



Department of Environmental Protection Office of Inspector General

April 24, 2026

Report A-2526DEP-010

Audit of Agreement F2304 with Healthy Aquatics Marine Institute of Florida, Inc.

INTRODUCTION

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Agreement F2304 (Agreement) with Healthy Aquatics Marine Institute of Florida, Inc. (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 the Grantee, from September 16, 2024, to the present. The objectives of the audit were to:

1. Determine if the Grantee complied with the requirements of the Agreement, including deliverables and disbursements.
2. Evaluate Department oversight and internal controls of 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.
- 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 and management regarding the processes and controls used in the duration of the Agreement.

BACKGROUND

In 2023, the Department was appropriated \$9,500,000 in funding to implement the Florida Coral Reef Restoration and Recovery (FCR3) Initiative and enter into agreements with academic and private partnerships to establish, expand, and maintain in-state propagation and grow-out facilities, develop and implement strategies and site-specific restoration plans including curriculum for a trained workforce; and reinforce and expand restoration efforts across Florida's Coral Reef. The Coral Protection and Restoration Program within the Office of Resilience and Coastal Protection (ORCP) leads the implementation of the FCR3.

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On September 16, 2024, the Department and the Grantee entered into the Agreement in the amount of \$2,000,000 to *expand the land-based coral holding capacity and strengthen the existing nursery operations and infrastructure in Palm Beach County*. The Agreement term began upon execution and expires on June 30, 2026. The Agreement is to be paid on a cost-reimbursement basis through the term of the Agreement and includes a total of 4 budgeted tasks. There have been a total of 3 change orders executed to reallocate the budget within tasks and to extend the Task 2 end date. On October 28, 2025, Amendment 1 was executed to increase the total award to \$2,700,000 and extend the end date for Tasks 1, 3, and 4 through June 2027, but the Agreement term had not been extended. On January 15, 2026, Amendment 2 was executed to extend the Agreement to June 30, 2027. At the time of our review, the Grantee had received 5 payments totaling \$1,431,443.15. The tasks, budgeted totals, start dates, and end dates after the amendment and all change orders are below.

Task No.	Task Title	Task Total	Task Start Date	Task End Date
1	Operation and Maintenance of Land-Based Systems	\$1,254,695.72	Upon Execution	6/30/2027
2	Facility Relocation and Expansion	\$1,163,031.87	Upon Execution	11/30/2026
3	New Coral Acquisition	\$259,931.72	Upon Execution	6/30/2027
4	Draft Final Report	\$22,340.69	5/1/2027	6/25/2027
	Final Report		5/1/2027	6/30/2027

RESULTS OF AUDIT

During the audit, we reviewed the Grantee's compliance with the requirements of the Agreement, deliverables, disbursements, ORCP oversight, and internal controls. Our review was limited to the work and activities completed during the audit period, as the Agreement remains active. Based on our review we found the following:

Tasks and Deliverables

The Agreement included 4 tasks with multiple deliverables per task to be provided quarterly, bi-annually, annually, or as appropriate. Each task has various specifications with associated deliverables required under the Agreement. At the time of our review, the Grantee had provided many deliverables for Tasks 1, 2, and 3. Based on our review, deliverables for Tasks 1, 2, and 3 were generally provided in accordance with the Agreement. Deliverables for Task 4 were not due during our review.

According to the Agreement, *Once the deliverables have been verified that they meet the specifications in the Grant Work Plan and the task description (including any work being performed by any subcontractor(s), the Department's Grant Manager will provide written acceptance or denial of the deliverable(s) to the Grantee within thirty (30) calendar days*. Based on our review, the Grant Manager provided written acceptance of all deliverables submitted within 30 calendar days as required.

