



Audit Report



OIG-17-046

RESTORE ACT

Gulf County's Policies and Procedures Did Not Reflect All
Uniform Guidance Requirements

June 5, 2017

Office of
Inspector General

Department of the Treasury

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OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

June 5, 2017

MEMORANDUM FOR **DAVID A. LEBRYK**
FISCAL ASSISTANT SECRETARY

FROM: Cecilia K. Howland /s/
Director, Gulf Coast Restoration Audits

SUBJECT: *Gulf County's Policies and Procedures Did Not Reflect All
Uniform Guidance Requirements*

We are pleased to transmit the subject audit report on Gulf County, Florida's (the County) Direct Component award for planning assistance to develop its Multiyear Implementation Plan (MYIP) under the *Resources and Ecosystems Sustainability, Tourist Opportunities and Revived Economies of the Gulf Coast States Act of 2012* (RESTORE Act). Under a contract monitored by our office, the independent certified public accounting firm, McConnell & Jones LLP (McConnell & Jones), performed this audit. Our contract required that the audit be performed in accordance with generally accepted government auditing standards.

In its audit report, McConnell & Jones did not identify non-compliance in the use of the MYIP Planning Assistance award. However, the County's policies and procedures did not reflect all *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 2 CFR Part 200 (Uniform Guidance) requirements. Accordingly, McConnell & Jones recommended that the Fiscal Assistant Secretary considers the County's need to further develop and strengthen its policies and procedures to fully document the Uniform Guidance as part of Treasury's oversight and administration of the County's MYIP Planning Assistance award as well as risk assessments required by the Uniform Guidance for future awards.

In connection with our contract, we reviewed McConnell & Jones' report and related documentation and inquired of its representatives. McConnell & Jones is responsible for the attached auditor's report dated June 2, 2017, and the conclusions expressed therein. Our review found no instances in which McConnell & Jones did not comply in all material respects, with generally accepted government auditing standards.

We appreciate the courtesies and cooperation provided to McConnell & Jones and our staff during the audit. If you have any questions or require further information, you may contact me at (202) 927-8782.

Attachment

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ABBREVIATIONS

County	Gulf County, Florida
Green Book	Government Accountability Office’s Standards for Internal Control in the Federal Government
IT	Information Technology
MYIP	Multiyear Implementation Plan
OIG	Office of Inspector General
RESTORE Act	Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012
Treasury	Department of the Treasury
Trust Fund	Gulf Coast Restoration Trust Fund
Uniform Guidance	Office of Management and Budget’s Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200



June 2, 2017

David A. Lebryk
Fiscal Assistant Secretary
Department of the Treasury

This report presents the results of our audit of Gulf County, Florida's (the County) Direct Component award for planning assistance to develop its Multiyear Implementation Plan (MYIP). The plan is a requirement for Direct Component funding under the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act).¹ Our audit objective was to assess whether the County has used awarded funds in compliance with applicable Federal statutes, regulations, and its award agreement with the Department of the Treasury (Treasury). Appendix 1 provides more detail of our audit objective, scope, and methodology.

Section 1608 of the RESTORE Act authorizes the Treasury Office of Inspector General (OIG) to conduct, supervise, and coordinate audits of projects, programs, and activities funded by the act. In this regard, the Treasury OIG engaged our firm, McConnell & Jones LLP, Certified Public Accountants, to perform this audit.

In brief, we did not identify any areas of non-compliance in the use of the MYIP Planning Assistance award. Specifically, we found the County to be compliant with applicable provisions of the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200 (Uniform Guidance), Notice of Award, and Treasury's RESTORE Act Financial Assistance Standard Terms and Conditions (hereinafter referred to as Treasury's terms and conditions) in its use of the award to include the establishment and maintenance of internal control. However, we did identify areas where the County's policies and procedures did not reflect all Uniform Guidance requirements. With that, we recommend that the Fiscal Assistant Secretary considers Gulf County's need to further develop and strengthen its policies and procedures to fully document the Uniform Guidance. This consideration should be part of Treasury's oversight and administration of Gulf County's MYIP Planning Assistance award as well as risk assessments required by the Uniform Guidance for future awards. We discussed specific areas of opportunity for the County to strengthen existing policies and procedures, and have included our results in this report. Furthermore, at our end of site visit briefing, County officials stated that they would strengthen the County's policies and procedures.

