

# **Audit of Agreement S0771 with the City of Riviera Beach**

## **Division of Water Restoration Assistance**

**Report: A-1819DEP-032**

**Office of Inspector General**

**Internal Audit Section**

**Florida Department of Environmental Protection**

**May 5, 2020**

3900 Commonwealth Boulevard, MS 40  
Tallahassee, Florida 32399-3000

<https://floridadep.gov/>





Audit of Audit of Agreement S0771 with the City of Riviera Beach  
Division of Water Restoration Assistance



Report: A-1819DEP-032

## Table of Contents

<b>Scope and Objectives .....</b>	<b>1</b>
<b>Methodology .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Results .....</b>	<b>3</b>
<b>Conclusion .....</b>	<b>7</b>
<b>Findings and Recommendations.....</b>	<b>7</b>
<b>Management Comment .....</b>	<b>11</b>
<b>Division Response.....</b>	<b>12</b>

Report: A-1819DEP-032

The Office of Inspector General (OIG) conducted an audit of Agreement S0771 (Agreement) between the Division of Water Restoration Assistance (Division) and the City of Riviera Beach (Grantee).

## **Scope and Objectives**

The scope of this audit included activities, records, and disbursements during the term of the Agreement. The objectives were to:

- evaluate management oversight and control over the Grantee's compliance under the Agreement.
- determine whether payments were made for activities and required deliverables in accordance with the Agreement.

## **Methodology**

This audit 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 a review of statutory and Agreement requirements, Agreement financial records, documentation of activities, and correspondence with Division and Grantee staff.

## **Background**

The City of Riviera Beach is located in Palm Beach County, Florida and encompasses roughly 8.7 square miles. In 2007, the Grantee completed a stormwater master plan to evaluate existing stormwater drainage improvement solutions that would alleviate chronic flooding problems. In 2014, funding of \$1,300,000.00 was awarded to the Grantee pursuant to Line Item 1668A of the 2014 General Appropriations Act for the following projects:

Audit of Agreement S0771 with the City of Riviera Beach  
Division of Water Restoration Assistance

Report: A-1819DEP-032

- Avenue O Stormwater Easement Extensions - \$425,000.00
- West 18<sup>th</sup> Street – West 22<sup>nd</sup> Street Stormwater Improvements - \$375,000.00
- West 6<sup>th</sup> Street Improvements - \$500,000.00

The Agreement, executed on June 5, 2015, identified these three projects in the Grant Work Plan. The Tasks for each project included the removal of existing asphalt, base, and subgrade in the area of drainage improvements, installing slotted reinforced concrete pipe surrounded by exfiltration trench, installing curb gutter, drainage structures, a new asphalt pavement section, sidewalk, water main improvements (not including the 18<sup>th</sup> Street project), striping and associated landscaping as detailed in the construction plans and technical specifications. Throughout the Agreement period, three change orders and one Amendment were approved to clarify Agreement terms and extend the deliverable due date to September 1, 2019. The Grant Work Plan included the following tasks and budget detail.

<b>Agreement Grant Work Plan</b>			
<b>Task</b>	<b>Task</b>	<b>Total Estimated Project Cost</b>	<b>Department Funding</b>
1	Avenue "O" at Blue Heron and 24 <sup>th</sup> Street	\$800,805.36	\$425,000.00
2	18 <sup>th</sup> – 22 <sup>nd</sup> Street/RCIC <sup>1</sup>	\$664,653.21	\$375,000.00
3	6 <sup>th</sup> Street/RC2B	\$594,766.48	\$500,000.00
<b>Totals:</b>		<b>\$2,060,225.05</b>	<b>\$1,300,000.00</b>

As of January 10, 2020, payments totaling \$1,300,000.00 were paid to the Grantee for the Department's portions of total project costs for Tasks 1 through 3.

---

<sup>1</sup> The Grantee's stormwater master plan designates the RC-1 canal as the primary drainage system for the Grantee. The RC-2 canal system serves as drainage for the southern portion of the Grantee.

Report: A-1819DEP-032

## **Results**

### **Agreement Requirements and Management Oversight**

According to Paragraph 19 of the Agreement, the Grantee is required to maintain specified insurance coverage. We obtained documentation demonstrating that the Grantee maintained the required coverage throughout the Agreement period.

