Department of Environmental Protection
Office of Inspector General

June 18, 2026 Report A-2526DEP-013

Audit of Agreement LPS0090 with the City of Lake City

INTRODUCTION

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Agreement LPS0090 (Agreement) with the City of Lake City (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 requirements, deliverables, disbursements, and oversight associated with the Agreement between the Department and the Grantee from March 1, 2023, to current activities. The objectives of the audit were to:

1. Determine whether approved payments for Agreement expenditures were supported by documentation meeting reimbursement requirements and demonstrating deliverable completion.
2. Evaluate Department oversight and the Grantee's compliance with the Agreement.

To achieve our audit objectives, our methodology included:

- Reviewing the Agreement and amendments to identify the requirements for deliverables, reimbursements, and allowable expenditures.
- Reviewing the grant files from the Department's Grant Manager.
- Reviewing reimbursement requests to determine if they were supported by documentation meeting reimbursement requirements and demonstrating deliverable completion.
- Requesting and reviewing any additional documentation needed to evaluate the Grantee's compliance with the requirements of the Agreement.
- Interviewing appropriate Department staff regarding any issues, exceptions, or discrepancies discovered during fieldwork.

BACKGROUND

The Florida Springs Grant Program is administered through the Department's Division of Water Restoration Assistance (Division). The Division is responsible for providing financial assistance to fund projects that improve the quality and quantity of the water resources within Florida. Within the Division, the Springs and Watershed Restoration program is responsible for managing springs restoration grants, working closely with the water management districts, local government and other stakeholders to identify and implement investments in springs projects each year to achieve restoration goals.

The Agreement was executed on March 1, 2023, with an expiration date of September 30, 2029. Under the Agreement, the Grantee was to expand the existing recharge wetland through conversion at the Steedly spray field site to a groundwater recharge wetland with the addition of approximately 53 acres of treatment and recharge area. This conversion is being designed to reduce nitrogen in treated water and to increase recharge on the parcel. This project is located within the Ichetucknee Priority Focus Area, where reduced nitrate concentrations will provide lower nutrient water to the spring and reduced evapotranspiration losses will benefit the spring through increased flows. The reimbursement period for the Agreement began on July 1, 2022, through expiration of the Agreement.

The Agreement contained five tasks. The Agreement was funded through the General Appropriations Act of 2022-2023 and 2024-2025 under the specific appropriations for Springs Restoration. The Agreement was amended on August 26, 2024, and June 11, 2025. Amendment 1 changed task end dates and Amendment 2 updated the budgeted amounts and task end dates as shown in the table below.

Task Title	Grant Amount	Task End Date
1. Preconstruction Activities	$490,000	12/31/2026
2. Bidding and Contractor Selection	$20,000	06/30/2027
3. Project Management	$330,000	03/31/2029
4. Construction	$8,940,000	12/31/2028
5. Study	$120,000	03/31/2029

This is a cost-reimbursement Agreement limited to the budget category of Contractual (Subcontractors). During our review the Department had made four payments to the Grantee totaling $454,290.09.

RESULTS OF AUDIT

During the audit, we reviewed documentation related to the Grantee's compliance with the requirements of the Agreement, including deliverables and disbursements, as well as the Department's oversight associated with the Agreement. Since the Agreement remains active and does not expire until 2029, our review included the work and activities completed within the duration of the audit period. A summary of our review is below.

Deliverable Documentation

The Agreement stated that the Grantee must only invoice the Department for deliverables that were completed in accordance with the Grant Work Plan. A Revised Grant Work Plan was executed with both Amendment 1 and Amendment 2. The Revised Grant Work Plans detailed the required documentation to be submitted with payment requests for each Task. Based on our review of the documentation submitted with the Grantee's reimbursement requests, work was completed in relation to Tasks 1 and 3. If the Grant Manager did not accept the deliverables within 30 days of receipt, the deliverable would be deemed rejected.

<u>Task 1 Deliverables</u>
Task 1 deliverables included completing the design of the project and obtaining all necessary permits for the construction of the project. The Grantee must submit a signed summary of activities completed for the period of work covered in the payment request, including the percentage of design completed and permitting status. For the final documentation, the Grantee must also submit a copy of the design completed with the funding provided for this task, a list of all required permits identifying issue dates and issuing authorities, and copies of any surveys, assessments, or other documents funded under this task.

Each of the four reimbursement requests submitted by the Grantee included activities related to Task 1. The Grantee submitted a Deliverables Report with each reimbursement request that summarized activities completed during the related payment request period. The Deliverables Report submitted with the first, third, and fourth reimbursement requests were signed by the Grantee, included the design percentage completed, and permitting status. The Deliverables Report submitted for the second reimbursement request was not signed nor did it include a percentage of design complete. The Grant Manager confirmed they did not receive a signed copy but stated the Deliverables Report form was updated to require a signature for subsequent deliverable submissions. The Grant Manager reviewed and accepted each Deliverables Report within 30 days of receipt. At the time of the audit, Task 1 was not complete so final documentation was not yet required to be submitted to the Department.

<u>Task 3 Deliverables</u>
Task 3 deliverables required the Grantee to provide project management services related to the project. The Grantee must submit a signed summary of activities completed for the period of work covered in the payment request. The second, third, and fourth reimbursement requests submitted by the Grantee included activities related to Task 3. The Grantee submitted a Deliverables Report with each reimbursement request that summarized the activities completed during the related payment request period. However, as previously discussed, the second Deliverables Report was not signed by the Grantee.