As part of our reporting process, we provided the County an opportunity to comment on a draft of this report. In a written response, the County Administrator acknowledged our finding and recommendation and noted that revisions, updates, amendments, and additions to the current grant policies and procedures manual had commenced. The County plans to procure a grant management consultant to assist and provide support in improving and amending policies and procedures for full and thorough compliance with the Uniform Guidance requirements. The

¹ Pub. L. 112-141, 126 Stat. 588-607 (July 6, 2012)

County anticipates completing the policy and procedure review process by June or July 2017. See appendix 2 for the County's response in its entirety.

After incorporating the County's response into a draft of this report, we provided the draft to Treasury management for comment. In a written response, Treasury management concurred with the findings of this report and noted that it will consider the County's need to further develop and strengthen its policies and procedures to document the Uniform Guidance, as applicable, as part of Treasury's oversight and administration of all future County awards. Treasury management's response, in its entirety, is included as appendix 3 of this report.

BACKGROUND

The RESTORE Act established the Gulf Coast Restoration Trust Fund (Trust Fund) within Treasury to provide funds for environmental and economic restoration of the Gulf Coast region that was damaged by the 2010 Deepwater Horizon oil spill. Deposits into the Trust Fund will be comprised of 80 percent of all civil and administrative penalties paid after July 6, 2012, under the Federal Water Pollution Control Act.² Approximately \$5.3 billion is expected to be deposited into the Trust Fund as a result of the Federal Government's settlements with Transocean, Anadarko Petroleum Corporation, and BP Exploration & Production Inc. defendants. As of April 17, 2017, the Trust Fund received approximately \$1.2 billion, including related interest.

The RESTORE Act allocates money in the Trust Fund among five components, as follows: (1) 35 percent will be made available to the Gulf Coast States (Alabama, Florida, Louisiana, Mississippi, and Texas) in equal shares under the Direct Component; (2) 30 percent plus 50 percent of interest earned on the Trust Fund will be made available for awards under the Comprehensive Plan Component; (3) 30 percent will be made available for awards under the Spill Impact Component; (4) 2.5 percent plus 25 percent of interest earned on the Trust Fund will be made available to the NOAA RESTORE Act Science Program Component; and (5) 2.5 percent plus 25 percent of interest earned on the Trust Fund will be made available to the Centers of Excellence Research Grants Program. Treasury's Office of the Fiscal Assistant Secretary is responsible for administering the Direct Component and the Centers of Excellence Research Grants Program. The Gulf Coast Ecosystem Restoration Council is responsible for administering the Comprehensive Plan Component and the Spill Impact Component. The National Oceanic and Atmospheric Administration is responsible for administering the Science Program Component.

Section 1603 of the RESTORE Act requires Treasury to distribute funds in equal shares under the Direct Component to the Gulf Coast States for the following activities: (1) restoration and protection of natural resources, ecosystems, fisheries, marine and wildlife habitats, beaches, and coastal wetlands of the Gulf Coast region; (2) mitigation of damage to fish, wildlife, and natural resources; (3) implementation of a Federally approved marine, coastal, or comprehensive conservation management plan, including fisheries monitoring; (4) workforce development and job creation; (5) improvements to or on State parks located in coastal areas affected by the Deepwater Horizon oil spill; (6) infrastructural projects benefitting the economy or ecological resources, including port infrastructure; (7) coastal flood protection and related infrastructure; (8) planning assistance; (9) administrative costs; (10) promotion of

² 33 U.S.C. §1321 et seq

tourism in the Gulf Coast region, including recreational fishing; and (11) promotion of the consumption of seafood harvested from the Gulf Coast region.