Paragraph 5 of the Agreement states that the *Grantee shall utilize Attachment D, Progress Report Form, to describe the work performed during the reporting period, problems encountered, problem resolution, scheduled updates, and proposed work for the next reporting period.* Based on our review, the Grantee submitted 16 of the required 17 quarterly progress reports. Of the 16 submitted, ten were submitted within the required timeframe. The Grantee's failure to submit the required quarterly progress reports was addressed as a finding in the Grantee's 2017 Comprehensive Annual Financial Report. As a result of the finding, subsequent quarterly reports were filed timely.

### **Verification of Task Deliverables**

Each of the three Tasks were subdivided into two Subtasks. Subtask A included requirements for a survey, design, permitting, bidding, and contractor selection. Subtask B included requirements for drainage improvement construction.

#### Subtask A: Survey, Design, Permitting, Bidding, and Contractor Selection

The deliverables for Subtask A required submission of copies of completed surveys, detailed final designs, all required permits, bid packages, names of selected contractors, and the executed subcontract. We reviewed invoice and Task deliverable documentation obtained from the Grant Manager as follows.

Report: A-1819DEP-032

- *Completed surveys:* The Grant Manager had obtained the completed survey for Task 3. We obtained the completed surveys for Task 1 and 2 from the Grantee's contractor.
- *Detailed final designs:* The Grant Manager had obtained detailed final designs for Tasks 2 and 3. Subsequently, we obtained the detailed final design for Task 1, which was dated January 2018, from the Grantee's contractor.
- *Required permits:* Permit requirements for Task 1 were described in the bid set. Permit requirements for Tasks 2 and 3 were described in the detailed final designs. The Grant Manager obtained the permits required for Task 1 and 3. There were no permits obtained by the Grantee for the Task 2 project.
- *Bid packages:* According to Paragraph 3(C)(i)(a) of the Agreement, *the Grantee may award, on a competitive basis, fixed price subcontracts to consultants/contractors in performing the work described in Attachment A. Invoices submitted to the Department for fixed price subcontracted activities shall be supported with a copy of the subcontractor's invoice and a copy of the tabulation form for the competitive procurement process (Invitation to Bid or Request for Proposals) resulting from the fixed price subcontract.* Based on our review, the bid package obtained by the Grant Manager for Task 1 included only the winning contractor's bid<sup>2</sup>. Subsequently, we obtained the complete bid package from the Grantee demonstrating that the project was competitively bid. The Grant Manager provided the bid package for the Task 2 project. The bid package for the Task 3 project had not been obtained. Subsequently we obtained a copy of the bid package from the Grantee.
- *Executed subcontracts:* According to Paragraph 12 of the Agreement, *the Grantee shall submit a copy of the executed subcontract to the Department within ten (10) days after execution.* The Grant Manager provided a copy of the Grantee's executed contract for the Task 2 project. For Task 1, the Grant Manager had obtained a contract from the Grantee which was not related to the Task 1 project. In addition, the Grant Manager had not

---

<sup>2</sup> The Grantee's contract for the Task 1 project reflected an amount greater than the winning bid. Based on discussions with the Grantee, this discrepancy was a clerical error that the Grantee recognized and corrected internally.

Audit of Agreement S0771 with the City of Riviera Beach  
Division of Water Restoration Assistance

Report: A-1819DEP-032

obtained the Grantee’s contract for the Task 3 project. Subsequently, we obtained the Grantee’s contracts for both Tasks 1 and 3.

The Grantee’s executed contracts for each of the three Task projects were as follows:

Agreement Grant Work Plan				Grantee’s Executed Contracts	
Task	Task	Department Funding	Total Estimated Project Cost	Grantee Contract Scope of Work	Contract Amount
1	Avenue “O” at Blue Heron and 24 <sup>th</sup> Street	\$425,000.00	\$800,805.36	Avenue O, W 23 <sup>rd</sup> St. – W. 26 <sup>th</sup> St. and 26 <sup>th</sup> Ct <i>Neighborhood Improvement Project</i>	\$7,482,407.40
2	18 <sup>th</sup> – 22 <sup>nd</sup> Street/RCIC	\$375,000.00	\$664,653.21	West 18 <sup>th</sup> – 22 <sup>nd</sup> St.	\$714,654.45
3	6 <sup>th</sup> Street/RC2B	\$500,000.00	\$594,766.48	West 6 <sup>th</sup> – 7 <sup>th</sup> Street	\$829,417.00

Based on review, the scope of work in these contracts was generally consistent with the Agreement Grant Work Plan. However, the project identified in the Agreement Grant Work Plan for Task 1 was part of a larger *Neighborhood Improvement Project*.

