

Review of Recreational Trails Program Agreement T2B22 and Land and Water Conservation Fund Agreement LW610

Office of Operations

Report: A-1617DEP-035

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

September 6, 2017

3900 Commonwealth Boulevard, MS 40
Tallahassee, Florida 32399-3000
www.dep.state.fl.us





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Conservation Fund Agreement LW610
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The Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted a review of the Recreational Trails Program (RTP) Agreement T2B22 (RTP T2B22) and Land and Water Conservation Fund (LWCF) Agreement LW610 (LW610) with the City of Sanford (City).

Scope and Objectives

The scope of this review included activities relating to RTP T2B22 for the Coastline Park Trailhead Project (Trailhead Project) and LW610 for the Coastline Park Project (Park Project).

The objectives were to:

- determine whether reimbursement under RTP T2B22 was made for completed Trailhead Project Grant Work Plan Elements specified in the project application
- determine the City's compliance with terms specified in RTP T2B22
- determine whether reimbursement request submitted under Agreement LW610 included costs in accordance with the Project Work Plan
- evaluate the Land and Recreation Grant Program (Program) management oversight of the agreements

Methodology

This review was conducted under the authority of Section 20.055, Florida Statutes (F.S.), and in conformance with the *International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors*. Our procedures included review of RTP and LWCF requirements and agreements, as well as related planning documents, correspondence, submitted reports, City contract payments, and Program reimbursement. We also interviewed Program management and staff and obtained documentation from the City.

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Background

In 2012, the City applied for funding to enhance trail connections and recreation at Coastline Park (Park). To develop the Park's mixed-use recreational trail connections to the Goldsboro Trail, the City applied for RTP funding for the Trailhead Park Project. To develop the Park's recreational elements, the City applied for LWCF funding for the Park Project.

Under RTP, the Department provides funding assistance in accordance with the Federal Highway Administration Recreational Trails Program. Chapter 62S-2.072(2)(a), F.A.C., establishes the award of RTP grants on a matching basis for projects whose primary purpose is providing recreational trails for the public. RTP T2B22 was executed April 14, 2014, and specified \$75,000 in RTP federal funding assistance and \$75,000 in City match funding toward a total cost of \$150,000 for the Trailhead Project.

Under LWCF, the Department provides funding assistance in accordance with the United States Department of the Interior National Park Service LWCF Program. Chapter 62D-5.070(5), F.A.C. establishes the award of LWCF grants for projects whose sole purpose is providing outdoor recreation opportunities to the public. LW610 was executed January 28, 2014, and specified \$200,000 in LWCF federal funding assistance and \$200,000 in City match funding toward a total cost of \$400,000 for the Park Project.

RTP T2B22 expired on April 14, 2016. On June 27, 2016, the City was paid \$67,500 of the total \$75,000 for the Trailhead Project. LW610 expired January 28, 2017. At the time of this review, no reimbursements had been made for the Park Project.

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Results

RTP T2B22 Agreement Compliance and Reimbursement

Paragraph 4 of RTP T2B22 states, *the Project may not commence until completion of the Project Development and Environment Process, an environmental determination is made by FHWA, the determination is accepted by the Department and approved by FHWA, and the Department notifies the Grantee in writing that construction of the Project may commence by issuance of a Notice to Proceed.* On March 17, 2016, the Program sent an e-mail to the City Grant Manager advising that the commencement documents required to approve the notice to proceed had not been received. The Program advised the City an amendment to extend the agreement would be necessary to continue the project.

The City submitted the Agreement Amendment on April 18, 2016 after RTP T2B22 expired. As a result, it was not executed. Closeout documents, status reports, Project Completion Certification and the final site map were received by the Program in May 2016. However, the commencement documents were not submitted within a year of the agreement execution date as required, and a notice to proceed was never issued.

Paragraph 6 of RTP T2B22 requires the City to perform construction *Substantially in accordance with the conceptual site development plan contained in the approved Project application and Attachment A.* The Conceptual Site Development Plan contained in the Trailhead Project application for RTP T2B22 included site maps indicating an asphalt walking trail and related facilities beginning at the northeast corner of the Park and extending south and southeast, connecting to the existing Goldsboro Trail south of the Park. The final Site Reference Plan, representing the as-built map did not include the trail as originally included in the Trailhead

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Project Conceptual Site Plan. We visited the Park and verified that the trail included in the Conceptual Site Plan had not been developed.

