

**Review of Agreement R1803 with the City of Sarasota
Office of Resilience and Coastal Protection**

Report: A-1920DEP-009

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

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The Office of Inspector General (OIG) conducted a review of Agreement R1803 (Agreement) between the Department of Environmental Protection (Department) Office of Resilience and Coastal Protection (ORCP) and the City of Sarasota (City). This review was initiated as a result of the Fiscal Year (FY) 2019–2020 Annual Audit Plan.

Scope and Objectives

The scope of this review included activities and financial transactions beginning in November 2018. The objectives were to:

- evaluate management oversight and control over the City’s performance and compliance under the Agreement.
- determine if payments were made for activities and required deliverables in accordance with the Agreement.

Methodology

This review was conducted under the authority of Section 20.055, Florida Statutes (F.S.), and in conformance with *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Our procedures included review of statutory and Agreement requirements, authoritative documentation, Agreement activity documentation, and interviews with ORCP and City staff.

Background

The ORCP is funded by the Florida Coastal Management (FCM) Program in partnership with National Oceanic and Atmospheric Administration (NOAA), and by the Florida legislature. The 2018-2019 legislative budget included a special category (line item 1694) appropriation in the amount of \$3,600,000.00 for the purpose of assisting local governments with storm resiliency

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sea level rise planning, coastal resilience projects, and coral reef health. In 2018, the Department awarded Resilience Planning Grants to recipients aimed at preparing coastal Florida communities for current and future effects of rising sea levels, including coastal flooding, erosion, and ecosystem changes. For these grants, ORCP identified recipients with proposals which addressed a minimum of one out of four priority levels listed in the ORCP Goals and Priority Areas.

The Agreement was executed on December 13, 2018, to provide funding for increased shoreline resiliency along Sarasota Bay by removing a degraded seawall to replace it with a softer, sloped riprap design and to restore a living shoreline and breakwater (Project). The Agreement was amended on February 28, 2019, to revise the performance measures in the Grant Work Plan and increase funding to \$187,972.00. One change order was approved, revising the final Task end date to June 12, 2019. The Grant Work Plan included the following tasks and budget detail.

Task	Title	Amount Budgeted
1	Mobilization	\$25,000.00
2	Implement Erosion Control	\$1,000.00
3	Install Floating Turbidity Barrier	\$3,289.00
4	Removal of Existing Seawall	\$3,500.00
5	Install Vinyl Gravity Wall	\$3,750.00
6	Install Bedding Stone	\$16,020.00
7	Install Riprap Rubble	\$123,165.00
8	Install Sodding Behind Revetment and Living Shoreline	\$2,800.00
9	Planting for Living Shoreline	\$4,880.00
10	Design and Install Educational Signage	\$4,568.00
	Total:	\$187,972.00

As of June 24, 2019, payments totaling \$187,972.00 were approved for work completed for Tasks 1 through 10.

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Results

Agreement Requirements and Management Oversight

We reviewed the Agreement, interviewed staff, and obtained records to evaluate the City's compliance, as well as ORCP's management oversight of the Agreement. According to the Special Terms and Conditions, Paragraph 12 of the Agreement, the *Grantee shall submit a copy of the executed subcontract to the Department prior to submitting any invoices for subcontracted work.* ORCP received a copy of the City's executed subcontract before approving invoices for subcontracted work. The subcontract included necessary requirements and outlined work consistent with the Agreement. For the Project, we verified that the City and its subcontractor maintained insurance coverage as required throughout the Agreement period. We also verified that the City submitted quarterly status reports, as required under Paragraph 10 of the Agreement and a Final Project Report, as required under the Agreement Program Specific Requirements.

For entities awarded funding on a noncompetitive basis, Section 216.3475, F.S. states, *each agency shall maintain records to support a cost analysis, which includes a detailed budget submitted by the person or entity awarded funding and the agency's documented review of individual cost elements from the submitted budget for allowability, reasonableness, and necessity.* Funding for the Project was awarded to the City on a noncompetitive basis. Based on information obtained from the Grant Manager, the City submitted a budget to the Department. The Grant Manager completed the required Department Budget Cost Analysis Form (DEP 55-229) for the Agreement. However, the form did not include documented support to demonstrate that a detailed cost analysis was conducted as required.