Subtask B: Drainage Improvement Construction

The deliverables for Subtask B required submission of dated color photographs of the site prior to, during, and immediately following completion of the task; as built certification; and a signed statement from a Florida Licensed Professional Engineer (PE) indicating construction has been completed in accordance with the design. We reviewed invoice and Task deliverable documentation obtained from the Grant Manager as follows.

- *Photographs*: We obtained photographs for Tasks 1 through 3 from the Grant Manager. However, while color photos prior to and after construction had been obtained for the Task 1 project, the preconstruction photos were not dated, as required. The Grant Manager had also not obtained photos of the project during construction. Subsequently, we obtained photos of the project during construction from the Grantee.
- *As Built Certification*: We verified that the Division’s Grant Manager obtained as built certification from the Grantee for Tasks 2 and 3. Documentation representing final as

Report: A-1819DEP-032

built certifications obtained for Task 1 were preliminary as built documents dated April 29, 2016. Subsequently, we obtained the final as built from the Grantee's surveyor.

- *Florida Licensed PE Certification:* For Tasks 2 and 3, the Grant Manager obtained signed statements from the Grantee's PE certifying that construction had been completed in accordance with the project designs. However, this certification was not obtained by the Grant Manager for the Task 1 project. We requested this certification from the Grantee's PE; however, it was not provided.

### Approved Payments

The Department approved three payment requests for costs submitted by the Grantee during the Agreement period, as follows.

Approved Payments			
Request Date	Reimbursement for Cost Under Task	Payment	Date Paid
08/13/2019	1	\$425,000.00	09/27/2019
10/24/2017	2	\$375,000.00	01/10/2018 <sup>3</sup>
10/19/2017	3	\$500,000.00	11/20/2017
<b>Total:</b>		<b>\$1,300,000.00</b>	

According to the Contract Payment Requirements outlined in Attachment C of the Agreement, invoices for cost reimbursement contracts must be supported by an itemized listing of expenditures by category. Only expenditures for categories in the approved contract budget should be reimbursed.

The Grantee's request for payment and reimbursement detail included the Grantee's documented payments to contractors along with the contractors' application for payment and schedule of values for Tasks 1 through 3. However, the payment request for Task 1 included a copy of the Grantee contractor's schedule of values that was not legible. The Task 1 payment

---

<sup>3</sup> Payment for Task 2 was delayed due to finalization of the Agreement Amendment.



Report: A-1819DEP-032

request included documentation of eight payments made by the Grantee to the contractor totaling \$7,018,115.80. A portion of three of those payments totaling \$425,000.00 was requested by the Grantee for reimbursement by the Department. We obtained a legible copy of the contractor's schedule of values; however, since the Task 1 project was part of the Grantee's larger *Neighborhood Improvement Project*, the schedule of values did not provide sufficient support to demonstrate the portion of expenditures dedicated to cost for the project as described in the Agreement Grant Work Plan.

## **Conclusion**

Based on our audit, weaknesses were noted in the Division's oversight of the Grantee's compliance with the Agreement and support for Grant Work Plan project costs. The Division's Grant Manager did not always ensure required deliverables were obtained prior to payment authorization.

## **Findings and Recommendations**

### **Finding 1: Verification of Task Deliverables**

Paragraph 8 of the Agreement states that *no payment will be made for deliverables deemed unsatisfactory by the Department*. The deliverables for Subtask A required submission of copies of completed surveys, detailed final designs, all required permits, bid packages, names of selected contractors, and the executed subcontract. According to the Subtask A performance measures, *the Department's Grant Manager will review all deliverables to ensure their completeness and compliance with state and federal laws specific to this Agreement*. Based on our review, the following Subtask A deliverables had not been obtained prior to approval for payment.

