



Audit of Grant Monitoring

Project # 12-30

Prepared by
Office of the Inspector General

J. Timothy Beirnes, CPA, Inspector General
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SOUTH FLORIDA WATER MANAGEMENT DISTRICT

November 14, 2013

Audit and Finance Committee Members:

Mr. Jim Moran, Chair
Mr. Tim Sargent, Vice Chair
Mr. Glenn Waldman, Member
Mr. Juan Portuondo, Member

Re: Audit of Grant Monitoring
Project No. 12-30

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. Our objectives focused primarily on determining whether the District's grant monitoring process is sufficient to ensure compliance with grant agreement terms and conditions and fulfillment of contractual obligations. Dan Sooker, Gary Bowen, and I prepared this report.

Sincerely,

A handwritten signature in blue ink that reads "J. Timothy Beirnes". The signature is written in a cursive style.

J. Timothy Beirnes, CPA
Inspector General

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BACKGROUND

In accordance with the 2012 Audit Plan, we conducted an Audit of Grant Monitoring. The South Florida Water Management District (“District”) awards grant funds through the Alternative Water Supply and other programs to promote water management, restoration and conservation efforts. Some grant programs including restoration and storm water retrofit projects are established by the Florida legislature and administrated by the District

The District’s project managers within the Office of Chief of Staff are primarily responsible for monitoring grant expenditures made to local government grantees. Monitoring is described as the planned on-going and periodic activity to determine; 1) compliance with grant agreement terms and conditions, 2) all required activities are complete and deliverables completed, 3) funds have been accounted for and used appropriately and 4) program goals and objectives are met.

District Project Managers monitor compliance with terms and conditions before approving payment. District grant disbursements are based on the contractually agreed upon payment schedule, usually after certain tasks or deliverables are completed, and are often based on a cost sharing arrangement with the grantee. Project managers are also responsible for ensuring timely receipt and review of progress reports from grantees, performing site visits as necessary, and completing closeout or final accounting of grants when completed

At September 30, 2012, the District was monitoring approximately eighty active grant agreements valued at \$42.3 million. Grant agreement projects varied widely from \$6 million for a City of Hialeah Reverse Osmosis Water Treatment Plant to \$3,327 for Indian River Lagoon Education. The District’s median grant agreement was approximately \$64,000.

OBJECTIVE SCOPE AND METHODOLOGY

The objective of the audit was to determine that the District's grant monitoring process is sufficient to ensure compliance with grant agreement terms and conditions and fulfillment of contractual obligations. The scope of our audit included an analysis of monitoring activities for fourteen grants with a value of \$10.5 million. These grants were judgmentally selected from 180 open and closed grant agreements with expiration dates after October 1, 2010, and included agreements with federal and state governments, cities, counties, utilities, special districts, and not-for-profits within District boundaries valued at \$55 million.

In order to accomplish our objectives, we performed the following:

- Reviewed the District's grant agreements and other relevant documents related to the project.
- Reviewed local government and other organization's records.
- Interviewed the staff from the grantee and District project managers.
- Conducted grant project site visits.
- Reviewed District payments to Grantees on selected Grants.
- Reviewed contract monitoring and tracking forms and related documentation.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Executive Summary

Overall, District project oversight staff was diligent in ensuring grantee compliance with agreement terms and conditions. Our review of selected grant agreements revealed that grantees complied with contract terms and conditions.

The District has procedures for grants where the District is grantee; however, we recommend updating the procedures to add a section where the District is the grantor. The *State of Florida Contract and Grant User Guide – Department of Financial Services* is a good model that may be used for developing such procedures.

We also found that improvements to the grant contracting process could strengthen grantee compliance with agreement terms and conditions. We noted one agreement that was difficult to monitor due to the inherent limitations in verifying completion of the required deliverables. In these situations, we recommend using alternative contracting methods, such as cost reimbursement.

Grant Monitoring Policies and Procedures Need Revision

We reviewed the “Post Award Monitoring and Closeout Procedures” which are part of the District’s approved procedures as recorded in Section 210-308 of the District’s codified administrative procedures. The procedures were adopted in 2004 and have not been revised since that time. We noted that the procedures apply only to the District as grantee, not as a grantor. However, in some cases the District is a grantor or must act as a grantor if the grant funds received are passed through to a subrecipient. The current procedures do not address either of these situations.

