

FOLLOW-UP OF  
SOUTHWEST FLORIDA WATER MANAGEMENT  
DISTRICT GRANT COMPLIANCE AND CONTROLS  
October 2016  
*Original audit report issued May 2015*

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**Karen E. Rushing**  
Clerk of the Circuit Court and County Comptroller  
Office of the Inspector General  
Sarasota County, Florida



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## AUDIT SERVICES

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## EXECUTIVE SUMMARY

As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's Internal Audit Department and Office of the Inspector General conducted a follow-up audit of Southwest Florida Water Management District Grant Compliance and Controls.

- Follow-up audits have a scope limited to the observations reported on the original audit report and subsequent corrective actions taken by responsible management
- Reviewed any policies and procedures updated since the original audit.
- Discussed with management the steps taken to address the original audit's Opportunities for Improvement.
- Each area relating to an Opportunity for Improvement from the original audit was reviewed in order to ensure that they have been appropriately addressed.
- This report will conclude the follow-up process as it pertains to Southwest Florida Water Management District Grant Compliance and Controls.

## ORIGINAL AUDIT ISSUES AND STATUS

### ***Open***

- Identified two (2) project deadlines that were not completed on time, as required by the Cooperative Funding Agreement.

### ***Closed***

- The County has strengthened their policies regarding document retention related to SWFWMD Grants.



## SUMMARY AND OVERALL RESULTS

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### ***Background***

The purpose of the May 2015 Audit of Southwest Florida Water Management District Grant Compliance and Controls was to determine if the controls related to the management of SWFWMD grant funds were operating effectively and to verify that the County is in compliance with SWFWMD grant agreements. The scope of the audit included the review of SWFWMD grant agreements, all of which charged expenses to SWFWMD during Fiscal Year 2012-2013.

The original audit report concluded that the County did not appear to have adequate controls in place to ensure that all provisions of the contracts were met. There were, however, opportunities to improve the effectiveness of controls, particularly compliance, with laws, regulations, and contracts, as detailed in the Opportunities for Improvement section of the original audit report.

### ***Objectives***

The objectives of this follow-up audit was to evaluate the observations reported on the Southwest Florida Water Management District Grant Compliance and Controls audit report, dated May, 2015 and subsequent corrective actions taken by responsible management. This was achieved by providing independent, objective analysis as well as reasonable assurance that the previous concerns has been addressed and appropriate corrective measures implemented.

To meet the objectives of the follow-up audit, the following procedures were performed:

- Performed inquiries of management and staff of County Departments including the Office of Financial Management (OFM) and Capital Projects Departments.
- Obtained an understanding of changes made to the SWFWMD grant funding program since the original audit report date.
- Identified and examined three (3) grant contracts reporting SWFWMD expenditures during Fiscal Year 2015 for testing.
  - Reviewed project schedules and determined if project deadlines were met.
  - Examined requests for reimbursement related to the three (3) grant contracts selected for testing\* and determined if requests were for allowable activities, invoices were calculated accurately, and reimbursement was requested from SWFWMD and received in the appropriate amount.
  - Reviewed contract amendments to the three (3) grant contracts selected for testing relating to extending project timelines and obtained explanations.

*\*Grants selected for testing are as follows:*

- 10CS0000023 Blackburn Point Park Addition
- 08CS0000006 Implementation of BMPS for Coastal Basin Beach Road
- 00CON000061 North Sarasota County Reclaimed Water Aquifer Storage and Recovery Project

## **Overall Results**

Based on the results of our follow-up audit procedures, the County has addressed one (1) of the two (2) previous concerns and implemented appropriate corrective action on the conditions identified in the original audit report. One (1) recommendation from the original report has not been addressed sufficiently.

Condition	Status
1. Project completion schedules	Open/Partially Completed**
2. Document retention	Closed

\*\*Condition number 1 remains outstanding as corrective action was partially completed by the County after the original audit.

Although one (1) *Opportunity for Improvement* remains open/partially completed, this concludes the follow-up audit process as it relates to Southwest Florida Water Management Compliance and Controls.



## OPEN CONDITION AND PENDING CORRECTIVE ACTION

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One (1) of the two (2) conditions identified in the original report remains open and continues to require management attention.