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Required Deliverable and Invoiced Activities

To evaluate deliverables and invoiced activities, we reviewed invoice and task deliverable documentation obtained from the Grant Manager. According to Section 215.971, F.S., Department agreements that provide state financial assistance to a recipient or subrecipient must include a provision specifying a scope of work that clearly establishes the tasks that the recipient or subrecipient is required to perform, and a provision dividing the agreement into quantifiable units of deliverables that must be received and accepted in writing by the Department before payment. Each deliverable must be directly related to the scope of work and specify the required minimum level of service to be performed and the criteria for evaluating the successful completion of each deliverable. Prior to amendment, the original Agreement Grant Work Plan included specific performance measures associated with required deliverables to demonstrate Task completion as follows.

Original Agreement Grant Work Plan		
Task No.	Title	Performance Measure Description
1	Mobilization	<i>Project Manager signs off that Contractor is prepared with staging and materials and ready to begin work 02/28/2019</i>
2	Implement Erosion Control	<i>Erosion Control Permit, Pre-construction BMP installation and inspection, daily inspection report, final inspection</i>
3	Install Floating Turbidity Barrier	<i>Project Manager confirms no silt or sediment from Project site outside of turbidity barrier. Pre and post construction inspection</i>
4	Removal of Existing Seawall	<i>Seawall successfully removed above ground and cut-offs per proposed elevation. Cut off elevation to be recorded as part of as-built markup and survey.</i>
5	Install Vinyl Gravity Wall	<i>City will inspect installation of new vinyl gravity wall for acceptance. Final elevation and detail will be shown on the as-built survey</i>
6	Install Bedding Stone	<i>City to inspect installation activity for final acceptance, record total quantity of material used, and reflected placement on as-built survey</i>
7	Install Rip Rap Rubble	<i>City to inspect installation activity for final acceptance, record total quantity of material used, and reflected placement on as-built survey</i>
8	Install Sodding Behind Revetment and Living Shoreline	<i>City to inspect installation activity for final acceptance and record total quantity of material used</i>
9	Planting for a Living Shoreline	<i>City to inspect installation activity for final acceptance and record total quantity of material used</i>
10	Design and Install Educational Signage	<i>Sign to be design by City and approved by the Project Manager. Contractor to procure and install</i>

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Under Amendment 1 of the Agreement, each of the specific performance measure requirements were revised to state, *The Department will review the deliverable(s) to ensure it meets the specifications provided in the task description above.* ORCP staff indicated that no site inspections were conducted by Grant management to confirm completion of the deliverables.

According to Paragraph 8(d) of the Agreement, *the City 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.* The Department approved three payment requests for costs submitted by the City during the Agreement period as follows.

Approved Payments		
Request Date	Reimbursement for Cost Under Tasks	Payment
03/24/2019	1	\$25,000.00
04/12/2019	2, 3, 4, (6,7 partial)	\$145,505.44
06/10/2019	5, (6, 7 partial) 8, 9, 10	\$17,466.56
Total:		\$187,972.00

Based on our review, each of the City's payment requests were consistent with Task amounts specified in the Grant Work Plan and included the subcontractor's application and certification of payment as well as the City's payment documents. Documentation of completed work was as follows.

- **Payment Request one:** The submitted Progress Report Form documented that equipment and materials necessary for the project were on site (Task 1). Documentation also included Erosion Control Permit documentation (Task 2), and dated photographs.
- **Payment Request two:** Documentation obtained included a Best Management Plan (BMP) describing the floating turbidity barrier (Task 3), dated photographs, daily reports (Task 4), and receipts for bedding stone and riprap rubble, as applicable to costs under

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Tasks 6 and 7. The submitted Progress Report Form documented that the floating turbidity barrier had been installed.

