

Management Review

of the

Interlocal Agreement between the City and
Broward County for Feasibility Study,
Preliminary Design, or Related Services for
Projects Recommended Under the Broward
Countywide Integrated Water Resource Plan to
be Performed in Partnership with Local Water
Managers

Report of Audit 06/07-XX-09

June 25, 2007



Office of Management and Budget

Internal Audit

MEMORANDUM NO. 07-42

DATE: June 25, 2007

TO: Albert Carbon/Public Works Director

SUBJECT: *Review of Interlocal Agreement between the City and Broward County for Feasibility Study, Preliminary Design, or Related Services for Projects Recommended Under the Broward Countywide Integrated Water Resource Plan to be Performed in Partnership with Local Water Managers*

Enclosed is the “subject” Final Report of Audit.

Allyson C. Love
Director, Office of Management and Budget

Attachment - Final Report of Audit No. 06/07-XX-09

c: City Commission
City Manager/George Gretsas
Assistant City Manager/Kathleen Gunn
Assistant City Manager/David Hebert
Assistant City Manager/Stephen Scott

ACL/mr

REPORT OF AUDIT NO. 06/07-XX-09

DATE: May 23, 2007

TO: Albert Carbon/Public Works Director

FROM: Renee C. Foley/Assistant Internal Audit Director/5851

SUBJECT: Review of Interlocal Agreement between the City and Broward County for Feasibility Study, Preliminary Design, or Related Services for Projects Recommended Under the Broward Countywide Integrated Water Resource Plan to be Performed in Partnership with Local Water Managers

BACKGROUND

The City of Fort Lauderdale (City) entered into an Interlocal Agreement with Broward County (County) on June 20, 2006, for \$15,625 through their Integrated Water Resource Plan. This grant requires an equal match for the design portion of the project; therefore, the City will provide up to \$15,625 toward the design of the structure. This project is a joint initiative between the City, the Old Plantation Water Control District (OPWCD), Broward County, and the South Florida Water Management District (SFWMD). This project entails the feasibility analysis and design, to be completed by the City, of a gravity interconnection between the C-12 Canal and the secondary canal system maintained and operated by the OPWCD. The SFWMD is expected to cost share in the construction phase of this project. The primary objective of this project is to provide greater surface water recharge to the Fort Lauderdale Peele-Dixie well field via secondary canal interconnects. Public Works is responsible for the overall administration and management for the City's compliance with the requirements of the terms and conditions in the Interlocal Agreement.

SCOPE

As part of the Interlocal Agreement between the City and County, the City's Internal Audit Division is required to determine whether the revenues and amounts received from the County were expended in accordance with the agreement and to determine compliance with the various requirements. To this end, we provided the County with a Special Report together with a financial statement. As part of the grant review, our overall objective was to evaluate the effectiveness and adequacy of the City's internal control systems and procedures used for the project. We discussed policy and procedures and reviewed transactions and documentation for the period March 2006 through April 2007. Judgmental sampling methods were

REPORT OF AUDIT NO. 06/07-XX-09

used in reviewing transactions and documentation. The review was completed in accordance with generally accepted government auditing standards during the period February through April 2007.

OVERALL EVALUATION

Public Works management procedures used to administer the grant project needs improvement. We noted certain conditions that warrant management's attention to enhance the overall internal control environment and assist in the audit and securing of grants for future periods. The City permitted Hazen and Sawyer, P.C. (H&S),¹ the Consultant procured for the project to render the services prior to the grant effective date opposed to within the grant period. Consultant invoices were approved prior to Amendment/Supplemental No. 1 to Purchase Order authorization/issuance date and without sufficient support documentation. Certification of Payments to Subcontractors and Suppliers (Exhibit "B") was not submitted with the City's invoice to the County as required by the Interlocal Agreement. Furthermore, \$162.50 was not invoiced to the County, but should have been; and \$3,400 was invoiced to the County prior to issuance of the City's payment to the vendor. Pertinent documentation was not maintained in the project file in order for an independent reviewer to perform verifications for audit purposes and to readily comply with the retention of records requirement in the Interlocal Agreement. The City could be in jeopardy of returning grant funds to the County and/or possibly not receiving future funding.

FINDING 1

The City permitted services for the project to be performed by the consultant prior to the grant effective/execution date. Furthermore, internal controls were not adequate to validate the appropriateness of invoices processed for payment by the City.

Interlocal Agreement, Article 4: Term and Time of Performance states, This Interlocal Agreement shall become effective upon execution by County (6/20/06) and shall commence in full force and effect until midnight, December 31, 2006....