### **1. Project completion schedules**

#### **Current Status, Follow-Up Audit dated September 2016:**

The County has updated their Grant Policy and Procedures Manual to provide additional clarity to the roles and responsibilities of staff, which includes document retention requirements and the submission of those documents to the electronic document retention system (OnBase). The OFM Grant Team has also provided additional oversight by requiring a kick-off meeting with the grant managers and the individuals to be involved in the grant project. The kick-off meeting includes reviewing the agreement together, reviewing the project deadlines, outlining tasks and various details specific to the agreement, and the requirements for making changes to project deadlines.

The auditor identified and examined three (3) grant contracts reporting SWFWMD expenditures during Fiscal Year 2015. Each of the three (3) grant contracts selected for testing had an established project completion schedule; these schedules included different phases of the project and an expected date of completion for each project phase. There were a total of eight (8) project-phase deadlines in Fiscal Years 2015-2016 that were tested and results of the testing indicated that four (4) deadlines were met, two (2) deadlines were not completed on time, and two (2) deadlines had not elapsed at the time of the report. Documentation to support the required completion dates was reviewed by the auditor and was retained by the County.

#### **Original Audit Observation, Report dated May 2015:**

Each of the four (4) grant contracts selected for testing had an established project completion schedule; these schedules included different phases of the project and an expected date of completion for each project phase. There were a total of twenty six (26) project-phase deadlines that were tested. Through testing, it was determined that eleven (11) deadlines were met, one (1) deadline was not met, two (2) deadlines had not elapsed at the time of report, four (4) instances in which the documentation provided was not detailed enough to determine whether or not the deadline had been met, and eight (8) instances in which documentation had not been retained. The issue of document retention will be discussed in a subsequent Opportunity for Improvement.

**Original Recommendation, Report dated May 2015:**

To ensure compliance with all grant contracts, increased monitoring and oversight is required. Processes must be created to ensure that the deadlines are met and documents maintained to allow for the proper audit of grant requirements.

**Management Action Plan:**

The North Sarasota County Reclaimed Water Aquifer Storage and Recovery (ASR) project (SWFWMD Grant No. 00CON000061) is a complex, multi-faceted project whose various phases and components have been active since the year 2000. This year, 2016, has seen the successful, forward progression of the design plans to final completion and biddable construction documents. Timely communication is of key importance to all our projects and is consistently practiced within the Capital Projects division of Public Works. On this particular project, it is acknowledged that greater diligence is necessary with respect to project milestone communication with SWFMWD as we continue to manage the project to construction completion. Therefore, and as requested in an email from SWFMWD to County staff, monthly updates on ASR project activities will be provided to SWFWMD going forward.

In addition, future amendments to the grant agreement will also include revisions to future and past milestone dates to accurately reflect anticipated and actual milestone delivery, respectively.



## CLOSED CONDITION AND FOLLOW-UP RESULTS

### 2. Document retention

#### **Current Status, Follow-Up Audit dated September 2016:**

The County has updated their Grant Policy and Procedures Manual to provide additional clarity to the roles and responsibilities of staff, which includes document retention requirements and the submission of those documents to the electronic document retention system (OnBase). The OFM Grant Team has also provided additional oversight by requiring a kick-off meeting with the grant managers and the individuals to be involved in the grant project. The kick-off meeting includes reviewing the agreement together, reviewing the project deadlines, outlining tasks and various details specific to the agreement, and the requirements for making changes to project deadlines.

During review of the project-phase deadlines in Fiscal Years 2015-2016, the auditor determined that there was sufficient documentation to support the required completion dates.

#### **Original Audit Observation, Report dated May 2015:**

Testing of project completion schedules revealed eight (8) instances out of a total of twenty six (26) phases of completion, where documentation supporting the required completion date was not retained. Therefore, compliance with the grant contract and established completion schedule was unable to be determined.

Additionally, there was one project where the documentation for over half of the reimbursement requests sent to SWFWMD was not retained. According to the grant contracts, the County is required to maintain all project related documents during the project and for a period of five years following the completion of the project. This particular project is currently ongoing; therefore, the retention rules continue to apply to the County.

#### **Original Recommendation, Report dated May 2015:**

Document retention must be strengthened in order to ensure compliance with grant contracts and record retention rules. Policies and procedures regarding the retention of grant related documents must be developed to make sure that contract requirements are being met.







