



Department of Environmental Protection

Office of Inspector General

October 3, 2025

Report A-2425DEP-016

Audit of Agreement WG028 with Bay Laurel Center Community Development District

INTRODUCTION

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Agreement WG028 (Agreement) with Bay Laurel Center Community Development District (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 the Grantee, from July 1, 2021, 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 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 Division of Water Restoration Assistance (Division) administers and provides oversight for the Water Quality Improvement Grant Program which provides funding to Florida's governmental entities to address wastewater, stormwater and agricultural sources of nutrients in waterbodies that are not attaining nutrient or nutrient-related standards.

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The Division entered into the Agreement with the Grantee on May 27, 2022. The Grantee was to update an advanced wastewater treatment facility, a wastewater transmission system, and a re-use water transmission system. The Agreement was set to expire on October 31, 2025, with a total amount of funding available set at \$26,100,000 requiring at least a 50% match on the part of the Grantee. The Agreement was based on cost-reimbursement, and the reimbursement period began on July 1, 2021, to the Agreement's expiration date. The original Agreement contained two tasks. There was one Change Order, executed on October 31, 2023, which reallocated funds from Task 1 to Task 2. There have been two amendments executed. Amendment 1, executed June 20, 2024, included additional funding as well as revisions to the expiration date, and included three tasks, instead of two, and a reallocation of the budget across those tasks. Amendment 2, executed on August 21, 2024, revised the expiration date to December 31, 2026, added a Miscellaneous/Other Expenses category as a cost eligible for reimbursement, and revised the three previous tasks into one task. At the time of our review, the Grantee had received payments totaling \$45,329,380.69. The budget and timeline for the original Agreement and each Amendment is provided in the tables below.

Original Agreement						
Task No.	Task Title	Budget Category	Grant Amount	Match Amount	Task Start Date	Task End Date
1	Design and Permitting	Contractual Services	\$1,550,000	\$1,550,000	07/01/2021	04/30/2023
2	Construction	Contractual Services	\$24,550,000	\$24,550,000	07/01/2021	04/30/2025
Total			\$26,100,000	\$26,100,000		

Change Order One						
Task No.	Task Title	Budget Category	Grant Amount	Match Amount	Task Start Date	Task End Date
1	Design and Permitting	Contractual Services	\$1,416,312.51	\$1,416,312.51	07/01/2021	04/30/2023
2	Construction	Contractual Services	\$24,683,687.49	\$24,683,687.49	07/01/2021	04/30/2025
Total			\$26,100,000	\$26,100,000		

Amendment One						
Task No.	Task Title	Budget Category	Grant Amount	Match Amount	Task Start Date	Task End Date
1	Design and Permitting	Contractual Services	\$1,416,312.51	\$1,416,312.51	07/01/2021	04/30/2023
2	Construction	Contractual Services	\$57,596,537.49	\$46,819,081.39	07/01/2021	06/30/2026
3	Project Management	Contractual Services	\$987,150	\$987,150	07/01/2021	06/30/2026
Total			\$60,000,000	\$49,222,543.90		

Amendment Two						
Task No.	Task Title	Budget Category	Grant Amount	Match Amount	Task Start Date	Task End Date
1	On Top of the World North Advanced Wastewater Treatment	Contractual Services Miscellaneous/Other Expenses	\$60,000,000	\$49,222,543.90	07/01/2021	12/31/2026

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 2026, our review included the work and activities completed within the duration of the audit period. Based on our review, we found the following:

Tasks and Deliverables

At the time of our review, the Grantee had completed the original Agreement Task 1 and received interim payments for work completed-to-date relating to Task 2. The Grantee also received an interim payment for work completed-to-date relating to Task 1 under Amendment 2. We determined deliverables were generally completed in accordance with the Agreement; however, our review noted that deliverables and documentation were submitted by the Grantee's subcontractor and not the Grantee. Additionally, the Department's Grant Manager did not provide prior written acceptance of the deliverables, as required. Below is a summary of our review of deliverables completed under the Agreement and after execution of Amendment 2.