¹ On 3/7/06, the City Commission approved Task Order (TO) No. 05-15 between the City and H&S (Consultant) for \$27,500, to design the interconnect between the OPWCD Canal and the SFWMD's C-12 Canal as part of planned improvements to the City's utilities under the Water and Wastewater Capital Improvements Program (a/k/a WaterWorks 2011). Amendment No. 1 to TO No. 05-15 for \$1,625 was approved by the City Manager on 11/15/06, to provide for submitting permit application fees to the SFWMD related to this project.

REPORT OF AUDIT NO. 06/07-XX-09

Article 10, Section 10.3 states, "The special report shall show all revenues, by source, and all expenditures as set forth in the Scope of Services for the program being funded by this Agreement. The report shall specifically disclose any funds received which were not expended in accordance with this Agreement or with any regulations incorporated by reference therein. It shall identify the total of noncompliant expenditures as due back to County."

Schedule on page 9 of 10 of Task Order (TO) No. 05-15, states "Design and permit application submittal are expected to be complete within ten (10) weeks of a notice to proceed." Notice to proceed was 3/8/06; thus, completion date was approximately 5/17/06.

Our review of project actual expenditures totaling \$29,125 revealed the following exceptions and/or internal control weaknesses.

1. \$22,000 (76%) was paid for services rendered for the period 5/1-5/31/06, which was *prior* to the grant effective date of 6/20/06. Services rendered for a second invoice totaled \$5,500 for the period 6/1/06-8/31/06. We were unable to determine the amount of services rendered between 6/1-6/19/06 to ascertain the dollar amount of services rendered *prior* to the grant effective date.
2. TO for the project between the City and Consultant allowed services to commence on 3/8/06, which was also *prior* to the grant effective date.
3. \$1,625 (6%) vendor invoices were approved without sufficient support documentation in order to verify whether the costs submitted for reimbursement were expended within the grant period as allowable/qualifying grant-related expenditures. The Environmental Resource Supervisor/Grant Administrator (ERS/GA) subsequently obtained this documentation from the vendor.
4. Consultant incurred the costs and the ERS/GA approved a \$1,300 (4%) invoice *prior* to the authorization date of the Amendment and issuance of Supplemental No. 1 to the PO.

The completion date in the TO schedule ended prior to the effective date of the Interlocal Agreement. The ERS/GA was not sure why services were performed prior to the grant effective date other than stating there was pressure from County officials to get the dollars spent prior to the end of the fiscal year. The ERS/GA further stated this was the first grant project he had been responsible for.

REPORT OF AUDIT NO. 06/07-XX-09

Proper administration of public funds require management to verify the appropriateness that project expenditures were incurred within the grant period and sufficient support documentation is obtained prior to the issuance of payment to the vendor in order to comply with terms and conditions in the grant agreement and to not jeopardize grant funding.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Public Works Director* should:

Recommendation 1. *Require Task Orders that include services to be performed for accomplishment of grant deliverable(s) contain a consistent commencement date/timetable in order to meet compliance with the requirement to render services within the specified grant period.*

Recommendation 2. *Advise staff to discontinue the practice of allowing the consultant to commence work on a project prior to the authorization from the City Commission/City Manager for an amendment and issuance of a supplemental to a purchase order; otherwise, they do so at their own risk.*

Recommendation 3. *Periodically monitor all phases of processing invoices for payment to ensure compliance with established procedures.*

The *Assistant Utilities Services Director of Operations* should:

Recommendation 4. *Require the ERS/GA to obtain from consultants sufficient support documentation prior to the authorization of an invoice submitted for payment to confirm the date of receipt for services and/or materials supplied in order to determine whether an allowable/qualifying grant-related expense.*

Management Comment. *Management concurred with the finding and recommendations 1-4 and stated: “In the future, the Public Works Department will not accept a grant if the deadline is this close, and will wait until the contract is signed to initiate any task orders or payments. All four recommendations shall be immediately implemented.” This item is closed.*

REPORT OF AUDIT NO. 06/07-XX-09

FINDING 2

Certification of Payments to Subcontractors and Suppliers was not submitted with the City's invoice to the County as required by the Interlocal Agreement. Furthermore, \$162.50 should have been, but was not invoiced to the County; and \$3,400 was invoiced prior to the issuance of payment to the vendor.

Interlocal Agreement, Article 3: Method of Billing and Payment, Section 3.2.1 states, "City may submit an invoice for compensation on one occasion, which shall be associated with completion of the project deliverable. This invoice shall be submitted only after the services for which the invoice is submitted have been completed. An original invoice plus one copy must be received no later than sixty (60) days after this Interlocal Agreement expires. Invoice shall designate the nature of the services performed and/or the expenses incurred. City shall submit with each invoice a Certification of Payments to Subcontractors and Suppliers (Exhibit "B")."

Article 4: Term and Time of Performance states, This Interlocal Agreement shall become effective upon execution by County (6/20/06) and shall commence in full force and effect until midnight, December 31, 2006....

