manager is included in all communication and any required documentation to be provided by the grant manager per the grant agreement is obtained specifically from the grantee's grant manager.

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

Candie M. Fuller,
Inspector General