Gulf County's Multiyear Implementation Plan

The County's MYIP was developed in accordance with the requirements of the RESTORE Act in order to describe proposed activities eligible for funding under the Direct Component. The MYIP includes proposed eligible activities to be undertaken with funds deposited in the Trust Fund, which at the time the plan was developed included \$3,310,615 applicable to the County. The County established a local RESTORE Advisory Committee to help facilitate public involvement in the process and followed a five-step framework for developing project priorities to be included in the MYIP: (1) Community Needs Assessment, (2) Development of Selection Criteria, (3) Project Submittal, (4) Project Scoring and Ranking, and (5) Drafting the MYIP.

The County was awarded \$560,400 in planning assistance for the development of the MYIP covering period from December 1, 2015 through November 30, 2016. As of March 31, 2016, the County expended and reimbursed \$71,062 of its awarded grant funds. On April 11, 2016, the County issued a notice that its draft MYIP was available on the County's website at <http://www.gulfcountyrestore.com/myip> for a 45-day period for public comments. However, due to a substantial change to a beach restoration project, the County decided to re-solicit public comments on the County's website for another 45-day period between July 21, 2016 and September 6, 2016.

AUDIT RESULTS

We performed tests of compliance with the applicable provisions of the Uniform Guidance, Notice of Award, and Treasury's terms and conditions. Among those provisions, "the non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award." As such, we also performed tests of internal control. We reviewed the County's general ledger activities from inception of the MYIP Planning Assistance award through March 31, 2016. We did not identify any areas of non-compliance or deficiencies in internal control but did identify areas where the County's policies and procedures did not reflect all Uniform Guidance requirements. The following summarizes the results of our testing.

Compliance with Uniform Guidance and Treasury's Terms and Conditions

Allowable Costs/Costs Principles: We tested a sample of payroll, non-payroll, and travel transactions charged to the MYIP Planning Assistance award for compliance with the criteria contained in the Uniform Guidance ("Basic Considerations" 2 CFR §200.402 through §200.411 and "General Provisions for Selected Items of Cost" §200.420 through §200.475) and Treasury's terms and conditions (Section A "Program-Specific Terms and Conditions—Awards Under the Direct Component" and Section C "Financial Requirements").

Based on the results of procedures performed, we concluded that the costs associated with this grant were proper, reasonable, allowable, and determined in accordance with the cost principles of the Uniform Guidance and Treasury's terms and conditions.

Activities Allowed or Unallowed: We reviewed project activities funded by the MYIP Planning Assistance award, detailed budget support, and other documentation to confirm that the Federal award was expended only for allowable activities in accordance with the criteria contained in the Uniform Guidance ("Basic Considerations" 2 CFR §200.402 through §200.411 and "General Provisions for Selected Items of Cost" §200.420 through §200.475) and Treasury's terms and conditions (Section A "Program-Specific Terms and Conditions—Awards Under the Direct Component" and Section C "Financial Requirements"). We tested a sample of payroll, non-payroll, and travel expenses associated with the activities and that had been charged to the MYIP Planning Assistance award. In addition, we reviewed the draft MYIP posted to the County's RESTORE website (link: <http://www.gulfcountyrestore.com/>).

Based on the results of procedures performed, we concluded that the activities relating to this project were allowable and that the related transactions were properly classified, accumulated and recorded. The activities described are reasonable and correspond to the tasks listed under Allowable Costs/Costs Principles. We noted no findings of noncompliance for Activities Allowable or Unallowed.

Cash Management: We tested a sample of transactions of cash management for compliance with the criteria contained in the Uniform Guidance ("Payment" 2 CFR §200.305) and Treasury's terms and conditions (Section E "Financial Management System and Internal Control Requirements" and Section H "Award Disbursement"). We reviewed the County's grant administration policy to ensure the County has established policies and procedures to provide reasonable assurance that it minimizes the time elapsing between the transfer of funds from the United States Treasury and the County's payout of funds for Federal assistance program purposes and limits the amount of funds transferred to the minimum required to meet the County's actual and immediate cash needs.

Based on the results of procedures performed, we noted no findings of non-compliance in Cash Management.