Task 1 in the RTP T2B22 Grant Work Plan included the following deliverables.

RTP Task 1 Deliverables	RTP Cost Share	City Cost Share	Total Cost
Construction of 1,500 linear foot, 10 foot-wide asphalt trail	\$72,000	\$72,000	\$144,000
Installation of four trail signs	\$750	\$750	\$1,500
Installation of four benches	\$1,000	\$1,000	\$2,000
Installation of a drinking fountain	\$750	\$750	\$1,500
Installation of two trash receptacles	\$500	\$500	\$1,000
Total	\$75,000	\$75,000	\$150,000

The City's Reimbursement Request was received by the Department June 13, 2016. It reported the total project cost as \$150,000, but was supported by a Contractual Services Purchases Schedule, which listed the City contractor's Pay Request 5, City's check number for payment, element description and project cost of \$219,956.50. The element description stated, *construction of trail and support facilities*. The Contract Services Schedule included a signed certification from City Project Administrator that the purchases were used in accomplishing the project. The Program obtained a copy of the City's check and invoice amounts from the contractor, which listed three payments for the contractor's Pay Request 5, and one amount for Pay Request 2.

City Payment Support for RTP T2B22		
Date	Contractor's Pay Request	Amount
2/29/2016	2	\$69,262.24
12/31/2015	5	\$69,444.21
12/31/2015	5	\$29,316.05
12/31/2015	5	\$76,373.61
Total		\$244,396.11
Total Less Retainage		\$219,956.50

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The check and check detail did not provide the contractor invoice description indicating the project elements paid. However, the Program approved payment of \$67,500 on June 20, 2016 for the Department's share of the Trailhead Project, less retainage.

We requested the City's construction contract bid documentation, plans, and contract. These plans were not consistent with the Conceptual Site Plans included in the RTP T2B22 agreement file. We also requested the City's construction contract Pay Requests and schedule of values. Per the schedule of values, Pay Requests 2 and 5 included the following costs.

Pay Request 2 Schedule of Values Elements and Costs	
Element	Cost
General Conditions	\$3,252.80
Silt Fence	\$183.52
Stabilized Subgrade	\$794.97
Base	\$5,374.09
Superpave Asphaltic Concrete	\$16,527.00
Concrete Curb	\$2,411.66
Concrete Paving	\$57,156.89
Concrete Paving (B)	\$23,937.22
Detectible Warning	\$3,962.00
Electrical Distribution	\$4,280.00
Trail Lighting	\$50,422.68
Parking Lot Lighting	\$ 3,745.00
New Basketball Lights	\$2,089.70
Tennis Court Lighting	\$3,357.66
TOTAL	\$177,495.19
TOTAL LESS RETAINAGE	\$159,745.67

Pay Request 5 Schedule of Values Elements and Costs	
Element	Cost
General Conditions	\$14,637.60
Surveying	\$3,046.68
Concrete Paving	\$6,847.62
Gravity Wall	\$12,722.30
Playground Surface – WCD #6	\$3,547.52
Decorative Concrete Paving	\$10,136.00
Picnic Pavilion	\$22,398.35
Electrical Distribution	\$12,840.00
Electrical Distribution – WCD #3	\$9,112.15
Trail Lighting – WCD #1	\$23,540.00
Parking Lot Lighting	\$749.00
Re-Roof Existing Pavilion	\$7,010.39
Re-Paint Existing Pavilion	\$70.00
Bike Rack	\$3,000.00
Floating Fountain	\$9,126.65
Tennis Court Repair & Resurface	\$10,469.95
Tennis Court Fencing	\$10,373.74
Restroom Renovation	\$24,000.00
Bullnose Tile – WCD #4	\$672.52
TOTAL	\$183,627.95
TOTAL LESS RETAINAGE	\$165,265.16

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These costs were not consistent with Trailhead Project cost amounts included in the Reimbursement Request and did not reflect elements listed in the Grant Work Plan. The elements in these Pay Requests included several items from the Project Work Plan under LW610, such as work for the basketball courts, tennis courts, and restroom. Paragraph 31 of RTP T2B22 states, *the Grantee is prohibited from commingling funds on either a program-by-program or a project-by-project basis. Funds specifically budgeted and/or received for one project may not be used to support another project.* According to the City Project Administrator, the projects were managed together under one construction contract.