Payments and Supporting Documentation

According to the Agreement, *Following the Grantee's full or partial completion of a task's deliverable(s) and acceptance by the Department's Grant Manager, the Grantee may submit a payment request for cost reimbursement using the Exhibit C, Payment Request*

Summary Form (no more frequently than quarterly). All payment requests must be accompanied by the deliverable approval notice; the Exhibit A, Progress Report Form, detailing all progress made in the invoice period; and supporting fiscal documentation. At the time of our review, there had been a total of 5 quarterly payments made to the Grantee. Our review determined payment requests were generally submitted in accordance with the Agreement and contained most of the required documentation. However, the Grantee did not always provide supporting fiscal documents required to substantiate costs for some of the budget categories approved in the Agreement. We also determined the Grantee was reimbursed for unauthorized costs and received overpayment for some indirect costs. A summary of our review is below.

Salaries

According to the Agreement, the *Grantee shall list personnel involved, position classification, direct salary rates, and hours spent on the Project in accordance with Attachment 3, Grant Work Plan in their documentation for reimbursement.* The Agreement also requires the Grantee to submit proof of payment, such as paystubs, for all costs included in the payment request. The Grantee was reimbursed for salaries in Tasks 1, 2, and 3. During the review, we found the Grantee did not always provide paystubs for some salaries reimbursed. The Agreement states *Cost-reimbursement grant funding or hourly match and fringe rate(s) by position may not exceed those indicated [in the Agreement].* The Agreement also states that upon submission of each payment request, the Grantee certifies that the hours submitted are accurate and allowable costs for the Agreement. Our review determined the Grantee was reimbursed a higher hourly rate than the Agreement authorized for some positions under payment 2. We also found the Grantee was reimbursed \$3,741.44 in payment 5 for hours worked that were not supported by the paystubs provided.

Fringe Benefits

According to the Agreement, *Fringe benefits will be reimbursed based on actual costs, with the total not to exceed the budgeted amounts shown in the Budget Detail by task table* which includes a fringe rate of 7.65%. During the review, we determined the Grantee was reimbursed a total of \$31,995.51 for fringe benefits under Tasks 1, 2, and 3. However, based on the paystubs provided and discussions with ORCP, the Grantee did not provide fringe benefits to their employees. The amount of fringe requested by the Grantee was based on the salary amounts multiplied by the fringe rate of 7.65%. The only other costs included in the paystubs were FICA/Social Security taxes, and the Agreement states, *The Grantee shall be responsible and liable for the payment of all its FICA/Social Security and other taxes resulting from this Agreement.*

Indirect Costs

The Agreement authorized indirect costs to be paid on a cost-reimbursement basis. According to the Agreement, the Grantee is required to provide proof of payment for all costs included in the payment request. The Grantee was reimbursed indirect costs under Tasks 1, 2, and 3. However, our review determined the Grantee did not provide any proof of payment documents for indirect expenses prior to receiving reimbursement. Additionally, the Agreement required indirect costs to be reimbursed for *actual costs not to exceed the budget amount identified in Attachment 3.* During our review, we requested the supporting documentation for indirect costs reimbursed. Our review determined the Grantee was reimbursed \$178,126.29 for indirect costs in Task 2; however, the budget

for Task 2 only authorized \$151,700.31. Therefore, cost reimbursement for indirect costs were not supported by proof of payment documentation and exceeded the budgeted amount by \$26,425.98 for Task 2.

The Catalog of State Financial Assistance for the Coral Protection and Restoration Program states, *indirect costs are capped at 15%*. The Budget Cost Analysis (BCA) reflected that indirect costs for the Agreement were calculated at 15% of the awarded Project total. It should be noted; indirect costs were also applied to fringe benefits within the BCA. As previously discussed, the Grantee was reimbursed \$31,995.51 for fringe benefits although they did not provide employees with fringe benefits. Based on our review, the Grantee was reimbursed approximately \$4,799 for indirect costs related to fringe benefits.

Miscellaneous/Other Expenses

According to the Agreement, *if miscellaneous or other expenses, such as materials, supplies, non-excluded phone expenses, reproduction, or mailing, are reimbursable or available for match or reimbursement under the terms of this Agreement, the documentation supporting these expenses must be itemized and include copies of receipts or invoices*. The Grantee was reimbursed for supplies in Tasks 1, 2, and 3 and other miscellaneous costs under Task 2. Based on our review, the Grantee did not always provide itemized copies of receipts or invoices for supplies and other miscellaneous costs reimbursed.