We obtained and reviewed several examples of grant monitoring policies and procedures from other government entities to identify grant monitoring best practices. We determined the State of Florida Contract and Grant User Guide – Department of Financial Services (User Guide) was a good model upon which to base grant policies and procedures. The State of Florida User Guide is designed to provide guidance related to key elements of contract and grant management to state agencies and providers. The key elements covered include:

- Planning
- Procurement
- Development of Agreements
- Maintaining Files
- Monitoring Requirements
- Corrective Action
- Payment Verification
- Closeout

The User Guide is comprehensive and detailed, and provides a best practices model appropriate for Florida state agencies.

Recommendation

- 1. Update the District's grant procedures and add a section for when the District is, or acts, as a grantor. The State of Florida's Contract and Grant User Guide is a good reference for updating the procedures.**

Management Response:

Management agrees with the recommendation. Finance will revise the District grant procedures to include a section for when the District acts as a grantor.

Responsible Division:

Administrative Services

Estimated Completion:

January 31, 2014

Grant Disbursements Sufficiently Documented

Overall, we found that the disbursements for the grants reviewed were sufficiently documented and were in compliance with the grant agreements. We reviewed a sample of 14 grants (see Appendix I) from the listing of 180 open and closed grants and performed a detailed review, which included the following documents:

- Grant Agreement with Amendments,
- Exhibit B – Summary Schedule of Tasks and Deliverables,
- Reimbursement Request Forms/Invoices, or Application and Certification for Payment,
- Construction Completion Certificate, or other proof of completion of task and or deliverable,
- For Land Purchases: Settlement/Closing documents including copy of deed, proof of settlement funds,
- Contract Tracking forms – Quarterly Status Reports; site inspection documentation,
- Grant Closeout Form, if applicable

Payment of invoices are generally contingent upon the grantee providing documentation with each invoice that the minimum cost share requirement has been met by the grantee (if applicable) and the deliverables as described in the Payment and Delivery Schedule have been produced. Reimbursement Request Packages include a copy of the grantee's invoice, signed certification letter that the tasks or project is complete per the Statement of Work, copies of vendor invoices, and any other documentation supporting payment.

We obtained a SAP report detailing District payments on the 14 selected grants. In all, 46 payments were reviewed to determine that they were appropriately documented and complied with grant provisions (see Appendix II). We noted disbursements were adequately supported by appropriate documentation, with the exception of inadequate documentation submitted by one vendor (discussed in the following section). We also noted disbursements complied with the grant agreements and specifically Exhibit B – Summary Schedule of Tasks and Deliverables, and did not exceed the District commitment amount.

Grant Monitoring and Tracking Documentation was Sufficient

District Project Managers are responsible to monitor and assess the grantee's compliance and performance relating to all aspects of the grant agreement. The State of Florida Contract and Grant User Guide states the following:

Monitoring is a planned, ongoing, and periodic activity to determine:

- *Compliance by the provider/sub with the agreement terms and conditions and any applicable laws and regulations.*
- *All required activities are being or have been performed in accordance with the agreement.*
- *Deliverables have been completed.*
- *Funds have been accounted for and used appropriately when applicable.*
- *Program goals and objectives are being met.*

Based on our discussions with Project Managers and review of monitoring and tracking documentation on file, we concluded that procedures in place are adequate to ensure grants are monitored to satisfy the above stated requirements. We further noted that grantees are required

to submit progress and status reports which are tracked and reviewed by the Project Manager on an appropriate basis, usually quarterly, depending on the grant purpose. In addition we noted that Project Managers conduct periodic site reviews to inspect the construction and document progress with photographs.

We also visited selected project sites, met with the District’s project managers and grantee project managers, as well as observed the constructed facilities and verified evidence of progress consistent with documentation in the grant file. We found no exceptions, and based on discussions, we found the project managers to be familiar with the project and its status, thus enabling them to adequately monitor project progress and ensure compliance with grant terms and conditions.