Original Agreement

Based on our review, we determined all required documentation was received for Task 1 under the terms of the original Agreement. For Task 2, we determined all required documentation was received. Our review also noted that four signed Engineer's Certification of Payment Requests associated with each invoice were submitted to the Department. While all were signed and dated, only two contained the Engineer's seal.

Amendment 2

Deliverables under Amendment 2 were all combined under Task 1 and divided into Project Management Deliverables and Construction Deliverables. Based on our review, all deliverables were submitted to the Department by the Grantee's subcontractor.

Written Acceptance of Deliverables

According to the Agreement, *the Department's Grant Manager will review the documentation to verify that the deliverables have been completed as described. Upon review and written acceptance by the Department's Grant Manager, the Grantee may proceed with payment request submittal.* Our review determined no written acceptance of deliverables was provided by the Department's Grant Manager.

Deliverables submitted by Subcontractor

The Agreement states the Grantee may subcontract work under the Agreement, and *Regardless of any subcontract, the Grantee is ultimately responsible for all work to be performed under this Agreement.* Throughout the Agreement, the Grantee is stated as the responsible party for submitting task and deliverable documentation, payment requests, status reports, Coronavirus State and Local Fiscal Recovery Funds (SLFRF) requirements, and copies of executed subcontracts. However, our review found that the Grantee's subcontractor submitted deliverables, payment requests, and other required

documentation directly to the Department's Grant Manager and not through the Grantee, even though the Department did not have any contractual relationship with the subcontractor. Additionally, the subcontractor corresponded directly with the Department about project progression. Our review also determined that the Grantee's subcontractor submitted payment requests directly to the Department's Grant Manager and the Grantee did not appear to be included on those communications.

Payments

Regarding payment requests, the Agreement states, *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. ...Interim payments may be made by Department, at its discretion, if the completion of deliverables to date have first been accepted in writing by Department's Grant Manager.* We reviewed payment requests and supporting documentation for four interim payment requests under the original Agreement and one interim payment request after execution of Amendment 2. The requests were submitted at approved time intervals in accordance with the Agreement. However, as previously stated, the Grantee did not submit the deliverables or obtain prior written approval of deliverables before the Grantee's subcontractor submitted payment requests. Our review found that invoices, documentation of match efforts, and proof of payment generally contained required documentation for payment requests 1 through 5 with some discrepancies noted on payments 2 and 3, as noted below.

The supporting documentation for payment requests 2 and 3 included invoices for *Direct Material Purchases*, which included piping and/or pump materials. At the time of these payments, Contractual (Subcontractor) services was the only budget category eligible for reimbursement. The budget category for miscellaneous/other expenses was not approved until Amendment 2 on August 21, 2024.

- Payment request 2 was for Tasks 1 and 2, totaled \$4,933,393.70, and was paid on February 16, 2023. The total amount of materials reimbursed to the Grantee was \$1,125,086.95.
- Payment request 3 was for Tasks 1 and 2, totaled \$13,968,085.35, and was paid on July 18, 2023. The total amount of materials reimbursed to the Grantee was \$242,373.05.

During the audit, a similar finding was noted in another OIG report¹.

Additional Requirements

Status Reports

The Agreement states, *the Grantee shall 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*

¹ OIG Report A-2324DEP-019, *Audit of Agreement WG017 with Town of Lake Placid for Utility Septic to Advance Waste Treatment Sewer*, issued February 25, 2025.

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. Based on our review, two of the eleven status reports submitted by the Grantee's subcontractor were submitted more than 20 days following the completion of the quarterly reporting period.

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. The Grantee had two subcontracts. Based on our review, both subcontracts did include the required provision relating to unauthorized employment.

Subcontracting

The Agreement states, the Grantee may subcontract work under this Agreement without the prior written consent of the Department's Grant Manager except for certain fixed-price subcontracts pursuant to this Agreement, which require prior approval. 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. Based on our review, the Grantee did not submit subcontracts prior to submitting invoices for subcontracted work, as required. The Grantee's subcontractor submitted copies of the executed subcontracts on February 1, 2023, upon request of the Division.