Sales Tax

The Agreement also states, *the Department is exempted from payment of State sales, use taxes and Federal excise taxes. The Grantee, however, shall not be exempted from paying any taxes that it is subject to, including State sales and use taxes, or for payment by Grantee to suppliers for taxes on materials used to fulfill its contractual obligations with Department...The Grantee shall be responsible and liable for the payment of all its FICA/Social Security and other taxes resulting from this Agreement*. During the review, we found the Grantee was reimbursed a total of \$1,685 in sales tax for supplies in Tasks 1, 2, and 3 and \$217 for other miscellaneous costs in Task 2.

Contractual Services

During our review, we determined some costs reimbursed as Miscellaneous/Other Expenses were actually for reimbursement of Contractual Services which are not eligible for cost-reimbursement under the Agreement. As part of the supporting documentation for these payments, the Grantee provided a Contractor's Application for Payment with an amount due of \$49,885.06 and an original contract amount of \$181,625. The Contractor's Application for Payment included costs for mobilization, demo, and electrical services. Under Task 2, the Agreement states the grantee will hire an electrician and plumber to complete needed improvements for building out a new facility. The Grantee provided, as a requirement of the Task 2 deliverables, a progress management report with a summary of contractors involved and the work that was performed. It should also be noted that the BCA signed by the Agreement's original Grant Manager included costs for plumbing and electrical work under Miscellaneous/Other Expenses instead of Contractual Services. Although the deliverables for Task 2 included a summary of contractors involved and work performed, the Agreement did not authorize cost-reimbursement for contractual services.

Rental of Equipment

The rental/lease of equipment is not a cost authorized for reimbursement within the Agreement. Our review determined the Grantee was reimbursed a total of \$587.84 for 3D Printer Rental under Task 2 in addition to charges for 3D printing services and 3D printer filament throughout multiple payments. The supporting documentation (invoices) for the equipment rental and supplies were all from the same Limited Liability Company (LLC). According to the Department of State's Division of Corporations, the LLC is owned by the Grantee's Director of Restoration and Engineering. The Grantee paid the employee's LLC a total of \$1,251.86 for 3D printer rental, service, and supplies. According to supporting documentation, the 3D Printer was purchased for \$1,699 and delivered to the LLC on March 14, 2025. Subsequently, the Grantee began paying for rental of the equipment and supplies.

Additional Requirements

Quarterly Status Reports

Per the Agreement, the Grantee shall submit quarterly status reports to the Department's Grant Manager, utilizing the Exhibit A, Progress Report Form. Quarterly status reports are due within fifteen days following the end of the quarterly reporting period. Based on our review, the Grantee provided all Quarterly Status Reports in accordance with the Agreement requirements.

Proof of Insurance

The Grantee was required to provide Department documentation demonstrating the existence and amount for each type of applicable insurance coverage prior to performance of any work under the Agreement. Upon receipt of written request from the Department, the Grantee was required to furnish the Department with proof of applicable insurance coverage. Upon execution of the Agreement and during the review, the Grantee provided proof of applicable insurance documentation as required.

Florida Certified Contract Manager (FCCM) Certification

Per Section 215.971(2)(a)2., Florida Statutes (F.S.), *...each grant manager responsible for agreements in excess of \$100,000 annually must complete the training and become a certified contract manager as provided under s. 287.057(15)*. We determined the Grant Manager assigned to the Agreement is FCCM certified.

Subcontractor Documentation

According to the Agreement, The Grantee may subcontract work under this Agreement with the prior written consent of the Department's Grant Manager. The Grantee shall submit a copy of the executed subcontract to the Department prior to submitting any invoices for subcontracted work. Regardless of any subcontract, the Grantee is ultimately responsible for all work to be performed under this Agreement. During the review, it was determined that the Grantee used subcontractors and was reimbursed for subcontracted work. However, the Grantee did not obtain written pre-approval nor did they provide any executed subcontracts prior to submitting invoices for subcontracted work.