Project Sites Visited

Grant Contract Number	Project Name	Project Description
4600001182	Danforth Creek	Land Acquisition, Design and Construct STA’s and Control Structures
4600001187	Leilani/ Warner Creek	Land Acquisition and Construction of Baffle Boxes and Exfiltration System
4600001575	Paradise Park	Land Acquisition and Construction of Storm Water Improvements
4600001744	Hialeah AWS	Construction of Reverse Osmosis Water Treatment Plant
4600002211	Naples AWS	Construction of Intake Structure and Transmission Main for a Aquifer Storage and Recovery Well

However, we noted one agreement that was difficult to monitor due to the inherent difficulty in verifying completion of the required deliverables. The grant agreement required removal of underwater debris. The inherent monitoring limitations were exacerbated by the inadequate documentation that was submitted by the grantee to substantiate completion of the work. It should be noted that the project manager identified the documentation inadequacies and requested our office examine the supporting documentation for the vendor's payment request. Our office concluded that the documentation was unacceptable and was insufficient to substantiate the amount of work completed.

Recommendation

- 2. In situations where physical observation is an impractical method by which to verify completion of the required deliverables, we recommend using an alternative contract method, such as cost reimbursement instead of deliverable based.**

Management Response:

Management agrees with the recommendation and will fashion grant agreements so that progress towards the completion of the purpose of the grant can be easily verified.

Responsible Division:

Procurement

Estimated Completion:

Completed

APPENDIX I
Summary of Grants Reviewed

Contract Number	Grantee	Project	Start Date	Expiration Date	District Commitment	Agreement Amendment	Amended Grant Agreement	District Payments to Date	Remaining Balance	Total Project
4600001182	Martin Cnty BoCC	Danforth Creek	4/14/2008	6/14/2013	\$1,000,000	\$0	\$1,000,000	\$591,454	\$408,547	\$2,000,000
4600001187	Martin Cnty BoCC	Leilani/Warner	4/14/2007	5/26/2012	\$704,375	\$0	\$704,375	\$704,375	\$0	\$1,408,750
4600001548	Lee Cnty BoCC	Ten Mile Canal	1/6/2009	1/5/2011	\$150,000	\$5,943	\$144,057	\$144,057	\$0	\$300,000
4600001575	St. Lucie Cnty BoCC	Paradise Park	3/5/2009	1/4/2013	\$1,000,000	\$0	\$1,000,000	\$340,956	\$659,044	\$2,000,000
4600001744	City of Hialeah	Alt. Wtr. Supply	2/26/2009	9/30/2012	\$6,000,000	\$0	\$6,000,000	\$6,000,000	\$0	\$108,000,000
4600002211	City of Naples	Alt. Wtr. Supply	11/3/2010	11/2/2012	\$1,400,000	\$980,000	\$2,380,000	\$2,380,000	\$0	\$5,500,000
4600002241	Glades Util Auth	Water Meter Change	10/1/2010	9/30/2012	\$50,000	\$0	\$50,000	\$50,000	\$0	\$154,470
4600002242	Hendry Cnty BoCC	SIP Grant	10/1/2010	9/30/2010	\$33,300	\$0	\$33,300	\$33,300	\$0	\$57,300
4600002250	City of Bonita Springs	Stormwater Master Plan	1/28/2011	1/27/2012	\$50,000	\$0	\$50,000	\$50,000	\$0	\$100,000
4600002298	City of Stuart	Alt. Wtr. Supply	10/1/2010	8/31/2011	\$209,000	\$26,100	\$182,900	\$182,900	\$0	\$2,366,082
4600002300	Martin Cnty BoCC	Revise AWS Program	10/10/2010	8/31/2011	\$28,200	\$6,880	\$21,320	\$21,320	\$0	\$353,014
4600002635	Marine Cleanup Init.	Indian River Lagoon	4/4/2012	1/9/2013	\$25,225	\$0	\$0	\$6,306	\$18,919	\$34,000
4600002636	Marine Cleanup Init.	Indian River Lagoon	4/9/2012	1/9/2013	\$41,445	\$0	\$0	\$10,361	\$31,084	\$55,260
4600002637	Marine Cleanup Init.	Indian River Lagoon	4/4/2012	1/9/2013	\$21,350	\$0	\$0	\$5,338	\$16,012	\$28,500