Letter from Broward County Water Resources Manager dated 7/10/06, accompanying Interlocal Agreement states, "Please note that this agreement commits the City to completing all project deliverables within 3 months of final execution (no later than September 20, 2006) for a total reimbursement not-to-exceed \$15,625. Under the terms of the agreement, the City may submit for reimbursement a total of one invoice...."

Our review of \$14,400 invoice submitted by the City to the County and \$14,400 match expenditures totaling \$28,800, as well as grant utilization and compliance with invoice requirements in the Interlocal Agreement revealed the following:

- Certification of Payments to Subcontractors and Suppliers (Exhibit B) was not included with invoice to the County as required by the Interlocal Agreement.
- \$325 (\$162.50 grant/\$162.50 match) of \$29,125 (1%) actual expenditures should have been, but was not invoiced to the County.
- \$6,800 of \$28,800 (24%) expenditures were submitted with the City's invoice to the County on 9/20/06, which was prior to the issuance of the City's payment of these expenditures to consultant on 12/10/06.

REPORT OF AUDIT NO. 06/07-XX-09

The ERS/GA stated Exhibit B was not included with the City's invoice to the County. Subsequently, the ERS/GA obtained Exhibit B from Consultant and forwarded it to OMB once we indicated this was a grant requirement. However, there was no evidence that it had been provided to the County. Therefore, OMB submitted a copy of Exhibit B with the Special Report provided to the County.

The ERS/GA stated the County was not invoiced \$162.50 due to receiving the related invoice from Consultant on 10/6/06. It was the ERS/GA's understanding based on correspondence to/from the County Water Resources Manager that the City's invoice to the County had to be submitted by 9/20/06, although Article 3 indicates an invoice can be submitted up to no later than 60 days after the Interlocal Agreement expired. OMB requested the miscellaneous cash receipt and/or cancelled check that revealed the permit application fee was paid in August 2006, which was within the grant period. However, this receipt was not received until 3/9/07, which was too late to invoice the County since 60 days elapsed beyond agreement expiration date.

Obtaining proper support/required documentation timely from the Consultant will provide optimal utilization and compliance with the terms and conditions set forth in the grant agreement.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Assistant Utilities Services Director of Operations* should:

Recommendation 5. *Require the ERS/GA to utilize the grant agreement summary sheet (Sample) or establish a checklist of required documentation, including documentation to be submitted with invoice from the City to the granting agency to ensure requirements are met in a timely manner.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "Now that a Grant Agreement Summary has been provided, this shall be used in all subsequent grants. It would be helpful to have audit training for staff who are responsible for administering grants. Recommendation shall be implemented immediately with subsequent grants." **This item is closed.**

REPORT OF AUDIT NO. 06/07-XX-09

Recommendation 6. *Require the ERS/GA to perform an evaluation of all expenditures to ensure only those allowable/qualifying expenditures (meeting the requirements of the terms and conditions in the grant agreement) are billed to the granting agency and in a timely manner (i.e., expenditures incurred within the grant period, invoices submitted by due date, etc.). Furthermore, only actual expenditures should be submitted for reimbursement in the invoice to the granting agency.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Future grants will only invoice expenditures after the contract has been fully executed. It should be noted that only actual expenditures were submitted for reimbursement under this grant. The statement, “Furthermore, only actual expenditures should be submitted for reimbursement in the invoice to the granting agency” suggests that the Public Works Department invoiced for inappropriate expenditures, and this is not the case. Recommendation shall be implemented immediately with subsequent grants.” **This item is closed.**

Recommendation 7. *Perform a periodic review to ensure the ERS/GA has submitted all required documentation to the granting agency and that due dates are being timely met.*

Management Comment. *Management concurred with the finding and recommendation and state:* “Recommendation shall be implemented immediately with subsequent grants.” **This item is closed.**

Recommendation 8. *Require the ERS/GA to obtain from consultants sufficient support documentation prior to authorization of an invoice submitted for payment to confirm date for receipt of services and/or materials supplied in order to determine whether expenses were incurred within the grant period; thus, can be invoiced to the granting agency.*

Management Comment. *Management concurred with the finding and recommendation and state:* “Recommendation shall be implemented immediately with subsequent grants.” **This item is closed.**

REPORT OF AUDIT NO. 06/07-XX-09

FINDING 3

Pertinent documentation was not maintained in the project file in order for an independent reviewer to perform a verification for audit purposes and to readily comply with the retention of records requirement in the Interlocal Agreement.

Interlocal Agreement, Section 10.2 Audit Right and Retention of Records, states “City shall preserve and make available, at reasonable times for examination and audit by County, all financial records, supporting documents, statistical records, and any other documents pertinent to this Agreement for the required retention period of the Florida Public Records Act (Chapter 119, Fla. Stat.), if applicable, or, if the Florida Public Records Act is not applicable, for a minimum period of three (3) years after termination of this Agreement.”