<u>Reimbursement Requests Review</u>
The Agreement stated that the Grantee shall be paid on a cost-reimbursement basis for all eligible project costs. Costs eligible for reimbursement for this Agreement was “Contractual (Subcontractors).” The Grantee utilized one subcontractor during our audit. Our review of the subcontractor agreement indicated costs would include direct labor costs, travel, outside services (contracted vendors), and materials (miscellaneous expenses). The Agreement stated that reimbursement requests for payments to subcontractors must be substantiated by copies of invoices with backup documentation identical to that required from the Grantee. Payments for direct salaries must include documentation that clearly identifies the personnel involved, salary rate per hour, and hours spent on the project. Reimbursement for travel expenses must be in accordance with Section 112.061, Florida Statutes (F.S.). If miscellaneous or other expenses were reimbursed, the documentation supporting these expenses must be itemized and include copies of receipts or invoices. The Reference Guide for State Expenditures requires reimbursement documentation to indicate the item has been paid, reflects dates of service, and identified the deliverables completed.

We reviewed the subcontractor invoices and supporting documentation submitted by the Grantee for the four reimbursement requests processed by the Department during the audit period. Each subcontractor invoice included direct salaries for the subcontractor employees and included all the required information for direct salaries. There were travel expenses across all four reimbursement requests for mileage and meals that did not include any supporting documentation. We also noted miscellaneous costs on two subcontractor invoices that did not include supporting documentation. The Grant Manager stated that the travel and miscellaneous costs were eligible expenses under the subcontractor agreement, but the Grant Manager did not request supporting documentation. The subcontractor invoices included service dates, proof of payment, and a backup document titled “Project Activities and Fee Summary” that provided a brief description of work completed.

One of the subcontractor’s invoices submitted with the first reimbursement request included an expense line associated with a contracted vendor. However, no supporting documentation was provided for this expense line. The Grant Manager addressed this with the Grantee on the next reimbursement request, and the Grantee provided the required supporting documentation for the second reimbursement request and subsequent requests. Additionally, in the fourth reimbursement request, the Deliverables Report indicated work was conducted for Task 3; however, the reimbursement request did not include any reimbursement amount for Task 3. During the audit, the Grant Manager made corrections to the payment information so that budgeted amounts matched work completed.

Status Reports

The Agreement required the Grantee to submit status reports quarterly on the Progress Report Form, included in the Agreement, to the Department's Grant Manager. The Progress Report Form must describe the work performed during the reporting period, problems encountered, problems resolutions, scheduled updates, and proposed work for the next reporting period. Quarterly status reports were due no later than twenty days after the completion of the quarterly reporting period. For the purposes of this reporting requirement, the quarterly reporting periods end on March 31, June 30, September 30, and December 31. The Department must review the required reports submitted by the Grantee within thirty days. We conducted a review of the status reports that were due from the Grantee during the audit period.

Our review determined that all Progress Report Forms were submitted; however, most were not submitted timely. Only the Progress Report Form for the period ending September 30, for 2023 and 2025, were signed and submitted by the Grantee prior to the twenty-day requirement. Our review of the grant files indicated that the Grant Manager consistently communicated with the Grantee regarding submission of the Progress Report Forms and reviewed the submitted forms within thirty days of receipt. Our review of the content of the Progress Report Forms noted that they did not include a section for proposed work for the next reporting period.

Insurance Requirements

Upon execution of this Agreement, the Grantee must provide the Department documentation demonstrating the existence and amount for each type of applicable insurance coverage prior to the performance of any work under this Agreement.

Additionally, the Grantee must require all subcontractors to comply with the insurance requirements of this Agreement and must make such compliance a condition of any subcontract issued under this Agreement.

Our review determined the Grantee provided a Certificate of Coverage indicating they carried insurance in the amounts and types required by the Agreement. However, our review of the subcontractor agreement indicated that no provision was included that required the subcontractor to make compliance with the insurance requirements of the Agreement a condition of all contracts related to the Agreement. The Grant Manager addressed this with the Grantee during the audit and requested that a provision is added to subcontract agreements going forward.

CONCLUSION

During the audit, we reviewed documentation related to the Grantee's compliance with the requirements of the Agreement, including deliverables and disbursements, as well as the Department's oversight associated with the Agreement. Since the Agreement remains active and does not expire until 2029, our review included the work and activities completed within the duration of the audit period. Based on our review we determined the Grantee complied with most elements of the Agreement and supported most reimbursement requests. However, our review noted some areas where controls could be strengthened regarding supporting documentation for reimbursement requests. Our finding and recommendation is listed below.

FINDINGS AND RECOMMENDATIONS

Finding 1: Supporting Documentation – The Grantee did not always provide required supporting documentation for reimbursement requests related to subcontractor invoices.

The Grantee is paid on a cost-reimbursement basis for all eligible project costs, which is limited to Contractual (Subcontractors) budget category. The Grantee utilized one subcontractor during our audit. The Agreement requires reimbursement requests for payments to subcontractors must be substantiated by copies of invoices with backup documentation identical to that required from the Grantee. Reimbursement for travel expenses must be in accordance with Section 112.061, F.S. If miscellaneous or other expenses were reimbursed, the documentation supporting these expenses must be itemized and include copies of receipts or invoices. Based on our review of subcontractor invoices, we found that supporting documentation was not provided for the following expenses:

- Travel expenses for mileage and meals.
- Miscellaneous costs.
- Expenses associated with a contracted vendor.

Recommendations:

We recommend the Division strengthen internal controls to ensure the Grantee submits required supporting documentation that meets the Agreement requirements prior to receiving reimbursement.

Management's Response:

We acknowledge the recommendation and will ensure that grant managers receive training on the required supporting documentation required from the Grantee for the various expense categories for reimbursement requests.

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 Robert Oakley 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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