Total Payment: 10,520,366.54

APPENDIX II
Grant Disbursements Reviewed

FY	Contract #	Inv Doc. Date	Paid Amount	Check Number	Date Paid	Invoice Document Text	Vendor	Vendor Name
2011	4600001182	10/14/2010	\$177,308.50	3086170	11/24/2010	46-1182 Danforth Creek Stormwater Quality Retrofit	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2011	4600001182	01/14/2011	\$29,785.00	3089750	02/16/2011	46-1182 Danforth Creek 1182	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2011	4600001182	04/07/2011	\$8,016.40	3093645	05/11/2011	46-1182 95/2369	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2011	4600001182	07/15/2011	\$5,342.15	3097814	08/17/2011	46-1182 Danforth Creek 1182	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2012	4600001182	10/15/2011	\$16,442.50	3101189	11/15/2011	46-1182 Danforth Creek 1182	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2012	4600001182	01/06/2012	\$4,337.50	3103711	02/08/2012	46-1182 Danforth Creek Stormwater Quality Retrof	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2012	4600001182	04/11/2012	\$29,568.57	3107187	05/15/2012	46-1182 Danforth Creek Stormwater Quality Retrofit	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2012	4600001182	07/10/2012	\$251,561.35	3110143	08/14/2012	46-1182 Danforth Creek Stormwater Quality Retrofit	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2013	4600001182	10/08/2012	\$69,091.53	3112878	11/07/2012	46-1182 Danforth Creek Stormwater Quality Retrof	500421	MARTIN CNTY BOARD OF CNTY COMMRS
			\$591,453.50					
2009	4600001187	12/29/2008	\$200,000.00	3052853	01/28/2009	4600001187 Grant No. 13544 -Attn: Jill Kennedy	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2009	4600001187	07/13/2009	\$1,625.00	3063666	08/18/2009	4600001187 -Leilani Heights	500422	MARTIN CNTY BOARD OF CNTY COMMRS
2009	4600001187	09/08/2009	\$2,662.50	3066637	10/14/2009	4600001187 -Grant #13544/Leilani Heights	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2010	4600001187	04/09/2010	\$59,807.50	3076673	05/12/2010	46-1187 Leilani Heights	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2010	4600001187	07/14/2010	\$20,645.10	3081394	08/17/2010	46-1187 Leilani Heights	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2011	4600001187	10/14/2010	\$27,243.75	3086170	11/24/2010	46-1187 Leilani Heights St. Lucie River Issues	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2011	4600001187	01/14/2011	\$130,887.50	3089750	02/16/2011	46-1187 Grant #13544/Leilani 1187	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2011	4600001187	04/15/2011	\$76,832.01	3093973	05/18/2011	46-1187 Leilani Heights	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2012	4600001187	10/13/2011	\$4,692.78	3101189	11/15/2011	46-1187 Grant #13544 SLRIT Leilani/Warner	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2012	4600001187	01/06/2012	\$103,805.72	3103711	02/08/2012	46-1187 Leilani Heights	500421	MARTIN CNTY BOARD OF CNTY COMMRS
2012	4600001187	04/09/2012	\$76,173.14	3106687	05/02/2012	46-1187 95/2372 St.Lucie River issues team Final	500421	MARTIN CNTY BOARD OF CNTY COMMRS
			\$704,375.00					
2009	4600001548	09/01/2009	\$25,000.00	3066268	10/06/2009	Agreement #4600001548 -Ten Mile Canal WQ Improvem	504082	LEE CNTY BOARD OF CNTY COMMRS
2010	4600001548	08/10/2010	\$60,915.86	3082870	09/15/2010	46-1548 WQ Improvement Project	504082	LEE CNTY BOARD OF CNTY COMMRS