Our review of documentation to verify accomplishment of project deliverable revealed Technical Memorandum-Final Design Report that evidenced satisfaction of Exhibit “A” Deliverable 1 requirements were met was sent directly to the County by consultant; however, was not maintained in the City’s project file. Furthermore, a check issued by the County for the maximum grant amount (\$15,625) that had been voided, since the City only invoiced \$14,400, was in the project file with no record of the sequence of events that led to the replacement check. Thus, the file records gave the appearance of two checks issued together exceeding the grant amount.

When OMB asked for documentation to show satisfaction of Deliverable 1/Final Report, the ERS/GA stated “This was sent directly to Broward County from Hazen and Sawyer, so it wasn’t in the file you saw. This outlines the deliverables identified in the grant.” The ERS/GA subsequently forwarded to OMB a copy of the Technical Memorandum-Final Design Report from Consultant. The ERS/GA also provided a copy of an e-mail with the County Water Resources Manager indicating the \$15,625 was issued erroneously and replaced by \$14,400 check after OMB had verified with the City’s Finance Department, Wachovia Bank, and County staff and records that \$15,625 had been voided.

Maintenance of all records and support documentation in a centralized project file will facilitate the performance of verifications and ability to comply with the retention of records requirement in the grant/Interlocal Agreement.

REPORT OF AUDIT NO. 06/07-XX-09

RECOMMENDATION 9

The Assistant Utilities Services Director of Operations should require the ERS/GA to include all records/reports/support documentation in the project file, including all correspondence/communication via e-mail, for a minimum of three (3) years after termination of this agreement as required in Section 10.2. Furthermore, all records should be secured via fastener in the file folder, project name/number labeled and in chronological order with the most recent communication on top.

MANAGEMENT COMMENT

Management concurred with the finding and recommendation and stated: "Exhibit A was not included in the original file due to its size. A larger file folder has been created to accommodate this report. Related emails have been printed out and placed in the file. Recommendation 9 shall be implemented immediately with subsequent grants." This item is closed.

ADDITIONAL MANAGEMENT COMMENTS

FINDING 1

"While the task order was issued and one invoice was paid before the grant contract made its way through the signature process, all invoices were for the items that were identified in the contract, and were therefore appropriate. The task order was issued in response to Broward County's urging that this project had to be complete before the end of the fiscal year. SFWMD also stated that they needed to have the drawings by April 2006 to meet their funding deadline. Indeed, members from the County and SFWMD were present at a meeting where we discussed issuing a task order so we can meet these deadlines. It should be noted that my final grant report included all of these dates, and there was no objection received from Broward County.

It has taken at least 30 days after the item is on the Commission Agenda to obtain a signed original of the contract. For this reason, it was necessary to initiate the task order to meet the required deadlines."

REPORT OF AUDIT NO. 06/07-XX-09

FINDING 2

“Exhibit B shall be included, if required by the grant, in all future grant reports.

The \$325 was not invoiced because Broward County indicated via email (provided) that the expiration date was earlier than that in the contract. In the future, any discrepancies will be discussed with the County.”

EVALUATION OF MANAGEMENT COMMENTS

Management comments provided and actions taken and/or planned are considered responsive to the recommendations.

**City of Fort Lauderdale
Grant Agreement Summary**

Sample

Granting Agency				Grant Program		Project Title		Grant Number		Federal/State Catalog #		Amount	
												\$	
City								County/State/Federal/Other (circle)					
Grant Administrator				Dept/Div		Phone #		Contract Administrator		Dept/Div		Phone #	
Term of Agreement						Grant Change Request(s)							
Begin Date			End Date			Date City Submitted		Date Approved by Granting Agency		Description of Change Requested			
										1)			
Date City Executed			Date Granting Agency Executed							2)			
										3)			
Complete if Approved Grant Change Request included a Time Extension/Revised Completion Date?										4)			
										5)			
Revised Completion Date:										6)			
Resolution Supporting Grant				Date		Grant Index Code		Project No. (if applicable)		Match Requirement?		Match Ratio/Amt	
Funding Source(s) and Amount(s)													
Program/Project											Match		
\$	\$		\$		\$		\$		\$		\$		
Is there an Audit requirement?								Date Due					
If Grant is a funding source for an Engineering Project, please complete.													
Project No.			Project Engineer			Estimated Start Date		Estimated Completion Date		Actual Start Date		Actual Completion Date	
Person Responsible for:													
Treasury Accountant		Setting up schedule of grant eligible exps (including match)		Financial Administrator		Authorizing program/project exps		Monitoring revs/exps are correct in FAMIS		Preparing Invoice to granting agency			
Summary of Scope of Work/Services to be Performed													
Article #/Exhibit		Service				Units		Unit Cost		Amount			
Total Grant												\$	