Equipment Management: We reviewed the County's written policy and procedures for equipment management for compliance with the criteria contained in the Uniform Guidance ("Property Standards" 2 CFR §200.310 through §200.316) and Treasury's terms and conditions (Section K "Property"). We conducted a review of the General Ledger noting the County did not acquire any equipment from the MYIP Planning Assistance award during the period of our review. Therefore, we noted no findings of non-compliance for Equipment Management.

Procurement Management: We reviewed the County's procurement management policies for compliance with the requirements of the Uniform Guidance ("Procurement Standards" 2 CFR §200.317 through §200.326) and Treasury's terms and conditions (Section S "Procurement").

Specific to Procurement Management, we also reviewed all the procurement files of vendors selected by the County to perform services on MYIP Planning Assistance award for

compliance with the criteria contained in the Uniform Guidance and Treasury's terms and conditions.

Based on the results of procedures performed, we noted no findings of non-compliance in Procurement Management.

Reporting: We tested a sample of financial and performance reporting for compliance with criteria contained in the Uniform Guidance ("Performance and Financial Monitoring and Reporting" 2 CFR §200.327 through §200.329) and Treasury's terms and conditions (Section D "Recipient Reporting and Audit Requirements"), as applicable.

Based on the results of procedures performed, we noted no findings of non-compliance for financial and performance reporting.

Subrecipient Monitoring: We reviewed the County's written policies and procedures for compliance with the criteria contained in the Uniform Guidance ("Subrecipient Monitoring and Management" 2 CFR §200.330 through §200.332) and Treasury's terms and conditions (Section C.9 "Financial Requirements—Subawards"). As no subrecipients were used for the MYIP Planning Assistance award during the period of our review, we noted no findings of non-compliance for Subrecipient Monitoring.

Financial Management System: We tested a sample of transactions from the financial management system for compliance with the criteria contained in the Uniform Guidance ("Financial Management" 2 CFR §200.302) and Treasury's terms and conditions (Section E "Financial Management System and Internal Control Requirements").

Based on the results of procedures performed, we noted no findings of non-compliance for the Financial Management System.

Environmental Requirements: We reviewed the County's documentation to verify if awards, agreements, and contracts entered into by the County include all of the environmental statutes, regulations, and executive orders set forth in Section U "Environmental Requirements" of Treasury's terms and conditions and in accordance with the Uniform Guidance ("Procurement of Recovered Materials" §200.322). In addition, we verified if all contracts including those with subcontractors, included clauses that make reference to the contractors' and/or subcontractors' acceptance of Treasury's terms and conditions.

Based on the results of procedures performed, we noted no findings of non-compliance for Environmental Requirements.

Records Retention Requirements: We reviewed the County's records retention policies and procedures for compliance with the criteria contained in the Uniform Guidance ("Record Retention and Access" 2 CFR §200.333 through §200.337) and Treasury's terms and conditions (Section F "Records Retentions Requirements").

Based on the results of procedures performed, we noted no findings of non-compliance for Record Retention.

Information Technology (IT) Security and Controls: We reviewed the County's IT policies and procedures relating to User Access; System Destruction Safeguards; User Segregation of Duties; External System Threats; and Data Recovery and Business Continuity. In addition, we conducted interviews of selected County officials to ascertain if the IT controls are sufficient for the management of Federal grants.

Based on the results of procedures performed, we noted no findings of non-compliance for IT Security and Controls.

Special Award Conditions: We performed procedures to verify if the County complied with the Special Award Conditions contained in the Treasury's Notice of Award, which include (1) submitting evidence to Treasury that the County's contractors agree to comply with Treasury's terms and conditions for the portion of its work under the contract for MYIP preparation; (2) the County may not use more than 3 percent of the total award funds received for administrative costs, as this term is defined in 31 CFR 34.2; (3) award may be used only for the approved scope of work; (4) the County must provide Treasury documentation substantiating pre-award expenses for which it seeks reimbursement; (5) funds under this award may be used only for the direct proposal costs for the preparation of this planning assistance application; and (6) general costs of government, as defined in 2 CFR §200.444, are unallowable under this award.

Based on the results of procedures performed, we noted no findings of non-compliance with the Special Award Conditions contained in the Treasury's Notice of Award.