Report: A-1819DEP-032

- Completed surveys for the Tasks 1 and 2 projects
- Detailed final designs for the Task 1 project
- Bid packages for the Tasks 1<sup>4</sup> and 3 projects
- Executed subcontract for Task 1<sup>5</sup>

The deliverables for Subtask B required submission of dated color photographs of the site prior to, during, and immediately following completion of the Task; as built certification; and a signed statement from a Florida Licensed PE indicating construction had been completed in accordance with the design. According to the Subtask B performance measures, *the Department Grant Manager will assure that the task's construction is completed as depicted in the design plans by reviewing submitted photographs of the project and other required deliverables from the Grantee*. Based on our review, the following Subtask B deliverables had not been obtained prior to approval for payment.

- Dated photographs of the Task 1 project prior to and during construction
- Final as built documentation for the Task 1 project
- Certification from a Florida Licensed PE indicating construction had been completed in accordance with the design for the Task 1 project.

As a result, the Department paid for Grant Work Plan project costs without verification of all deliverables and assurance that payments were made for completed projects. During the audit, we obtained and verified documentation supporting the majority of required deliverables not previously obtained. Documents were obtained from either the Grantee or the Grantee's contractors. However, documentation of dated preconstruction photographs and the PE certification of project completion for Task 1 were requested from the Grantee, but not provided.

---

<sup>4</sup> The bid obtained for the Task 1 project contained only the winning bid.

<sup>5</sup> The Grant Manager had obtained an executed contract from the Grantee unrelated to the Task 1 project.

Report: A-1819DEP-032

**Recommendation:**

Going forward, we recommend the Division work with Grant Managers to ensure documented deliverables required under the Grant Work Plan are obtained and reviewed prior to Department approval for payment. Documented deliverables obtained by the Grant Manager should demonstrate an accurate representation of the final work completed on Task projects consistent with the Grant Work Plan.

**Finding 2: Accountability for Reimbursed Costs**

The Department approved three payment requests for costs submitted by the Grantee. According to the Contract Payment Requirements outlined in Attachment C of the Agreement, invoices for cost reimbursement contracts must be supported by an itemized listing of expenditures by category. Only expenditures for categories in the approved contract budget should be reimbursed. The Grantee’s executed contracts for each of the three Task projects were as follows:

Agreement Grant Work Plan				Grantee’s Executed Contracts	
Task	Task	Department Funding	Total Estimated Project Cost	Grantee Contract Scope of Work	Contract Amount
1	Avenue “O” at Blue Heron and 24 <sup>th</sup> Street	\$425,000.00	\$800,805.36	Avenue O, W 23 <sup>rd</sup> St. – W. 26 <sup>th</sup> St. and 26 <sup>th</sup> Ct <i>Neighborhood Improvement Project</i>	\$7,482,407.40
2	18 <sup>th</sup> – 22 <sup>nd</sup> Street/RCIC	\$375,000.00	\$664,653.21	West 18 <sup>th</sup> – 22 <sup>nd</sup> St.	\$714,654.45
3	6 <sup>th</sup> Street/RC2B	\$500,000.00	\$594,766.48	West 6 <sup>th</sup> – 7 <sup>th</sup> Street	\$829,417.00

The project identified in the Agreement Grant Work Plan for Task 1 was part of a larger *Neighborhood Improvement Project*. The Task 1 payment request included documentation of eight payments made by the Grantee to the contractor totaling \$7,018,115.80 and included a copy of the contractor’s schedule of values that was not legible. A portion of three of the eight payments totaling \$425,000.00 was requested by the Grantee for reimbursement. We obtained a

Report: A-1819DEP-032

legible copy of the contractor's schedule of values; however, since the Task 1 project was part of the Grantee's larger *Neighborhood Improvement Project*, the schedule of values did not provide sufficient support to demonstrate the portion of expenditures dedicated to cost for the project as described in the Agreement Grant Work Plan for Task 1.

Paragraph 3(E)(i) of the Agreement states that *the accounting systems for all Grantees must ensure that these funds are not commingled with funds from other agencies. Funds from each agency must be accounted for separately. Grantees are prohibited from commingling funds on either a program-by-program basis or a project-by-project basis. Funds specifically budgeted and/or received for one project may not be used to support another project. Where a Grantee's, or subrecipient's accounting system cannot comply with this requirement, the Grantee, or subrecipient shall establish a system to provide adequate fund accountability for each project it has been awarded.* The Grantee's contract did not require an account for Task 1 project funds separate from the larger *Neighborhood Improvement Project*. Based on our inquiry, the Grantee was unable to provide a record of cost specifically allocated to the Task 1 project.