## APPENDIX A

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Following is the original *Audit of Southwest Florida Water Management District Grant Compliance and Controls* dated May 2015.



# KAREN E. RUSHING

Clerk of the Circuit Court and County Comptroller

## Audit of Southwest Florida Water Management District Grant Compliance and Controls

### Audit Services

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Director of Internal Audit and Inspector General

**David Beirau, CIGA, CFE**  
Manager of Audit Services

**Amanda Tenuta, CPA, CIA, CIGA, CFE**  
Senior Internal Auditor/Investigator

May 2015

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## **Executive Summary**

- As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's Internal Audit Department and Office of the Inspector General conducted an audit of the Southwest Florida Water Management District (SWFWMD) Grant Compliance and Controls.
- Independent Auditor obtained an understanding of SWFWMD and evaluated the extent of monitoring over project schedules and budgets.
- Independent Auditor tested four (4) grant contracts and performed the following for each contract:
  - Determined if project deadlines were met.
  - Verified that requests for reimbursement were accurate and allowable.
  - Obtained explanations for project extensions.
  - Requested documentation and explanation for budget changes.
- Independent Auditor reviewed SWFWMD expenditures occurring during Fiscal Year 2012-2013 and compared amounts reported in the Comprehensive Annual Financial Report (CAFR).
- During audit fieldwork, it was noted that the Beach Road Improvements project began with an original cost estimate of approximately \$ 2.3 million (in 2007) and the current estimate in 2015 is over \$6 million. Appropriate Board budget authority was received throughout the cost changes. However, in February of 2015, the County Administrator issued Administrative Directive 9.16 adding additional oversight and reporting requirements. See Exhibit A.

## **Opportunities for Improvement**

- Project completion schedules – There were instances in which the projects were either not in compliance with the grant contracts or documentation was insufficient to establish contract compliance.
- Document Retention – The County is out of compliance with the document retention requirements of the grant contract.

## **Summary and Results**

The Clerk of the Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* has completed an audit of Southwest Florida Water Management District (SWFWMD) Grant Compliance and Controls. The audit was planned and conducted 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The purpose of the audit was to determine if the controls related to the management of SWFWMD grant funds were operating effectively and to verify that the County is in compliance with SWFWMD grant agreements.

### **Background**

Sarasota County enters into cooperative funding agreements (grant contracts) with SWFWMD to obtain grant funding for water resource and management related projects. The grant funding is typically contracted for a fixed amount which the County must match dollar for dollar. Grant funding is paid on a reimbursement basis, meaning the County must first incur and pay for the costs associated with the project and then submit a reimbursement request to SWFWMD, complete with proper supporting documentation. Additionally, the grant contracts with SWFWMD typically include a schedule for completion of the project with pre-established deadlines that the County is expected to meet. If a deadline cannot be met, it is the County's responsibility to communicate with SWFWMD and request approval for an alternate completion date. Currently, the County is under contract with SWFWMD to provide grant funding for seven (7) projects within the audit period, Fiscal Year 2012-2013, and of those projects, one (1) dates back as far as the early 2000s.

The County is responsible for completing projects in compliance with the terms of the grant contracts. This includes, but is not limited to, providing interim progress reports to SWFWMD, performing or contracting necessary services required to complete the project satisfactorily, managing the project prior to and after completion, and providing matching and other funds, beyond those contributed by SWFWMD, necessary for completion of the project.

SWFWMD's responsibilities include approving reimbursement requests, construction bid documents, selection of contractors, contracts, and the satisfactory completion of project tasks and phases that are designated in the grant contract. Additionally, should any issues arise that cause the project budget or completion schedule to change, the County and SWFWMD must mutually agree to new terms in a formal written amendment. These project amendments must be approved by both the grantor and the County before additional work is performed.