Policies and Procedures Did Not Reflect All Uniform Guidance Requirements

Overall, Gulf County has policies and procedures in place to administer RESTORE Act funds. However, certain policies and procedures did not fully document all requirements of the Uniform Guidance for the following processes: cash management, equipment management, procurement management, subrecipient monitoring, and record retention.

Cash Management: According to the Director of Finance and Management and the Budget and Finance Officer, the County does not perform cash advance activities since the MYIP Planning Assistance award uses the reimbursement method for funding. We noted that the related policy and procedures need to include the following Uniform Guidance requirements in the event of future cash advances.

- a. § 200.305(b)(5) Use of resources before requesting cash advance payments. To the extent available, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund) rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.
- b. § 200.305(b)(7) Standards governing the use of banks and other institutions as depositories of advance payments under Federal awards.
- c. § 200.305(b)(9) Interest earned up to \$500 per year may be retained by the non-Federal entity for administrative expense. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually to the Department of Health and Human Services Payment

Management System through an electronic medium using either Automated Clearing House network or a Fedwire Funds Service payment.

Equipment Management: The County did not make any equipment purchases under the MYIP Planning Assistance award during the period under audit. We noted that the County's related policy and procedures need to include the following Uniform Guidance requirements as they may become applicable in the future use of RESTORE Act awards.

- a. § 200.310) Insurance coverage: The non-Federal entity must, at a minimum, provide the equivalent insurance coverage for real property and equipment acquired or improved with Federal funds as provided to property owned by the non-Federal entity. Federally-owned property need not be insured unless required by the terms and conditions of the Federal award.
- b. § 200.311) Real Property: The provisions include (1) title to real property acquired or improved under a Federal award will vest upon acquisition in the non-Federal entity, subject to the obligations and conditions set forth in this section; (2) real property will be used for the originally authorized purpose as long as needed for that purpose, during which time the non-Federal entity must not dispose of or encumber its title or other interests, except as otherwise provided by Federal statutes or by the Federal awarding agency; and (3) when real property is no longer needed for the originally authorized purpose, the non-Federal entity must obtain disposition instructions from the Federal awarding agency or pass-through entity.
- c. § 200.312) Federally-owned and exempt property: Title to Federally-owned property remains vested in the Federal Government. If the Federal awarding agency has no further need for the property, it must declare the property excess and report it for disposal to the appropriate Federal disposal authority, unless the Federal awarding agency has statutory authority to dispose of the property by alternative methods. Exempt federally-owned property means property acquired under a Federal award where the Federal awarding agency has chosen to vest title to the property to the non-Federal entity without further obligation to the Federal Government, based upon the explicit terms and conditions of the Federal award. The Federal awarding agency may exercise this option when statutory authority exists.
- d. § 200.313) Equipment: Title to equipment acquired under a Federal award will vest upon acquisition in the non-Federal entity, subject to the obligations and conditions set forth in this section. A State must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures. Other non-Federal entities must follow the provisions on the use for authorized purposes, management requirements, and disposal requirements.
- e. § 200.439) Equipment and other capital expenditures: Individual rules for allowability must be applied to equipment and other capital expenditures. Refer to the expanded guidance in the Uniform Guidance for specific requirements for the following categories: §200.13 Capital expenditures, 200.33 Equipment, 200.89 Special purpose equipment, 200.2 Acquisition cost, and 200.12 Capital assets.

Procurement Management: Under the MYIP Planning Assistance award, the County contracted services with a vendor to assist with developing the MYIP. We noted that the

related policy and procedures need to include the following Uniform Guidance requirements for procurements in the event the County uses future RESTORE Act awards for such activities.