- Payment Request three: Documentation submitted by the City included progress reports and photographs of the vinyl gravity wall (Task 5), sodding (Task 8), plants (Task 9), and signage (Task 10). The City also submitted daily reports, inspections, an as-built survey, and a Professional Engineer's Certificate of Completion. In the third payment request, the City requested the remaining funds budgeted for Tasks 6 and 7 totaling \$1,468.56 and budgeted funds for Tasks 8, 9, and 10. However, these amounts were not supported by receipts or invoices. According to Paragraph 9(c) of 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.* Based on our inquiry, the City's Grant Manager advised that requested amounts representing the remaining funds for Tasks 6 and 7 were submitted in error. Subsequent to those discussions, the ORCP Grant Manager requested a refund from the City for the unsupported amounts. Additionally, the City's Grant Manager advised that copies of invoices and receipts supporting costs for sodding, plants, and signage under Tasks 8, 9, and 10 were not obtained.

Conclusion

Based on this review, the ORCP Grant Manager completed a Department Budget Cost Analysis Form (DEP 55-229) for the Agreement; however, the form did not include analysis or support documentation to demonstrate that a detailed cost analysis was conducted as required.

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While documentation supporting Project and Task completion was submitted, the performance measures, as included in the amended Agreement, did not specify requirements for demonstrating completion of deliverables. Grant management had not verified support for all Project expenses.

Findings and Recommendations

Finding 1: Cost Analysis

For entities awarded funding on a noncompetitive basis, Section 216.3475, F.S. states, *each agency shall maintain records to support a cost analysis, which includes a detailed budget submitted by the person or entity awarded funding and the agency's documented review of individual cost elements from the submitted budget for allowability, reasonableness, and necessity.* Funding for the Project was awarded to the City on a noncompetitive basis. We verified that the City submitted a budget to the Department and that the Grant Manager completed a Department Budget Cost Analysis Form (DEP 55-229) for the Agreement. However, the form did not include analysis or support documentation to demonstrate that a detailed cost analysis was conducted for allowability, reasonableness, and necessity, as required.

Recommendation:

On future Agreements awarded on a noncompetitive basis, we recommend that ORCP ensure Grant Managers maintain documentation to support the completion of a cost analysis as required under Section 216.3475, F.S.

Finding 2: Verification of Deliverables

In order to verify whether payments were made for activities and required deliverables in accordance with the Agreement, we reviewed invoice and task deliverable documentation

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provided by ORCP grant management. According to Section 215.971, F.S., Department agreements that provide state financial assistance to a recipient or subrecipient must include a provision specifying a scope of work that clearly establishes the tasks that the recipient or subrecipient is required to perform, and a provision dividing the agreement into quantifiable units of deliverables that must be received and accepted in writing by the Department before payment. Each deliverable must be directly related to the scope of work and specify the required minimum level of service to be performed and the criteria for evaluating the successful completion of each deliverable. The original Agreement Grant Work Plan included specific performance measures associated with required deliverables to demonstrate Task completion. Under Amendment 1 of the Agreement, each Task performance measure was revised to *The Department will review the deliverable(s) to ensure it meets the specifications provided in the task description above.*

Grant management did not conduct a site inspection to verify deliverables. However, while not required under the amended Grant Work Plan, the City submitted documentation for each deliverable including permit documentation, photographs, daily reports, receipts, correspondence, an as-built survey, and a Professional Engineer's Certificate of Completion. Absent performance measures in the amended Agreement with requirements for demonstrating completion of each deliverable, the ORCP Grant Manager relied on documents provided by the City.

Recommendation:

Going forward, we recommend ORCP ensure that Agreements include performance measures specific to each Task with the required minimum level of service to be performed

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and the criteria for evaluating the successful completion of each deliverable, consistent with requirements under Section 215.971, F.S.

Finding 3: Approved Payments

According to Paragraph 8(d) of the Agreement, *the City 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.* The Department approved payment for costs to the City as submitted through three payment requests using the Payment Request Summary Form during the Agreement period. Documentation provided with the City's second payment request included receipts for bedding stone and riprap rubble, as applicable to costs under Tasks 6 and 7.

Under the third payment request, the City requested the remaining funds budgeted for Tasks 6 and 7 totaling \$1,468.56 and budgeted funds for tasks 8, 9, and 10. However, these amounts were not supported by receipts or invoices. According to Paragraph 9(c) of 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.* Based on our inquiry, the City's Grant Manager advised that reimbursements for amounts representing the remaining funds for Tasks 6 and 7 were submitted in error. In addition, the City's Grant Manager advised that copies of invoices and receipts supporting costs for sodding, plants, and signage under Tasks 8, 9, and 10 were not obtained.