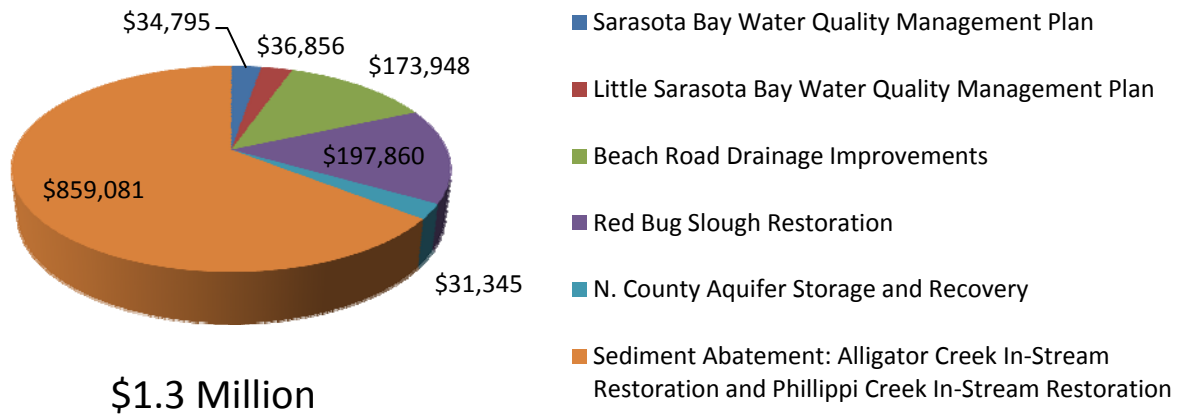
In addition to providing grant funds for water resource projects, SWFWMD manages the water resources for west-central Florida as directed by state law. SWFWMD encompasses roughly 10,000 square miles in all or part of sixteen counties (shown below) and serves a population of 4.7 million people.



According to the SWFWMD website, the goal of SWFWMD is to meet the water needs of current and future water users while protecting and preserving the water resources within its boundaries. SWFWMD was established in 1961 as a flood protection agency. Since then, its responsibilities have grown to include managing the water supply, protecting water quality and preserving natural systems that serve important water-related functions. Specific concerns of SWFWMD are water supply, flood protection, water quality and natural systems.

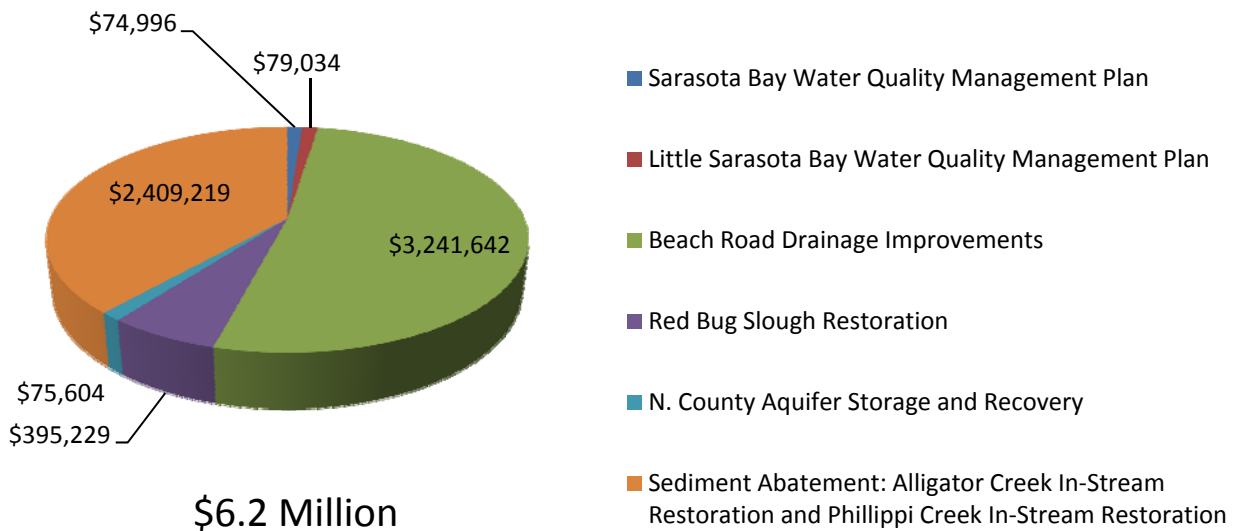
During Fiscal Year 2012-2013, Sarasota County managed seven (7) different projects that utilized funding from SWFWMD. Reimbursement from SWFWMD for all seven (7) projects during Fiscal Year 2012-2013 amounted to \$1,333,885.