LW610 Agreement

The Project Work Plan under LW610 included the following elements.

LW610 Project Work Plan Elements	Budget for Reimbursement	Match Amount	Total
Develop a new hiking trail	\$25,000	\$25,000	\$50,000
Construct a new waterfront observation platform	\$15,000	\$15,000	\$30,000
Construct a new basketball court	\$10,000	\$10,000	\$20,000
Construct a new playground	\$25,000	\$25,000	\$50,000
Renovate existing tennis court	\$10,000	\$10,000	\$20,000
Renovate existing picnic facility	\$12,500	\$12,500	\$25,000
Install New landscaping	\$42,500	\$42,500	\$85,000
Construct Restroom	\$40,000	\$40,000	\$80,000
Design/Engineer	\$20,000	\$20,000	\$40,000
Total	\$200,000	\$200,000	\$400,000

Section 4 of LW610 indicates that *The Project Elements identified in paragraph 3 herein shall be designed and constructed substantially in accordance with the conceptual site Development plan contained in the approved Project application and Attachment A.* The Site

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Reference Plan, and as-built map was generally consistent with the Park Project application maps. The City submitted the contractor's Pay Requests 2 and 3 for LW610.

For LWCF projects, Chapter 62D-5.70(6)(c), F.A.C. specifies that funds obtained through RTP, FRDAP, and other LWCF grants are ineligible match sources. The City's Park Project construction contract schedule of values for Pay Requests 2 and 3 listed the following elements and costs.

Pay Request 2 Schedule of Values Elements and Costs	
Element	Cost
General Conditions	\$3,252.80
Silt Fence	\$183.52
Stabilized Subgrade	\$794.97
Base	\$5,374.09
Superpave Asphaltic Concrete	\$16,527.00
Concrete Curb	\$2,411.66
Concrete Paving	\$57,156.89
Concrete Paving (B)	\$23,937.22
Detectible Warning	\$3,962.00
Electrical Distribution	\$4,280.00
Trail Lighting	\$50,422.68
Parking Lot Lighting	\$ 3,745.00
New Basketball Lights	\$2,089.70
Tennis Court Lighting	\$3,357.66
TOTAL	\$177,495.19
TOTAL LESS RETAINAGE	\$159,745.67

Pay Request 3 Schedule of Values Elements and Costs	
Element	Cost
General Conditions	\$8,132.00
Maintenance of Traffic	\$1,364.25
Playground Equipment (3-5 Year Olds)	\$42,226.60
Playground Equipment (6-12 Year Olds)	\$77,376.79
Benches	\$8,182.30
Trash Receptacle	\$2,182.47
Picnic Tables	\$5,770.30
Accessible Picnic Table	\$1,677.28
Grills	\$337.75
Trail Lighting	\$29,613.32
Parking Lot Lighting	\$2,996.00
New Basketball Lights	\$39,704.30
Tennis Court Lighting	\$63,795.54
TOTAL	\$283,358.90
TOTAL LESS RETAINAGE	\$255,023.01

While some of the element descriptions included in these pay requests were also listed in the LW610 Project Work Plan, the total Project Work Plan elements and costs were not consistent. Some of the elements in Pay Request 3 were included in the Grant Work Plan for

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RTP T2B22 such as benches and trash receptacles. Both projects included trail construction¹; however, the costs designated in the schedule of values for asphalt did not support the separate agreement elements.

Program Agreement Oversight

For RTP agreements, Chapter 62S-2.075(7)(d)(3), F.A.C., states that the *Department shall terminate the project agreement if the Commencement Documentation is not received and approved by the Department within twelve months of the project agreement's execution. This time period may be extended by the Department for good cause, such as natural disaster.*

Additionally, Chapter 62S-2.076(4), F.A.C., indicates that the *Department shall terminate a project agreement and demand return of the program funds (including interest) for non-compliance by a grantee with the terms stated in the project agreement or this rule.*

Commencement documents for RTP T2B22 were due in April 2015, but were not received until March 2016. RTP T2B22 expired on April 14, 2016, without the required notice to proceed.