2011	4600001548	12/16/2010	\$58,141.38	3088496	01/20/2011	46-1548 Ten Mile Canal WQ Improv Proj	504082	LEE CNTY BOARD OF CNTY COMMRS
			\$144,057.24					
2011	4600001575	09/23/2010	\$10,701.13	3085300	11/04/2010	46-1575 95/3717 Paradise Park Stormwater	503436	ST LUCIE CNTY BOARD OF CNTY COMMRS
2011	4600001575	07/18/2011	\$66,762.14	3097611	08/10/2011	46-1575 95/3717 Paradise Park	503436	ST LUCIE CNTY BOARD OF CNTY COMMRS
2012	4600001575	12/01/2011	\$83,662.38	3102722	01/09/2012	46-1575 95/3717 Paradise Park	503436	ST LUCIE CNTY BOARD OF CNTY COMMRS
2012	4600001575	03/26/2012	\$48,532.16	3106219	04/20/2012	46-1575 95/3717 Paradise Park Stormwater	503436	ST LUCIE CNTY BOARD OF CNTY COMMRS
2012	4600001575	07/19/2012	\$83,267.25	3110396	08/24/2012	46-1575 95/3717 Paradise Park Improvements	503436	ST LUCIE CNTY BOARD OF CNTY COMMRS
2013	4600001575	11/02/2012	\$48,030.74	3113658	12/05/2012	46-1575 95/3717 Paradise Park StormWater Improvem.	503436	ST LUCIE CNTY BOARD OF CNTY COMMRS
			\$340,955.80					
2009	4600001744	08/27/2009	\$558,900.00	3065831	10/02/2009	Agreement #4600001744 -AWS Project HIA-I	100230	HIALEAH CITY OF
2010	4600001744	07/19/2010	\$3,201,810.00	3081393	09/01/2010	46-1744 District Match Grant 78	500163	HIALEAH CITY OF
2011	4600001744	09/19/2011	\$857,000.00	3100159	10/20/2011	46-1744 Water Treatment Plant	500163	HIALEAH CITY OF
2012	4600001744	07/09/2012	\$536,550.00	3109928	08/14/2012	46-1744 Reverse Osmosis Water Treatment Plant	500163	HIALEAH CITY OF
2012	4600001744	08/29/2012	\$845,740.00	3111670	10/03/2012	46-1744 Reverse Osmosis Water Treatmnt Plant	500163	HIALEAH CITY OF
			\$6,000,000.00					
2011	4600002211	09/03/2011	\$1,000,000.00	3099671	10/04/2011	46-2211 Alternate Water Supply	504727	NAPLES CITY OF
2012	4600002211	07/31/2012	\$400,000.00	3110692	09/07/2012	46-2211 Golden Gate Canal	504727	NAPLES CITY OF
2012	4600002211	09/18/2012	\$980,000.00	3112410	10/24/2012	46-2211 Golden Gate Canal Pump	504727	NAPLES CITY OF
			\$2,380,000.00					
2011	4600002241	08/31/2011	\$50,000.00	3099620	10/14/2011	46-2241GladesUtllyAthrty-Water MeterChange	117876	GLADES UTILITY AUTHORITY
			\$50,000.00					
2011	4600002242	08/30/2011	\$33,300.00	3099507	10/05/2011	46-2242 SIP Grant - Bathroom Fixture	506176	HENDRY CNTY BOARD OF CNTY COMMRS
			\$33,300.00					
2011	4600002250	07/08/2011	\$20,542.50	3097479	08/10/2011	46-2250 Stormwater Master Plan Ph II	504882	BONITA SPRINGS CITY OF
2011	4600002250	09/19/2011	\$29,457.50	3100107	10/19/2011	46-2250 Stormwater Master Plan Ph II	504882	BONITA SPRINGS CITY OF
			\$50,000.00					
2011	4600002298	08/25/2011	\$182,900.00	3099188	10/14/2011	46-2298 AWS Funding Prog	500331	STUART CITY OF
			\$182,900.00					
2011	4600002300	08/19/2011	\$21,320.00	3099090	09/30/2011	46-2300 Revise AWS Program	500407	MARTIN CNTY BOARD OF CNTY COMMRS
			\$21,320.00					
2012	4600002635	7/6/2012	\$6,306.00	310944	7/19/2012	IRL Cleanup Martin County	118010	MARINE CLEANUP INITIATIVE INC.
			\$6,306.00					
2012	4600002636	7/6/2012	\$10,361.00	310944	7/19/2012	IRL Cleanup Palm Beach County	118010	MARINE CLEANUP INITIATIVE INC.
			\$10,361.00					
2012	4600002637	7/6/2012	\$5,338.00	310944	7/19/2012	IRL Cleanup St. Lucie County	118010	MARINE CLEANUP INITIATIVE INC.
			\$5,338.00					
			Total Payments \$10,520,336.54					