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. Grantees can include these requirements by incorporating this Attachment in the related subcontract and/or sub-awards, however for all such subcontracts and sub-awards, the Grantee shall assume the role of the Non-Federal Entity and the subrecipients shall assume the role of the Recipient. As mentioned previously, the Grantee's subcontractor submitted two subcontracts. Our review determined that neither subcontract included language relating to the 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 water and sewer projects, Grantees 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*

- *Lowest Quintile Income of service area*

Based on our review, the required information was submitted to the Department. The project information required on a quarterly basis was included at the bottom of each progress report submitted to the Department. The Department's Grant Manager explained the first two bulleted items are required of water projects and the last two bulleted items are required of sewer projects. Our review found the Median Household Income and Lowest Quintile Income was provided as required by the Agreement.

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 prior to the completion of any work under the Agreement. Based on our review, we found that proof of applicable insurance coverage was obtained prior to the completion of work in this Agreement. However, we noted that the Grantee's proof of insurance was provided by the Grantee's subcontractor. The Agreement further states that, *the Grantee shall require its sub-grantees and/or subcontractors, if any, to maintain insurance coverage of such types and with such terms and limits as described in this Agreement. The Grantee shall require all its sub-grantees and/or subcontractors, if any, to make compliance with the insurance requirements of this Agreement a condition of all contracts that are related to this Agreement. Sub-grantees and/or subcontractors must provide proof of insurance upon request.* Based on our review, both subcontracts did include the required provision relating to insurance coverage.

CONCLUSION

During the audit, we reviewed documentation related to the Grantee's compliance with the requirements of the Agreement, including the deliverables and disbursements. Since the Agreement remains active and does not expire until 2026, 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 some requirements specified in the Agreement; however, they did not obtain written approval of deliverables prior to submitting payment requests and submitted payment requests which included unallowable expenditures. Additionally, invoice and payment documentation was submitted by the subcontractor and not the Grantee as required by the Agreement. Our findings and recommendations are listed below.

FINDINGS AND RECOMMENDATIONS

Finding 1: Written Deliverable Acceptance – The Division did not provide written acceptance of deliverables to the Grantee prior to the submission of payment requests or prior to the Grantee receiving payment, as required by the Agreement.

The Agreement states, *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....Interim payments may be made by Department, at its discretion, if the completion of deliverables to date have first been accepted in writing by Department's Grant Manager.* Further, the Agreement states, *the Department's Grant Manager will review the documentation to verify that the deliverables have been*

completed as described. Upon review and written acceptance by the Department's Grant Manager, the Grantee may proceed with payment request submittal. Based on communication with the Department Grant Manager, we found that written acceptance of deliverables was not provided to the Grantee.

Recommendations:

We recommend the Division implement internal controls and provide training to Grant Managers to ensure deliverables are received, and written acceptance is provided to the Grantee prior to submission of payment requests, as required by the Agreement. We also recommend the Division ensure such documentation is maintained in the grant files.

Management's Response:

We acknowledge the recommendation and have provided training for the Division's grant managers to ensure that the deliverable documentation is accepted in writing as required by the grant agreement and that the deliverable documentation acceptance is maintained in the grant files. Guidance on this process, as well as example language to use when accepting deliverables, was provided to grant managers in September 2024 and an additional training was held on March 4, 2025. The process of accepting deliverables in writing and then maintaining that written acceptance in the agreement file has been implemented. The Division is implementing a process in which a link to the deliverable documentation and its written acceptance (in OCULUS) will be provided to the staff that will process payment requests and they will do periodic checks to verify the deliverable documentation and the written acceptance have been provided and are in the grant file.

<p>Finding 2: Reimbursement for Miscellaneous/Other Expenses – The Grantee received reimbursement for miscellaneous/other expenses prior to the budget category being approved in Amendment 2.</p>

The supporting documentation for payment requests 2 and 3 included invoices for *Direct Material Purchases*, which included piping and/or pump materials. At the time of these payments, Contractual (Subcontractor) services was the only budget category eligible for reimbursement. The budget category for miscellaneous/other expenses was not approved until Amendment 2 on August 21, 2024.