- a. § 200.318(d) Avoidance of unnecessary duplicative items: The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items.
- b. § 200.319 Full and open competition: All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards in order to ensure objective contractor performance and eliminate unfair competitive advantage.
- c. § 200.320 (d) (1-5) Methods of Procurement by competitive proposal: The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, additional requirements apply that are detailed in the guidance.
- d. §200.321 Contracting with small and minority businesses, women's business enterprises, and labor surplus area firms: The non-Federal entity must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.
- e. §200.322 Procurement of recovered materials: A non-Federal entity that is a State agency or agency of a political subdivision of a State and its contractors must comply with section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act.
- f. §200.323 Contract cost and price. Certain cost methods cannot be used: The non-Federal entity must perform a cost or price analysis in connection with every procurement action in excess of the Simplified Acquisition Threshold including contract modifications. Profit must be negotiated as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. Costs or prices based on estimated costs for contracts under the Federal award are allowable only to the extent that costs incurred or cost estimates included in negotiated prices would be allowable for the non-Federal entity under Subpart E—"Cost Principles of the Uniform Guidance." The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used.
- g. §200.324 Federal awarding agency or pass-through entity review: The non-Federal entity must make available, upon request of the Federal awarding agency or pass-through entity, technical specifications on proposed procurements, pre-procurement review, procurement documents, such as requests for proposals or invitations for bids, or independent cost estimates.
- h. §200.325 Bonding requirements: For construction or facility improvement contracts or subcontracts exceeding the Simplified Acquisition Threshold, the Federal awarding agency or pass-through entity may accept the bonding policy and requirements of the non-Federal entity provided that the Federal awarding agency or pass-through entity has made a determination that the Federal interest is adequately protected. If such a determination has not been made, the minimum requirements must be as follows: (a) a bid guarantee from each bidder equivalent to five percent of the bid price; (b) a performance bond on the part of the contractor for 100 percent of the contract price; and (c) a payment bond on the part of the contractor for 100 percent of the contract price.

- i. §200.326 Contract provisions: The non-Federal entity’s contracts must contain the applicable provisions described in Appendix II to Part 200— “Contract Provisions for Non-Federal Entity Contracts Under Federal Awards.”

Subrecipient Monitoring: The County did not have any subrecipients under the MYIP Planning Assistance award and currently does not plan to use subrecipients on future awards. Nonetheless, we concluded that the current policy and procedures for subrecipient monitoring need to include the following Uniform Guidance requirements in the event of future subawards.

- a. §200.330 Subrecipient and contractor determinations: The non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities.
- b. §200.331 Requirements for pass-through entities: Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes information at the time of the subaward and if any of the data elements change. Evaluate each subrecipient's risk of noncompliance. Monitor the activities of the subrecipient. Verify that every subrecipient is audited as required.
- c. §200.332 Fixed amount subawards: With prior written approval from the Federal awarding agency, a pass-through entity may provide subawards based on fixed amounts up to the Simplified Acquisition Threshold, provided that the subawards meet the requirements for fixed amount awards in § 200.201, “Use of grant agreements (including fixed amount awards), cooperative agreements, and contracts.”

Record Retention: The County’s current policy and procedures for record retention states that the County should follow the Florida Statutes, which require that the County follow the Federal awarding agency’s requirements. The County’s current policy and procedures for record retention need to include the following Uniform Guidance requirements as the County will receive future RESTORE Act awards.

- a. §200.333 Retention requirement for records. Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission.
- b. §200.335 Methods for collection, transmission and storage of information. Whenever practicable, collect, transmit, and store Federal award-related information in open and machine readable formats rather than in closed formats or on paper.
- d. §200.336 Access to records. The Comptroller General of the United States, and the pass-through entity, or any of their authorized representatives, must have the right of access to any documents, papers, or other records of the non-Federal entity. The rights of access in this section are not limited to the required retention period but last as long as the records are retained.

Under 2 CFR, §200.303(a), the non-Federal entity must establish and maintain effective internal control over Federal awards and these internal controls should be in compliance with the Government Accountability Office’s *Standards for Internal Control in the Federal Government* (Green Book) or the COSO Internal Control Integrated Framework. The Green Book details three principles for control activities, one of them being implementing control activities through policies. The Green Book defines control activities as the policies,

procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. Furthermore, the Green Book states that documentation is a necessary part of an effective internal control system, provides a means to retain organizational knowledge, and mitigates the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.