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Subsequent to those discussions, the ORCP Grant Manager sent a request for refund to the City for the unsupported amounts under Tasks 6 and 7.

Recommendation:

Going forward, we recommend that ORCP work with Grant Managers to ensure documentation supporting expenses are obtained as applicable to each payment request, as required under the Agreement.

Management Comment

Status Report Requirements

The Agreement Standard Terms and Conditions Applicable to Grant Agreements (Attachment 1), Paragraph 10 states, *Quarterly status reports are due no later than twenty (20) days following the completion of the quarterly reporting period.* The Agreement Program Specific Requirements for the FCM Program (Attachment 6), Paragraph 2 states, *Quarterly status reports are due no later than five (5) days following completion of the quarterly reporting period.* This discrepancy within the Agreement results in unclear performance requirements. ORCP would benefit from a review of Agreement requirements to ensure consistency throughout.

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To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our review was conducted under the authority of Section 20.055, F.S., and in conformance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. The review was conducted by LeAnne Landrum and supervised by Valerie J. Peacock.

Please address inquiries regarding this report to the OIG's Audit Director by telephone at (850) 245-3151. Copies of final reports may be viewed and downloaded via the internet at <https://floridadep.gov/oig/internal-audit/content/final-audit-reports>. Copies may also be obtained by telephone (850) 245-3151, by fax (850)245-2994, in person or by mail at Department of Environmental Protection, Office of Inspector General, 3900 Commonwealth Boulevard, Mail Station #41, Tallahassee, FL 32399.

*Valerie J. Peacock,
Director of Auditing*

*Candie M. Fuller,
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MEMORANDUM

To: Valerie Peacock
From: Alex Reed, Director, Office of Resilience and Coastal Protection
Subject: Response to 2019 Audit of Agreement R1803 with the City of Sarasota
Office of Resilience and Coastal Protection (A-1920DEP-009)
Date: 1/3/2020

Thank you for this opportunity to respond to the preliminary report for the audit noted above, conducted for the Office of Resilience and Coastal Protection's (ORCP) Florida Resilient Coastlines Program (FRCP). We would like to focus our response on the Recommendations, which are presented in the order they appear in the report.

Recommendation #1: Cost Analysis

Moving forward, FRCP will be including a review of the competitive procurement processes used by grant recipients for all non-competitive agreements. Documentation of this competitive process will be included in the project files, along with the required cost analysis. Each cost analysis will include a thorough review of the proposed project budget. FRCP is also establishing a database of state-wide resilience-related projects to use as a reference when conducting a cost analysis for future agreements, to ensure that costs are consistent with industry standards. Changes will be implemented for fiscal year 2020-2021.

Recommendation #2: Verification of Deliverables

The Performance Measures were revised in the amendment to reflect the standard template language approved by the DEP Office of General Counsel, which had been modified by the grantee in the original agreement. RCP agrees with the audit finding, that performance measures can be more clearly defined in the template. FRCP staff will work with DEP Office of General Counsel to explore potential changes to the fiscal year 2020-2021 template language that will be more appropriate. In the interim, FRCP will require grantees to produce detailed, tangible deliverables to validate that the tasks have been completed, as indicated in the agreement. Program staff will conduct site visits as needed to further ensure the completion of tasks. Changes will be implemented fully for fiscal year 2020-2021.

Recommendation #3: Approved Payments

FRCP will work with other ORCP programs to establish tracking mechanisms to ensure that disbursed funding is consistent with task amounts approved in the agreement and supported by appropriate documentation. Changes will be implemented fully for fiscal year 2020-2021.

Management Comment: Status Report Requirements

Thank you for noting this discrepancy, which is caused by program requirements specific to FRCP. All agreement templates will be modified to be consistent with the language that is set in Attachment 6, as required by the program. Changes have already been implemented for fiscal year 2019-2020 agreements.

In closing, we thank the Office of Inspector General for the review of agreement R1803 and for providing recommendations to improve the program. Please feel free to contact me if you have any questions.