- Payment request 2 was for Tasks 1 and 2, totaled \$4,933,393.70, and was paid on February 16, 2023. The total amount of materials reimbursed to the Grantee was \$1,125,086.95.
- Payment request 3 was for Tasks 1 and 2, totaled \$13,968,085.35, and was paid on July 18, 2023. The total amount of materials reimbursed to the Grantee was \$242,373.05.

During the audit, a similar finding was noted in another OIG report².

Recommendations:

We recommend the Division implement internal controls to ensure supporting documentation for payment requests are reviewed and are for authorized expenditures

² OIG Report A-2324DEP-019, *Audit of Agreement WG017 with Town of Lake Placid for Utility Septic to Advance Waste Treatment Sewer*, issued February 25, 2025.

prior to approving payment. We also recommend the Division review payments made for direct material purchases prior to the approval of the budget category for miscellaneous/other expenses and determine whether payment for those expenses is owed to the Department.

Management's Response:

We acknowledge the recommendation and have provided training for the Division's grant managers. Disbursement review trainings were held in August and September 2025 for each grant program area and emphasize the importance of meeting task requirements and identifying ineligible work and budget categories. The training includes guidance on the types of expenses that fall under the miscellaneous/other budget category.

The Division did not request a refund of the costs originally approved for contractual services and later moved to miscellaneous/other expenses. The invoices were confirmed to be allowable construction materials for the project, and the budget category has since been made eligible for reimbursement.

Finding 3: Submission of Agreement Documentation – The Grantee's subcontractor submitted deliverables, payment requests, and other required documentation directly to the Division and did not always include or go through the Grantee.

The Agreement states the Grantee may subcontract work under the Agreement, and *Regardless of any subcontract, the Grantee is ultimately responsible for all work to be performed under this Agreement.* Throughout the Agreement, the Grantee is stated as the responsible party for submitting task and deliverable documentation, payment requests, status reports, SLFRF requirements, and copies of executed subcontracts. However, our review found that the Grantee's subcontractor submitted deliverables, payment requests, and other required documentation directly to the Department's Grant Manager and not through the Grantee, even though the Department did not have any contractual relationship with the subcontractor. Additionally, the subcontractor corresponded directly with the Department about project progression. Our review also determined that the Grantee's subcontractor submitted payment requests directly to the Department's Grant Manager and the Grantee did not appear to be included in those communications. Due to the direct correspondence between the Department and the subcontractor, it is unclear whether the Grantee had reviewed the deliverables or payment requests submitted by the subcontractor or whether the Grantee was knowledgeable about results of task completion, payment requests, and progression of the project.

Recommendations:

We recommend the Division implement internal controls and provide training to Grant Managers to ensure deliverables and payment requests are received from the Grantee as required by the Agreement.

Management's Response:

We acknowledge that some documents were submitted by the Grantee's subcontractor but would assert that the documents did go through the Grantee, as the Agreement language requires the Grantee to certify certain documents. All payment requests include

a certification form signed by both the Grantee's grant manager and fiscal agent. Progress Report forms are also signed by the Grantee's grant manager.

Grant managers within the division have been instructed to ensure that the Grantee is included in communication regarding deliverables, payment requests and other required documentation.

Finding 4: Subcontracts – The Grantee did not always follow the provisions of the Agreement regarding subcontracting requirements.

The Agreement states, *the Grantee may subcontract work under this Agreement without the prior written consent of the Department's Grant Manager except for certain fixed-price subcontracts pursuant to this Agreement, which require prior approval. 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.* Based on our review, the Grantee did not submit subcontracts prior to submitting invoices for subcontracted work, as required.

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.* Our review determined that neither of the Grantee's subcontracts included the language relating to the SLFRF requirements, as required by the Agreement.

Recommendations:

We recommend the Division work with Grant Managers to ensure the Grantee complies with all provisions required by the Agreement.

Management's Response:

We acknowledge the recommendation and will ensure that grant managers receive training on subcontracting requirements. A Division training held on March 4, 2025 provided guidance on the review of subcontracts to ensure compliance.

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 Alexis Keller and supervised by Susan Cureton.

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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