State Funds Documentation

In accordance with Section 216.1366, F.S., the Agreement requires the Grantee, as a nonprofit organization, to provide the Department with documentation that indicates the

amounts and any member of the board of directors or an officer receiving remuneration of state funds to be allocated for the full term of the Agreement and for each payment. Chief Financial Officer Memorandum No. 25 requires a form to be completed annually for the executive staff receiving the compensation. The information must be included in the State's contract tracking system and must be posted on the Grantee's maintained website. During the review, we found the Grantee provided a modified version of the form within Exhibit H for each payment. However, the Grantee did not provide the required form annually, the Department has not posted the required information on the State's contract tracking system, nor has the Grantee posted this information on the website they maintain.

CONCLUSION

During the audit, we reviewed the Grantee's compliance with the requirements of the Agreement, deliverables, disbursements, ORCP oversight, and internal controls. Our review was limited to the work and activities completed during the audit period, as the Agreement remains active. Our findings and recommendations are listed below.

FINDINGS AND RECOMMENDATIONS

Finding 1: Unsupported Reimbursements – The Grantee was reimbursed for costs without submitting required supporting fiscal documents.

Our review determined the Grantee was reimbursed some costs that were not supported by the required fiscal documentation, including salaries, fringe benefits, indirect costs, and miscellaneous budget categories approved in the Agreement, as summarized below.

Salaries

The Grantee was reimbursed for salaries in Tasks 1, 2, and 3; however, the Grantee did not always provide paystubs for some salaries reimbursed; were reimbursed a higher hourly rate than the Agreement authorized for some positions under payment 2; and were reimbursed \$3,741.44 for hours worked that were not supported by the paystubs.

Fringe Benefits

Fringe benefits are required to be reimbursed based on actual costs, with the total not to exceed a fringe rate of 7.65%. The Grantee was reimbursed a total of \$31,995.51 for fringe benefits under Tasks 1, 2, and 3. However, based on the paystubs provided and discussions with ORCP, the Grantee did not provide fringe benefits to their employees.

Indirect Costs

Indirect costs were to be reimbursed for *actual costs not to exceed the budget amount identified in Attachment 3*. The Grantee was reimbursed indirect costs under Tasks 1, 2, and 3; however, the Grantee did not provide any required proof of payment documentation and exceeded the budgeted amount by \$26,425.98 for Task 2; and was reimbursed approximately \$4,799 for indirect costs associated with fringe benefits, although the Grantee did not provide employees with fringe benefits.

Miscellaneous/Other Expenses

The Grantee was reimbursed for supplies in Tasks 1, 2, and 3 and other miscellaneous costs under Task 2. Based on our review, the Grantee did not always provide itemized copies of receipts or invoices for supplies and other miscellaneous costs reimbursed.

Recommendations:

We recommend ORCP ensure disbursements for cost reimbursement are substantiated by supporting fiscal documentation required by the Agreement prior to approving payment. We also recommend ORCP review payments made to the Grantee and seek reimbursement for those costs which were not supported by the Grantee.

Management's Response:

ORCP concurs with this recommendation and acknowledges the need for detailed examination of expenditures and back-up documentation. ORCP recognizes the need to ensure full and consistent compliance with agreement requirements and to reinforce documentation consistency. ORCP believes the indirect costs in Task 2 are allowable and will complete an amendment to move funds to the indirect category in Task 2. ORCP will recover costs that were not supported by the required fiscal documentation, including salaries, fringe benefits, indirect costs associated with fringe, and miscellaneous budget categories approved in the Agreement.

Full implementation is planned for July 31, 2026.

