

**Review of Recreational Trails Program Grant T1313
Wakulla County**

Office of Operations

Report: A-1516DEP-022

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

October 19, 2016

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





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The Office of Inspector General (OIG) conducted a review of the Recreational Trails Program (RTP) Grant between the Florida Department of Environmental Protection's (Department) Office of Operations and Wakulla County (County). This review was initiated as a result of the Fiscal Year (FY) 2015-2016 Annual Audit Plan.

Scope and Objectives

The scope included a review of deliverables, financial records, and managerial oversight of the Azalea Trail Park Project (Project) for Agreement T1313 (Agreement) for the period June 13, 2014 – June 13, 2016. The objectives were to:

- determine whether deliverables were completed as specified in the Project Work Plan
- determine whether expenditures were in conformance with the Agreement and Project Work Plan
- evaluate Office of Operations and County Project management oversight

Methodology

This review was conducted under the authority of Section 20.055, Florida Statutes, and in conformance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Our procedures included a review of Project deliverables, County financial records, and interviews with Office of Operations and County Staff.

Background

The Federal Highway Administration provides funding for projects under the RTP to construct, renovate, or maintain recreational trails, trailheads, and trailhead facilities. The

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Department administers RTP through the Office of Operations. Based on available funding, projects are prioritized on the basis of competitive evaluation.

The Project site includes a walking/jogging trail used by surrounding communities. The site experienced deterioration due to heavy use and trail destruction from tree roots. The Project plan included renovation of the existing trail, installation of trailside amenities, and required trail kiosk signage. Total Project costs were funded under a 50/50 local match Agreement. The Agreement was executed with the County on June 13, 2014, with an expiration date of June 13, 2016. The Project total cost was \$336,464.46 with \$168,232.23 reimbursed by the Department on January 15, 2016.

Results and Conclusions

Project Deliverables

Based on quarterly status reports, trail demolition included tree removal, root barrier installation, and removal of the old trail. The Project Work Plan specified renovation of the existing 2,878 linear feet long, 12 feet wide trail, with the addition of 131 linear feet of new construction. During our site visit, we verified the trail length of 2,982.42 feet for a difference of approximately 27 linear feet. According to the County Administrator, the addition of 131 linear feet was to extend the trail to the Hudson Memorial. We verified the trail as completed extended to the Hudson Memorial. The difference did not affect Project cost.

Documentation

According to paragraph 41 of the Agreement, Sections C and D, the County was required to submit a commencement and program completion packet to the Department. These packets

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included documentation as listed in the Agreement. The Project was completed September 29, 2015.

Project Expenditures

We obtained the County's general ledger detailing expenditures relating to the Project. Expenditures included contracted engineer and construction services. Direct materials costs included newspaper announcements, sodding, paint, and landscaping needs. All expenditures were consistent with the Project's Work Plan deliverables per the Agreement. We reviewed contractor and vendor invoices for contractual services and materials for the Project. The general ledger, invoices from vendors, and checks from the County were consistent for each item.

According to 62S-2.075(3) (b), Florida Administrative Code, project planning expenses are eligible as long as they do not exceed 15% of total project costs. Planning, permitting, and design costs totaled \$28,754.00 (8.55%) of total Project costs.

Project costs also included contractual services, grantee labor, direct purchases, and equipment. The costs for contractual services and direct purchases agreed with those incurred as outlined by supporting documentation and the general ledger. However, amounts submitted for reimbursement associated with Grantee labor and equipment usage were not supported by documentation maintained by the County.

Agreement Oversight

According to County procurement requirements, projects exceeding \$25,000 must be awarded through competitive bid. We verified Project competitive procurement documentation provided by the County. The Project was awarded to the contractor with the lowest bid.

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The County Agreement manager created Project cost estimates in coordination with commissioner and community meetings. Quarterly status reports were provided as required. Project file documents and correspondence between the Office of Operations and County Agreement managers demonstrate the Office of Operations documented Project oversight.