### Fiscal Year 2012-2013 SWFWMD Expenses by Project as of September 30, 2013



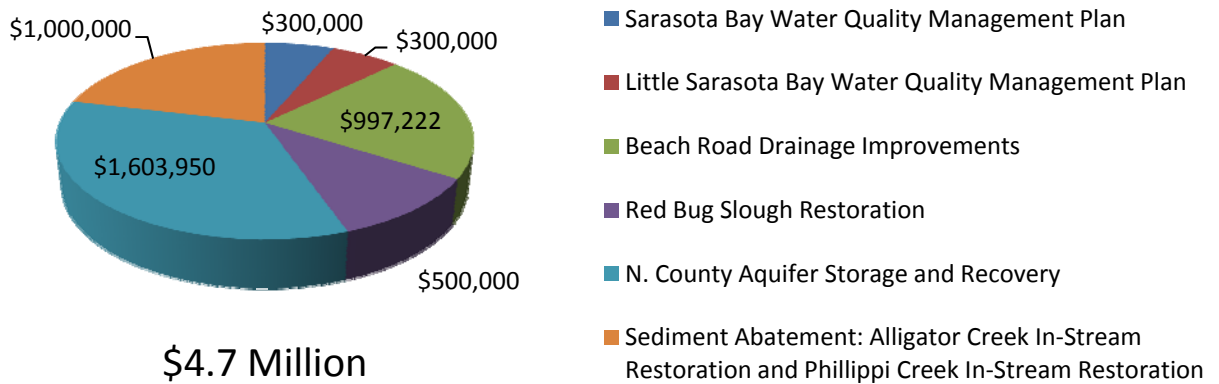
The total amount of expenses (including SWFWMD grant funds and other resources) for Fiscal Year 2012-2013 was \$6,275,724; the breakdown of these expenses by project is depicted in the graph below.

### Total Fiscal Year 2012-2013 Expenses (all funding sources) as of September 30, 2013



The total amount of SWFWMD grant funds designated for the seven (7) projects equals \$4,701,172. The seven (7) projects requiring SWFWMD funding are of various natures, but include projects surrounding in-stream restoration, water aquifer storage and recovery, and stormwater treatment system improvement.

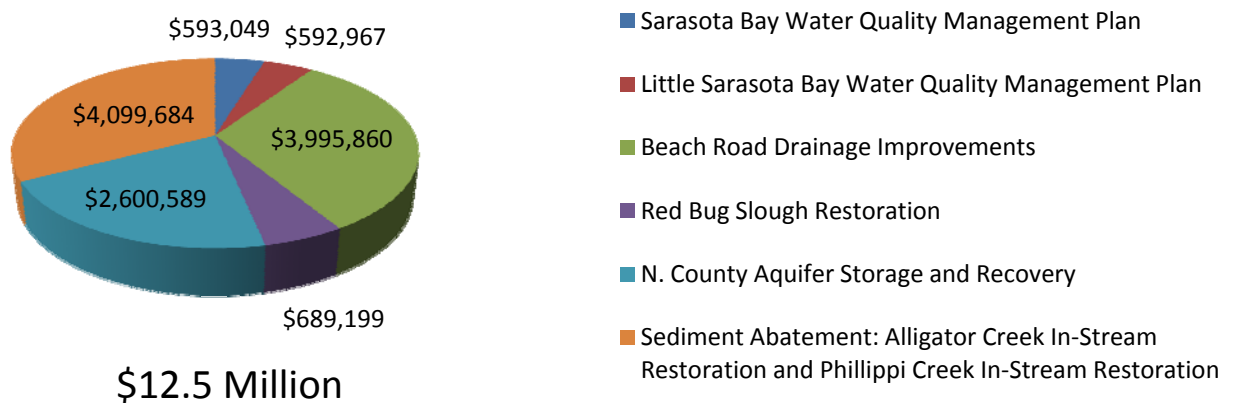
### Total SWFWMD Funds Awarded by Project Fiscal Years 2000 to 2013\*



\* N. County Aquifer Storage and Recovery grant contract was entered into in May 2000.

Total project expenses, which includes all costs incurred since the inception of the projects, amounts to \$12,571,348. Of the seven (7) projects, six (6) have been completed; the remaining project, North County Aquifer Storage and Recovery, is expected to be finished within the next six (6) months. The project totals as of September 30, 2013 are depicted in the graph shown below.