**Recommendation:**

Going forward, we recommend the Division ensure that approved payments are supported by legible documentation which documents costs directly related to Agreement Grant Work Plan projects. If the Grantee's subcontract demonstrates that a Department funded project is part of a larger local project, the Division's Grant Managers should work with the Grantee to ensure a system of fund accountability is established to separately document and support costs directly related to projects specified in the Department's Agreements.

Report: A-1819DEP-032

## Management Comment

Project costs for the three Tasks identified in the Agreement Grant Work Plan were not consistent between the project descriptions and the Task budget narratives. While the project costs listed were based on estimates and the Agreement did not specify a required match by the Grantee, the Division would benefit from ensuring estimated costs identified in the Agreement Grant Work Plan are documented consistency throughout.

*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 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,  
Inspector General*



# FLORIDA DEPARTMENT OF Environmental Protection

Marjory Stoneman Douglas Building  
3900 Commonwealth Boulevard  
Tallahassee, FL 32399

**Ron DeSantis**  
Governor

**Jeanette Nuñez**  
Lt. Governor

**Noah Valenstein**  
Secretary

## Memorandum

**To:** Valerie Peacock, Audit Director  
Office of the Inspector General

**FROM:** Trina Vielhauer, Director  
Division of Water Restoration Assistance

**SUBJECT:** Report A-1819DEP-032  
Audit of Agreement S0771 with the City of Riviera Beach

**DATE:** May 4, 2020

---

This memorandum will serve as the response to the subject audit findings and recommendations. The Division appreciates the effort that went into the audit and the resulting report and we appreciate the opportunity to provide comments.

### Finding 1: Verification of Task Deliverables

**Recommendation:** *Going forward, we recommend the Division work with Grant Managers to ensure documented deliverables required under the Grant Work Plan are obtained and reviewed prior to Department approval for payment. Documented deliverables obtained by the Grant Manager should demonstrate an accurate representation of the final work completed on Task projects consistent with the Grant Work Plan.*

**Response:** We acknowledge the recommendation and will work with the Division's grant managers to improve their knowledge and experience with managing the grant agreements, including obtaining and verifying agreement-related task deliverables prior to Department approval of payment. To that end, the Division's staff director sent a document to the Division's grant managers summarizing the audit's findings and recommendations and noting the opportunity for improvement. We are considering additional knowledge sharing to continue to improve the division's practices for management of the grant agreements.

### Finding 2: Accountability for Reimbursed Costs

**Recommendation:** *Going forward, we recommend the Division ensure that approved payments are supported by legible documentation which documents costs directly related to Agreement Grant Work Plan projects. If the Grantee's subcontract demonstrates that a Department funded project is part of a larger local project, the Division's Grant Managers should work with the*

*Grantee to ensure a system of fund accountability is established to separately document and support costs directly related to projects specified in the Department's Agreements.*

**Response:** We acknowledge the recommendation and will work with the Division's grant managers to improve their knowledge and experience with managing the grant agreements, including ensuring that approved payments are supported by legible documentation which documents agreement-related costs. We will also work to ensure the Grantees have a system in place to account for agreement-related costs that are distinguishable from the Grantee's other project costs. A summary of this finding was included in the document sent to grant managers noted above. The grant managers will plan to note this as part of agreement kick off meetings and subsequently as payment requests are received.

#### **Management Comment**

*Project costs for the three Tasks identified in the Agreement Grant Work Plan were not consistent between the project descriptions and the Task budget narratives. While the project costs listed were based on estimates and the Agreement did not specify a required match by the Grantee, the Division would benefit from ensuring estimated costs identified in the Agreement Grant Work Plan are documented consistency throughout.*

**Response:** We acknowledge the comment and will work with grant agreement writers to emphasize consistency throughout the work plans. We included the comment in the document noted above. We update the Division's work plan template annually with OGC, with a goal of continual improvement for consistency and clarity, and this comment was a good reminder to retain focus on that. We have also discussed the issue with the program administrators to ensure they are mindful of the need for consistency when performing front line review of draft agreements.