Finding and Recommendation

Finding: Reimbursement Documentation

Labor Costs

According to the Project Work Plan, reimbursement request for salary costs should identify the position title, hourly rate, number of hours, and the percentage used to calculate the fringe benefits. The Agreement Payment Request form included separate fields for Grantee Labor and Employee Benefits. The Agreement and Project Work Plan did not specify an allowed fringe rate; however, the Agreement Payment Request form listed the description, *40% of Salaries* under the Employee Benefits field. Office of Operation's management indicated that the understood fringe rate was 40% of Grantee Labor if not otherwise specified on form FPS-A039. The payment request submitted for reimbursement included Grantee Labor Costs of \$14,337.65, with no amount listed in the Employee Benefit field.

Based on payroll documents provided by the County, grant administration and facility employee hourly rates included a fringe rate of approximately 37%. Public Works employee hourly rates reflected a fringe rate ranging from 55% to over 100%. These calculations were not reflected in labor costs submitted to the Office of Operations for reimbursement. Assuming the implied fringe rate of 40%, submitted labor costs exceeded payroll amounts by \$1,082.29.

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Labor Cost	
County Submitted Labor Costs	\$14,337.65
Labor Costs Based on Payroll Documentation including 40% Fringe Rate	\$13,255.36
Difference	\$1,082.29

Equipment Costs

According to the Project Work Plan, the cost for equipment rental is allowed. Equipment costs submitted for reimbursement totaled \$10,928.28. This was based on the equipment description, hours, and rates as documented in the Grantee Equipment Cost Schedule. Documentation provided by the County Public Works Office supported equipment usage costs of \$4,332.80.

Equipment Costs	
County Submitted Equipment Costs	\$10,928.28
Equipment Costs Supported by Documentation from the County Public Works	\$4,332.80
Difference	\$6,595.48

According to the County Public Works management, the documented costs provided during our review were the same costs provided to County Grant management during reimbursement request development. The Grant Manager, who developed the reimbursement request, was no longer employed by the County. The current Grant Manager did not have additional information to support the original submitted amounts. As a result, the Department paid \$3,297.74¹ in excess of equipment costs supported by County documentation.

¹ This amount represents 50% of the difference between equipment costs reimbursed and costs supported by County documentation, given the Agreement funding match.

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Recommendation:

In regards to approval of reimbursement requests, we recommend the Office of Operations ensure that amounts requested for Grantee Labor include separate calculations for Employee Benefits as listed on the Payment Request form. For additional clarification, if a specific percentage is allowed for fringe rate, this amount should be clearly stated in the Project Work Plan, rather than as an implied amount on the Payment Request form. The Grantee Labor Cost Schedule form FPS-A041 should include project hours, hourly rates, and fringe percentage amounts separately to avoid misunderstanding in Grantee reporting.

We also recommend the Office of Operations request reimbursement of \$3,297.74 for unsupported equipment costs submitted by the County for the Project.

To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our audit 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 Nick Dodge 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.

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MEMORANDUM

TO: Valerie Peacock, Audit Director
Office of Inspector General

FROM: Bryan Bradner, Director, Office of Operations
Linda Reeves, OMC Manager, Land and Recreation Grants Section
Pam Lister, CAC, Land and Recreation Grants Section

SUBJECT: Office of Operations' Response
Preliminary Audit Report for the Review of Recreational Trails Program Grant -
Wakulla County; Office of Operations (Report A-1516DEP-022)
T13013 Azalea Park Trail

DATE: October 13, 2016

This memorandum will serve as the Office of Operations' (the Office) response to the Preliminary Audit Report dated September 16, 2016. The Office of Inspector General (OIG) conducted a review of the Florida Department of Environmental Protection's (the Department), Recreational Trails Program (RTP) project at Azalea Trail Park in Wakulla County (the County).

Office Response: The Office sent notification of the OIG's findings 9/27/2016 with a request for reimbursement in the amount of \$3,297.74 for unsupported equipment costs submitted for the Project. A response from the County was received 9/28/2016 stating that the Finance Office would issue a reimbursement in the requested amount. Notification of payment was received by the Office on 10/7/2016 with a copy of the reimbursement check. The reimbursement check has been received by the Department. No further remedies are required.

Regarding the percentage allowed for fringe benefit rate, staff is working to clarify language for all future Agreements. Project hours and hourly rates are listed on the new Grantee Labor Cost Schedule form DRP-117.