### Total Project Expenses (all funding sources) Fiscal Years 2000 to 2013\*



\* N. County Aquifer Storage and Recover grant contract was entered into in May 2000.

### Objectives, Scope and Methodology



The objective of the audit was to determine if the controls related to the management of SWFWMD grant funds were operating effectively and to verify that the County is in compliance with SWFWMD grant agreements. The scope of the audit included a review of seven (7) SWFWMD grant agreements, all of which charged expenses to SWFWMD during Fiscal Year 2012-2013.

To meet the objectives of the audit, the procedures performed included, but were not limited to, the following:

- Performed inquiries of management and staff of County Departments including the Office of Financial Management (OFM), Public Works, and Capital Projects Departments.
- Obtained an understanding of SWFWMD and its grant funding program.
- Evaluated the extent of monitoring over project schedules and budgets.
- Selected four (4) of seven (7) grant contracts reporting SWFWMD expenditures during the Fiscal Year 2012-2013 for testing.
  - Reviewed project schedules and determined if project deadlines were met.
  - Examined requests for reimbursement related to the four (4) grant contracts selected for testing\* and determined if requests were for allowable activities, invoices were calculated accurately, and reimbursement was requested from SWFWMD and received in the appropriate amount.
  - Reviewed contract amendments to the four (4) grant contracts selected for testing relating to extending project timelines and obtained explanations.
  - Requested documentation and explanation for budget changes to SWFWMD projects selected for testing.
- Reviewed expenditures occurring during Fiscal Year 2012-2013 and compared to amounts reported in the Comprehensive Annual Financial Report (CAFR).
- Identified opportunities for improvement.

*\*Grants selected for testing are as follows:*

- *09CS0000029 Sarasota Bay Water Quality Management*
- *10CS0000021 Phillippi In-Stream Restoration*
- *08CS0000006 Implementation of BMPS for Coastal Basin Beach Road (referred to as Beach Road Drainage Improvements by the County)*
- *00CON000061 North Sarasota County Reclaimed Water Aquifer Storage and Recovery*

## ***Opportunities for Improvement***

The audit disclosed certain practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. Accordingly, the **Opportunities for Improvement** presented in this report may not be all-inclusive of areas where improvement may be needed. Two observations and recommendations related to the effectiveness of controls, particularly compliance with laws, regulations, and contracts [Standard 2130.A1] follow:

- A. Project completion schedules**
- B. Document retention**

### **A. Project completion schedules**

***There were instances in which the projects were either not in compliance with the grant contracts or documentation was insufficient to establish contract compliance.***

### **Observation**

Each of the four (4) grant contracts selected for testing had an established project completion schedule; these schedules included different phases of the project and an expected date of completion for each project phase. There were a total of twenty six (26) project-phase deadlines that were tested. Through testing, it was determined that eleven (11) deadlines were met, one (1) deadline was not met, two (2) deadlines had not elapsed at the time of report, four (4) instances in which the documentation provided was not detailed enough to determine whether or not the deadline had been met, and eight (8) instances in which documentation had not been retained. The issue of document retention will be discussed in a subsequent Opportunity for Improvement.

### **Recommendation**

To ensure compliance with all grant contracts, increased monitoring and oversight is required. Processes must be created to ensure that the deadlines are met and documents maintained to allow for the proper audit of grant requirements.

### **Management Response**

The County concurs and effective immediately will comply with the contract requirements of newly acquired SWFWMD grants. Sarasota County implemented a County-wide Grant Policy and Procedures Manual (Manual) in 2010. A revision to the Manual in 2013 incorporated the use of Onbase as the Document Management System for Grant compliance documents. The September 2014 update to the Manual provided clarity to the roles and responsibilities of staff,

including document retention and the submission of those documents to the OFM Grants team for inclusion in Onbase.

Through continued education and outreach to grant managers by the OFM Grant team, there appears to be full compliance with current policy and procedures in the area of document retention. The OFM Grants team has also provided more education and outreach to grant managers to assist them with obtain fully sufficient documentation regarding any changes to grant contracts.

## **B. Document retention**

***The County is out of compliance with the document retention requirements of the grant contract.***

### **Observation**

Testing of project completion schedules revealed eight (8) instances out of a total of twenty six (26) phases of completion, where documentation supporting the required completion date was not retained. Therefore, compliance with the grant contract and established completion schedule was unable to be determined.