Section 16 of RTP T2B22 states that *no reimbursement will be made for deliverables deemed unsatisfactory by the Department.* Prior to reimbursement, the Program obtained the pay request, as-built site maps, and photographs of constructed elements. The site maps and photographs indicated alternate project elements from the original plan. The City did not request approval to amend the Trailhead Project plan or elements prior to expiration of the agreement.

The City's construction contract scope of work and schedule of values obtained during this review demonstrated that the submitted costs did not support the RTP T2B22 Grant Work

¹ RTP T2B22 \$144,000, LW610 \$50,000

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Plan; however, this cost support was not requested by the Program for reimbursement approval.

Program staff indicated this oversight was due to personnel changes at the time.

Conclusion

Based on this review, the City did not complete the Trailhead Project Grant Work Plan Elements specified in the approved project application and in compliance with the RTP T2B22 agreement, but was reimbursed for the RTP share of the Trailhead Project. LW610 expired January 28, 2017 prior to reimbursement. The City's management of the Park Project and reimbursement requests were not in compliance with the Project Work Plan. The Program approved reimbursement for the Trailhead Project in error, without verifying the City contractor's costs included in the Reimbursement Request and ensuring compliance with the agreement.

Findings and Recommendation

Finding 1: Funds Reimbursed Under T2B22

According to Paragraph 4 of RTP T2B22, *the Project may not commence until completion of the Project Development and Environment Process, an environmental determination is made by FHWA, the determination is accepted by the Department and approved by FHWA, and the Department notifies the Grantee in writing that construction of the Project may commence by issuance of a Notice to Proceed.* Paragraph 6 of RTP T2B22 requires the City to perform construction *substantially in accordance with the conceptual site development plan contained in the approved Project application and Attachment A.* Per Paragraph 5, *any revisions to the Project Elements must be formally requested by the Grantee and, if agreed upon by the*

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Department, the modifications will be reduced to writing in an amendment to this Project Agreement.

From the Site Reference Plan, and as-built map, the Trailhead Project was not constructed at the location included specified in the Conceptual Site Development Plan from the planning documents referenced in the agreement. According to correspondence from the City Project Administrator, *the location and scope changed as a result of design considerations and cost. Once final design was completed and construction began, the City provided the final site plan on several occasions to FDEP staff.* Based on information obtained from the Trailhead Project file, alternate site maps were included in the project closeout documents. The City did not formally request approval in writing as required in the agreement.

Paragraph 31 of RTP T2B22 states, *the Grantee is prohibited from commingling funds on either a program-by-program or a project-by-project basis. Funds specifically budgeted and/or received for one project may not be used to support another project.* According to the City Grant Manager, the projects were managed together under one construction contract.

Paragraph 17 of RTP T2B22 allowed the City to subcontract work for the Trailhead Project without written consent of the Program, but required that a copy of the executed contract be submitted to the Program within ten days of execution. A copy of the City's construction contract was not provided. The Grant Work Plan states, *a schedule of values, developed per the construction industry standard, must be submitted with the Commencement Documentation. All invoices submitted as part of the reimbursement process must correspond with Attachment A [Grant Work Plan] and the Schedule of Values.* The Payment Request documents provided to the Program did not include the contractor's schedule of values.

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We obtained the City's Trailhead Project construction contract, contractor Pay Requests, and schedule of values. Per the schedule of values for the Pay Requests, submitted costs did not correspond with the Trailhead Project elements listed in the Grant Work Plan. The City's construction contract was not consistent with RTP T2B22 requirements for the Trailhead Project.

Per Paragraph 24 of RTP T2B22, *the Department shall have the right to demand a refund, either in whole or in part, of the funds provided to the Grantee for noncompliance with the terms of this Project Agreement.*

Recommendation

We recommend the Program request reimbursement of \$67,500 from the City for the Department's share of the Trailhead Project in accordance with Paragraph 24 of RTP T2B22.

