

**Review of Treasure Island Beach
Nourishment Agreement 14PI1**

Division of Water Restoration Assistance

Report: A-1516DEP-045

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

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Tallahassee, Florida 32399-3000
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The Office of Inspector General (OIG) conducted a review of the Treasure Island Beach Segment – Pinellas County Shore Protection Project Agreement 14PI1 (Agreement) between the Florida Department of Environmental Protection (Department) Division of Water Restoration Assistance (Division) Beach Management Funding Assistance Program (Program) and Pinellas County (County).

Scope and Objectives

The scope included a review of Agreement activities and expenditures of the Treasure Island Beach Nourishment Project (Project) for the period of October 2013 through December 2015. Our objectives were to:

- determine whether reimbursement costs were eligible and in compliance with the Agreement
- evaluate management oversight of the Agreement

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 the Agreement, Project deliverable documentation, County reimbursement documents, and interviews with Program, County, and United States Army Corps of Engineers (USACE) staff.

Background

In accordance with Section 161.091, F.S., appropriations from the Land Acquisition Trust Fund are used *for the implementation of those projects that contribute most significantly to addressing the states beach erosion problems*. The Department entered into the Agreement with

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the County to *implement the beach erosion control project known as the Treasure Island Segment – Pinellas County Shore Protection Project* in coordination with the USACE.

During Fiscal Year 2013-2014, Hurricane Sandy and Tropical Storm Debbie produced damage to Florida's coast. Through the Flood Control and Coastal Emergencies (FCCE) Act, the USACE is authorized to engage in Projects for repair of previous nourishment Projects. As a result, Federal and State funding became available for the re-nourishment of the affected County beaches. The USACE managed the Project and provided construction oversight.

According to the Agreement, the Project's total estimated costs were \$12,044,200 with the USACE providing funding of \$8,044,200 and the County and Department providing \$4,000,000 in funding for the non-Federal share. According to the Agreement Section 9, *the Department's financial obligation shall not exceed the sum of \$2,000,000 for this Project or up to 50% of the non-Federal project cost, if applicable, for the [2013 FCCE Storm Damage Repair Project], whichever is less.* The Department reimbursed the County \$2,000,000 in December 2015.

Results and Conclusions

Reimbursement

For this Project, the County did not request advanced payment for the non-Federal share of estimated Project costs. According to Project completion documentation, as signed by the Project Professional Engineer and provided by the USACE, the Project was completed in August 2014, with final contract disbursement made in August 2015. On December 4, 2015, the County submitted the request for Project reimbursement based on County funds paid to the USACE. The

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reimbursement request from the County included a line item amount of \$4,038,750 for an invoice dated July 17, 2013 from USACE for non-Federal share of the Project's estimated cost. The County requested \$2,000,000 in reimbursement as the Department's share of the non-Federal cost. The County's reimbursement request included the USACE demand letter dated July 17, 2013, and the County's documented wire transfer of \$4,038,750 on July 24, 2013 to the USACE. The USACE demand letter requested \$4,038,750 as the projected non-Federal share of funds due prior to contract advertisement.

According to the Project Cooperation Agreement between USACE and the County, in the event total contribution provided by the non-Federal Sponsor exceeds the non-Federal share of the total Project costs, the USACE shall refund the excess to the non-Federal Sponsor. To determine actual Project costs, we requested documentation of final accounting for the Project cost from the USACE. Documented expenditures incurred for the Project included beach fill, beach tilling, screening of unacceptable materials, and mobilization. According to cost details from the USACE, the non-Federal share of the Project construction and administrative expenses totaled \$4,207,397.21. Based on the total, the \$2,000,000 in funding provided by the Department was less than 50% of the non-Federal Project cost.

Project Oversight

The USACE completed the Project's design and planning, performed the cost estimates, and provided oversight of the contracted construction. The County Agreement Manager was in contact with the USACE throughout the length of the Project. The County provided the Program quarterly status updates detailing work completed and corresponding dates. The Project was

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completed within the designated period. Section 16 of the Agreement states, *a final Project certification inspection shall be made by the Department within sixty (60) days after the Project is certified complete by the Local Sponsor.* The Project inspection was completed by the Program in September 2015.

Finding and Recommendation

Finding: Department Funding

According to the Project Cooperation Agreement between USACE and the County, in the event total contribution provided by the non-Federal Sponsor exceeds the non-Federal share of the total Project costs, the USACE shall refund the excess to the non-Federal Sponsor. According to Section 12. C. of the Agreement regarding advanced payments, *unused funds, and interest accrued on any unused portion of advanced funds which have not been remitted to the Department, shall be returned to the Department within sixty (60) days of the completion of the construction portion of this Project.*

The County did not request advanced payment for the Department's share of the Project's non-Federal cost. Reimbursement was requested after the Project was complete in December 2015. However, the support documentation used for the request was advanced payment made for projected costs from the County to the USACE in July 2013. Based on discussions with County and Program staff, the final accounting of actual Project cost was not obtained from the USACE.

Upon request, the USACE provided a final detail of the Project's costs, including the non-Federal cost of \$4,207,397.21. Based on this detail, the \$2,000,000 payment made by the

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Department did not exceed the Agreement obligation. However, the payment request did not include detail of actual costs to make this determination. It included the County's advanced payment of projected costs prior to contract advertisement for the Project. If actual costs would have been less, the overpayment would not have been known.

Recommendation:

It is understood that the Division has recently established processes to follow up with the USACE and Local Sponsors on final costs reconciliations when joint Project funds are provided in advance and based on Project estimates. However, when USACE joint Project payments are requested by Local Sponsors for the Department's cost share subsequent to Project completion, we recommend the Division obtain sufficient detail of actual Project cost prior to payment.

Whether through advance or reimbursement requests, the Division should require Local Sponsors to provide USACE joint Project final accounting to ensure Department funds are used in conformance with Program Agreements.

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 audit 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.

*Valerie J. Peacock,
Director of Auditing*

*Candie M. Fuller,
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Division Response

Finding: Department Funding

The Division agrees that it will require Local Sponsors to provide USACE joint project final accounting, will incorporate this into the Division's final billing process, and will implement this practice immediately.