County officials stated that RESTORE Act requirements are new to the County. Accordingly, implementing, updating, and incorporating such requirements into County policies and procedures is an ongoing process. In the absence of clear documentation and communication of policies and procedures, the following issues may be encountered: fraud, waste and abuse of grant funds; inconsistent training of new staff; ineffective job performance, especially for staff who are unfamiliar with the requirements and less experienced; inability to cross-train employees; and lack of an effective continuity of operations.

RECOMMENDATION

We recommend that the Fiscal Assistant Secretary considers Gulf County's need to further develop and strengthen its policies and procedures to fully document the Uniform Guidance. This consideration should be part of Treasury's oversight and administration of Gulf County's MYIP Planning Assistance award as well as risk assessments required by the Uniform Guidance for future awards.

Management Response

In a written response, Treasury management concurred with the findings of this report and noted that it will consider the County's need to further develop and strengthen its policies and procedures to document the Uniform Guidance, as applicable, as part of Treasury's oversight and administration of all future County awards. Treasury management's response, in its entirety, is included as appendix 3 of this report.

Auditor Comment

Management's response meets the intent of our recommendation.

We appreciate the courtesies and cooperation extended by your staff as we inquired about these matters. If you have any questions, you may contact me at (713) 968-1610 or Gilbert Hopkins, Director, at (713) 968-1624.



Ira Wayne McConnell
Managing Partner.

APPENDIX 1 OBJECTIVE, SCOPE, AND METHODOLOGY

Section 1608 of the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act of 2012 (RESTORE Act) authorizes the Department of the Treasury (Treasury) Office of Inspector General (OIG) to conduct, supervise, and coordinate audits of projects, programs, and activities funded by the act. In this regard, the Treasury OIG engaged our firm, McConnell & Jones LLP, Certified Public Accountants, to audit Gulf County's (the County) use of the Direct Component Planning Assistance award to develop its Multiyear Implementation Plan. The objective of this audit was to assess whether the County has used awarded funds in compliance with applicable Federal statutes, regulations, and its award agreement with the Department of the Treasury.

To accomplish our objective, we conducted audit work at the County's offices in Port St. Joe, Florida and at our office in Houston, Texas. We reviewed the County's general ledger activities from inception of the MYIP Planning Assistance award through March 31, 2016. Due to the small population size of the MYIP Planning Assistance award, we used auditor judgement and nonstatistical sampling method to select samples for the purpose of our testing. We performed our fieldwork between January and July 2016, which comprised the following steps.

- We reviewed applicable Federal laws, regulations, and procedures, relating to Treasury's RESTORE Act grant program, including:
 - RESTORE Act requirements;
 - RESTORE Act Financial Assistance Standard Terms and Conditions and Program-Specific Terms and Conditions dated January 2015;
 - Treasury Interim Final Rule for RESTORE Act and Preamble, 31 CFR Part 34, effective October 14, 2014;
 - Treasury Final Rule for RESTORE Act and Preamble, 31 CFR Part 34, effective February 12, 2016;
 - Office of Management and Budget's Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, 2 CFR Part 200;
 - Government Accountability Office's *Standards for Internal Control in the Federal Government*, September 10, 2014; and
 - Treasury's "Direct Component Planning Assistance" Notice of Award/Grant Agreement.
- We reviewed the County's website and key documents, including:
 - County's organizational charts;
 - Payroll, non-payroll, and travel documentation;
 - Procurement files;
 - Indirect costs proposal and rate agreement;
 - Federal financial report (SF-425) and performance progress report (SF-PPR) files for the period ended March 31, 2016;
 - Multiyear Implementation Plan;
 - County's policies and procedure manuals; and
 - County's annual financial statements and compliance reports, fiscal years 2012 through 2014.
- We interviewed the County personnel to gain an understanding of the County's use of the Federally-awarded funds, including:
 - RESTORE Coordinator;
 - Director of Finance and Management;

- Budget and Finance Officer;
- Central Services Director; and
- County’s Attorney

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.