<p>Finding 2: Unallowable Costs – The Grantee was reimbursed for costs that were not authorized for reimbursement in the Agreement.</p>
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During our review, we found the Grantee was reimbursed for some costs associated with sales tax, contractual services, and equipment rental that were unallowable according to the Agreement.

Sales Tax

According to the Agreement, the Grantee shall be responsible and liable for the payment of all its FICA/Social Security and other taxes resulting from this Agreement. We determined the Grantee was reimbursed a total of \$1,685 in sales tax for supplies in Tasks 1, 2, and 3 and \$217 for other miscellaneous costs in Task 2.

Contractual Services

Costs reimbursed as Miscellaneous/Other Expenses were actually for the reimbursement of Contractual Services which are not eligible for cost-reimbursement under the Agreement. Although deliverables for Task 2 included a summary of contractors involved and work performed, the Agreement did not authorize cost-reimbursement for contractual services. The Agreement also requires the Grantee to obtain written pre-approval from the Grant Manager for subcontractors and submit copies of executed subcontracts prior to submitting invoices for subcontracted work. Our review found that the Grantee did not obtain written pre-approval, nor did they provide any executed subcontracts prior to submitting invoices for subcontracted work.

Rental of Equipment

The rental/lease of equipment is not a cost authorized for reimbursement within the Agreement. The Grantee was reimbursed a total of \$587.84 for 3D Printer Rental under Task 2 in addition to charges for 3D printing services and 3D printer filament throughout multiple payments. Supporting documentation for the equipment rental and supplies were from a company owned by one of the Grantee's employees.

Recommendations:

We recommend ORCP ensure reimbursements to the Grantee are only for costs that are authorized by the Agreement. We also recommend ORCP review payments made to the Grantee and seek reimbursement for payments made for unallowable costs.

Management's Response:

ORCP concurs with this recommendation and acknowledges that the Grantee was reimbursed for unallowable costs according to the agreement. ORCP will recover payments made for these unallowable costs of sales tax and equipment rental. ORCP believes the expenditures in contractual services is allowable charged to the incorrect category. ORCP will amend the agreement to create a contractual services category and move funds to the correct category. ORCP will implement enhanced internal procedures to ensure that payment requests are reviewed in detail for allowable versus unallowable costs, including:

- Establishing a standardized process of reviewing payment requests.
- Providing guidance to Grantees on what costs are allowable versus unallowable.
- Training new Department staff on what costs are allowable versus unallowable.
- Periodic/Annual review with existing staff on what costs are allowable versus unallowable.

Full implementation is planned for July 31, 2026.

Finding 3: State Funds Documentation – The Department and the Grantee did not publicly post remuneration of state funds, as required by the Agreement and in accordance with Section 216.1366, F.S.

In accordance with Section 216.1366, F.S., the Agreement requires the Grantee, as a nonprofit organization, to provide the Department with documentation that indicates the amounts and any member of the board of directors or an officer receiving remuneration of state funds to be allocated for the full term of the Agreement and for each payment. Chief Financial Officer Memorandum No. 25 requires a form to be completed annually for the executive staff receiving the compensation. The information must be included in the State's contract tracking system and must be posted on the Grantee's maintained website. During the review, we found the Grantee provided a modified version of the form within Exhibit H for each payment. However, the Grantee did not provide the required form annually, the Department has not posted the required information on the State's contract tracking system, nor has the Grantee posted this information on the website they maintain.

Recommendation:

We recommend ORCP ensure state funds documentation is reported by the Department and Grantee in accordance with Agreement requirements and Section 216.1366, F.S.

Management's Response:

ORCP concurs with this recommendation and acknowledges that state funds documentation was not reported by the Department or the Grantee. ORCP will implement procedures to ensure that state funds documentation is posted both on the state tracking system and that the Grantee publicly posts the documentation as well.

This will include:

- Ensuring Department routes Exhibit H to contracts teams each time the document is received with a payment request.
- Providing guidance to Grantees on the requirements of the Agreement and Section 216.1366, F.S.

Full implementation is planned for July 31, 2026.

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 Tessa Jordan 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.

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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