Finding 2: Program Oversight

The Trailhead Project was not managed by the City in compliance with multiple areas of the RTP T2B22 agreement and Grant Workplan, including commencement documentation, changes in project scope, reporting, project management, as well as the documentation and use of funds. Much of these errors could have been addressed through active and timely follow-up on deadlines, technical assistance, and clear communication of detail on approved project scopes. The Program was aware that the City had not complied with the RTP T2B22 agreement requirements, and should not have approved the Reimbursement Request. The Program obtained minimal Trailhead Project cost information that did not provide verification that funds were spent for Grant Work Plan elements.

Under the current RTP pay request and contract schedule forms, the financial information required for payment doesn't require reporting detail that would provide assurance that grantee

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costs adhere to the Grant Work Plans and budget categories. The Grant Work Plan instructions specify that the grantee's construction contract schedule of values should be submitted with commencement documents; however, the actual schedule of values cost detail for the contractor's pay request is not required for Program reimbursement requests. Without the direct construction contract cost detail, the Program has no financial assurance the grantee is meeting its required financial obligations, and project funds are managed separately from other projects.

Based on discussions with Program management and staff, effective management of the Program's RTP, LWCF, and FRDAP grants has historically been difficult due to challenges with the number of Program awards, funding and financial deadlines, manual processes, and limited staff. These circumstances, in addition to the limited financial information requirements, and the similar nature of the three grant sources exposes funds to risk of misuse and increases the risk that projects may not be completed as intended.

Recommendation

We recommend the Program put controls in place to mitigate areas of noncompliance and incomplete financial reporting. This should include the requirement for detailed support documentation with reimbursement requests from the grantee to demonstrate compliance with agreement terms and grant work plans. This should also include scopes of work that incorporate project element and deliverable detail consistent with approved project plans.

To avoid potential project overlaps between grant sources, the Program would benefit from a comprehensive tracking mechanism that would support the Program's processes for project tracking and as well grantee adherence to key deadlines and grant requirements.

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Tracking the Program's grants collectively would assist staff to more readily identify potential areas of overlap or duplication.

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 Tyler Bradford 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 <http://www.dep.state.fl.us/ig/reports.htm>. 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,
Inspector General*



Florida Department of Environmental Protection

Marjory Stoneman Douglas Building
3900 Commonwealth Boulevard
Tallahassee, Florida 32399-3000

Rick Scott
Governor

Carlos Lopez-Cantera
Lt. Governor

Noah Valenstein
Secretary

MEMORANDUM

TO: Valerie Peacock, Audit Director
Office of Inspector General

FROM: Bryan Bradner, Director, Office of Operations ^{BB}
Linda Reeves, OMC Manager, Land and Recreation Grants Section
Pamela Lister, Land and Recreation Grants Section

SUBJECT: Office of Operations' Response
City of Sanford -Recreational Trails Program Agreement T2B22 and Land and Water Conservation Fund Agreement LW610/Coastline Park /Office of Operations- Report: A-1617 DEP-035

DATE: September 1, 2017

This memorandum will serve as the Office of Operations' (the Office) response to the Preliminary Audit Report dated August 4, 2017. The Office of Inspector General (OIG) conducted a review of the Florida Department of Environmental Protection's (the Department), Recreational Trails Program Agreement T2B22 and Land and Water Conservation Fund Agreement LW610/Coastline Park, City of Sanford (the City).

Office Response: The City will immediately begin the process of resolving the following issues: provide an explanation for not following the procedures as outlined in the grant agreements and project work plans, provide a reimbursement of funds (\$67,500.00) as addressed in the audit findings, and hold further payment of the LW610 project reimbursement until the repayment has been resolved. The Office staff has created a process to review the list of active projects, incoming applications, and closed out projects to ensure no duplication and overlapping of project facilities. The Office staff will also continue to improve on our methods and best management practices by including in the Risk Factor Reviews and Cost Analysis documentation into our daily work flow files and implementing program cross checking procedures.

The applicants will need to certify that they will adhere to their local procurement policies and procedures for all expenditure of grant funds. The Office staff will express through the reimbursement process that all expenditures shall be appropriately supported by documentation, as needed, prior to payment. The Office will implement site visits and final inspections based on 20 percent of projects funded each fiscal year, per grant program, to ensure developed facilities are accurate, completed, and open for public utilization prior to payment.

We concur with the findings of the OIG and the Office staff is working with the City to address the deficiencies and will follow up within 6 months.