APPENDIX 2
GULF COUNTY MANAGEMENT RESPONSE

BOARD OF COUNTY COMMISSIONERS
GULF COUNTY, FLORIDA
COUNTY ADMINISTRATOR'S OFFICE

Don Butler, County Administrator
1000 CECIL G. COSTIN SR. BLVD., ROOM 301 , PORT ST. JOE, FLORIDA 32456
PHONE (850)229-6111 • FAX (850) 229-5334 • EMAIL: dbutler@gulfcounty-fl.gov

March 8, 2017

Sent Via Electronic & First Class Mail

McConnell & Jones, LLP
c/o Ira Wayne McConnell
4828 Loop Central Suite 1000
Houston, TX 77081

Re: Gulf County Direct Component MYIP Audit and Review

Dear McConnell,

Please accept this as confirmation of Gulf County's receipt of the audit report (dated February 14, 2017) prepared by your firm on behalf of US Treasury in compliance with the oversight requirements under Section 1608 of the RESTORE Act.

Further, on behalf of the Gulf County Board of County Commissioners, please accept the following responses to your audit findings. We acknowledge receipt and accept your conclusions and findings as stated in your audit report stating Gulf County's policies and procedures did not fully reflect all Uniform Guidance requirements. Based on your recommendations as well as those recited by the U.S. Treasury Gulf Coast Restoration Audits Director, Ms. Cecilia K. Howland, we have immediately commenced with the necessary revisions, updates, amendments and addition to our current grant policies and procedures manual.

Additionally, in furtherance of the County's commitment and response to these findings and recommendations, Gulf County is presently securing and vetting Request for Proposal responses from multiple vendors for a grant management consultant who will also assist and provide support to our staff in improving and amending our policies and procedures for full and thorough compliance with the Uniform Guidance Requirements. We anticipated the selection process and engagement from the publicly advertised Request for Proposal will be concluded by April. The County staff will then also be working with the qualified consultants to complete the policy and procedure review process ideally by June or July.

Respectfully,



Donald Butler
County Administrator

**APPENDIX 3
TREASURY MANAGEMENT RESPONSE**



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

MAY 4 2017

Ms. Cecilia K. Howland
Director, Gulf Coast Restoration Audits
Office of Inspector General
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Ms. Howland,

Thank you for the opportunity to review and comment on the Office of the Inspector General's draft report (Report) relating to the audit of Gulf County, Florida's (Gulf County) Direct Component award for planning assistance to develop its Multiyear Implementation Plan.

Treasury is pleased that the Report concluded that Gulf County complied with the applicable provisions of the Office of Management and Budget's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 2 CFR Part 200 (Uniform Guidance), and Treasury's Notice of Award and RESTORE Act Financial Assistance Standard Terms and Conditions, in Gulf County's use of the award to include the establishment and maintenance of internal control.

Treasury concurs with the Report's findings. The Office of the Fiscal Assistant Secretary will consider Gulf County's need to further develop and strengthen its policies and procedures to document the Uniform Guidance, as applicable, as part of Treasury's oversight and administration of all future Gulf County awards.

We appreciate your work on the Report and value your feedback as the program moves forward.

Sincerely,

A handwritten signature in blue ink that reads "Kristine S. Conrath".

Kristine S. Conrath
Deputy Assistant Secretary
Fiscal Operations and Policy

APPENDIX 4
REPORT DISTRIBUTION

Department of the Treasury

Deputy Secretary
Under Secretary for Domestic Finance
Fiscal Assistant Secretary
Deputy Assistant Secretary, Fiscal Operations and Policy
Director of Strategic Planning and Performance Improvement

Office of Management and Budget

OIG Budget Examiner

State of Florida

Chair of the Board of County Commissioners, Gulf County, Florida
Auditor General, State of Florida

United States Senate

Committee on Finance
Committee on Homeland Security and Governmental Affairs

United States House of Representatives

Committee on Oversight and Government Reform
Committee on Ways and Means



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Gulf Coast Restoration Hotline – Call toll free: 1-855-584.GULF (4853)

Email: Hotline@oig.treas.gov

Submit a complaint using our online form:

<https://www.treasury.gov/about/organizational-structure/ig/Pages/OigOnlineHotlineForm.aspx>