Additionally, there was one project where the documentation for over half of the reimbursement requests sent to SWFWMD was not retained. According to the grant contracts, the County is required to maintain all project related documents during the project and for a period of five years following the completion of the project. This particular project is currently ongoing; therefore, the retention rules continue to apply to the County.

### **Recommendation**

Document retention must be strengthened in order to ensure compliance with grant contracts and record retention rules. Policies and procedures regarding the retention of grant related documents must be developed to make sure that contract requirements are being met.

### **Management Response**

The County concurs and effective immediately will comply with the contract requirements of newly acquired SWFWMD grants. Sarasota County implemented a County-wide Grant Policy and Procedures Manual (Manual) in 2010. A revision to the Manual in 2013 incorporated the use of Onbase as the Document Management System for Grant compliance documents. The September 2014 update to the Manual provided clarity to the roles and responsibilities of staff, including document retention and the submission of those documents to the OFM Grants team for inclusion in Onbase.

Through continued education and outreach to grant managers by the OFM Grant team, there appears to be full compliance with current policy and procedures in the area of document retention. The OFM Grants team has also provided more education and outreach to grant managers to assist them with obtain fully sufficient documentation regarding any changes to grant contracts.

# **Appendix A: Sarasota County Administrative Directive**

## **SARASOTA COUNTY GOVERNMENT ADMINISTRATIVE DIRECTIVE**

No. 9.16

ORIGINAL ISSUE DATE: October 14, 2014

REVIEWED AND AMENDED: February 2, 2015

### **SUBJECT:**

Responsibilities regarding Capital Improvement Program ("CIP") project management and budgets.

### **AUTHORITY:**

The County Administrator or designee determines responsibilities regarding CIP project management and budgets.

### **PURPOSE:**

This Administrative Directive sets forth the responsibility for CIP projects between individual Departments and the Capital Projects Division of Public Works, including a process for notifying Administration and the Board of any unresolvable project overruns beyond the budgeted CIP project amount.

### **POLICY:**

Each CIP project is adopted by the Board based on an agreed upon scope of work and a not to exceed budget. The responsible Department is expected to manage the project within the adopted CIP project budget.

Potential CIP project budget overruns are to be addressed during the design process as early as possible.

While the majority of the CIP projects are managed by the Capital Projects Division of Public Works, there are some projects managed within the individual Departments. When the Capital Projects Division is not involved in the management of a project, all responsibilities indicated below will reside with the project managers and the leadership team within the individual Departments.

During the design process, all CIP project overruns (estimated or actual) that cannot be mitigated through value engineering or other cost saving efforts will be communicated between the Capital Projects Division of Public Works and the individual Department. The Department is responsible to notify Administration of the potential or actual overrun.

**RESPONSIBILITY:**

Individual departments are responsible for CIP project general scope, schedule, and budget oversight/ management.

The Capital Projects Division of Public Works is responsible for:

- Developing planning level budget estimates of CIP project costs for Departments
- Reviewing and updating CIP project budget estimates on an annual basis (at a minimum)
- Managing CIP project design and construction for Departments according to the scope and budget approved by the Board on a day-to-day basis
- Notifying Departments of budget pressure at appropriate design stages (e.g., 30%, 60%, 90% and/or schematic design, design development, construction documents)

**PROCEDURE:**

If the project team, including the Capital Projects Division of Public Works, the design consultant(s), and the Construction Manager (when a project is being managed by a Construction Manager at Risk) believe that a CIP project may have overall project budget overruns, the Department will be notified and a decision will be made whether or not to proceed any further with design. That decision will be based on the level of confidence on bringing the project within the approved budget and scope.

If at or near 60% design stage (and/or design development stage), a project is still forecasted to exceed the Board approved adopted CIP project budget, Administration shall be notified. At that point, the Department will be responsible to brief Administration on their plans to bring the CIP project back within budget.

If, in the unlikely scenario that a project cannot be completed within the adopted CIP project budget, the Department through the County Administrator will brief the Board so they can consider an action plan to proceed with a project scope within the existing budget and/or modify the overall CIP project budget.

Collaboration with the Office of Financial Management ("OFM") is required as part of the development of the action plan that involves modification to the approved CIP project budget.

Approved:



Thomas A. Harmer

County Administrator

2-3-15

Date