

Report No. 2017-001  
July 2016

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

**DEPARTMENT OF  
ENVIRONMENTAL PROTECTION**

Water Resource Permitting Processes



Sherrill F. Norman, CPA  
Auditor General

## Secretary of the Department of Environmental Protection

The Department of Environmental Protection is established by Section 20.255, Florida Statutes. The head of the Department is the Secretary who is appointed by the Governor, with the concurrence of the Cabinet, and subject to confirmation by the Senate. During the period of our audit, the following individuals served as Department Secretary:

Jonathan Steverson	From December 29, 2014
Clifford Wilson, Interim	December 4, 2014, through December 28, 2014
Herschel T. Vinyard Jr.	Through December 3, 2014

The team leader was Rachel Price, CPA, and the audit was supervised by Karen Van Amburg, CPA.

Please address inquiries regarding this report to David R. Vick, CPA, Audit Manager, by e-mail at [davidvick@aud.state.fl.us](mailto:davidvick@aud.state.fl.us) or by telephone at (850) 412-2817.

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# DEPARTMENT OF ENVIRONMENTAL PROTECTION

## Water Resource Permitting Processes

### **SUMMARY**

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This operational audit of the Department of Environmental Protection (Department) focused on water resource permitting processes and also included a follow-up on the findings noted in our report No. 2014-064. Our audit disclosed the following:

**Finding 1:** Department records did not always evidence that Coastal Construction Control Line permitting requirements had been met prior to issuing permits or that permit processing activities had been subject to appropriate supervisory review and approval.

**Finding 2:** Certain security controls related to user authentication for the Beaches and Coastal Management System and the Permitting Application system need improvement to better protect the confidentiality, integrity, and availability of Department data and information technology resources.

### **BACKGROUND**

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The Department of Environmental Protection (Department), Division of Water Resource Management (Division), is responsible for protecting the quality of the State's drinking water as well as its rivers, lakes and wetlands, and for reclaiming lands after they have been mined for phosphate and other minerals. The Division regulates coastal construction, mining and minerals extraction, wastewater and stormwater management facilities, public drinking water systems, and activities that alter the flow of surface waters, including wetlands. According to Department records, during the period July 2013 through February 2015, the Division issued 17,229 water resource permits, with related fees totaling \$14,861,902, for the following regulatory programs: Aquifer Protection, Beach Management, Drinking Water, Environmental Resource Permitting, Mining and Minerals, Oil and Gas, Stormwater, and Wastewater.

### **FINDINGS AND RECOMMENDATIONS**

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#### **Finding 1: Coastal Construction Control Line Permitting Process**

The Department's Coastal Construction Control Line<sup>1</sup> (CCCL) Program is responsible for permitting activities related to certain specified coastal construction. Department rules<sup>2</sup> specify requirements that must be met for a CCCL permit to be issued. For example, Department rules require CCCL permit applicants to submit a standard application as well as specified information, such as an anticipated construction schedule. Department policies and procedures<sup>3</sup> required permitting staff to review each CCCL permit application and accompanying information for appropriateness and completeness, and for

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<sup>1</sup> A coastal construction control line is intended to define that portion of the beach and dune system which is subject to severe fluctuations caused by a 100-year storm surge, storm waves, or other forces such as wind, wave, or water level changes.

<sup>2</sup> Department Rules, Chapter 62B-33, Florida Administrative Code.

<sup>3</sup> Department *Coastal Construction Control Line Procedures Manual for Permit Managers*.

certain permits, to complete a *CCCL Permit Application Routing Form (Form)* to document their review and supervisory review and approval prior to permit issuance.

During the period July 2013 through February 2015, the Department issued 800 CCCL permits with related fees totaling \$2,177,650. Our examination of Department records for 20 CCCL permits, with related fees totaling \$43,400, disclosed that Department records did not always evidence that permitting requirements had been met prior to issuing permits or that Department permit processing activities had been subject to appropriate supervisory review and approval. Specifically, our examination disclosed that Department records did not include:

- An anticipated construction schedule for 2 permits. In response to our audit inquiry, Department management indicated that the Department had waived the requirement for an anticipated construction schedule because it was unnecessary to ensure the protection of the beach and dune system. However, the Department's decision not to require the construction schedule and the reasons for the decision were not documented in Department records.
- *Forms* evidencing supervisory review and approval for 6 of the 17 applicable permits. In response to our audit inquiry, Department management indicated that for 2 permits the *Forms* were not prepared because the permits were processed during the Department's transition from paper to electronic *Forms*. However, Department records did not include other evidence of supervisory review and approval of the permits. For the other 4 permits, Department management indicated that supervisory review and approval was not required due to the minor nature and location of the proposed activities and that Department management had delegated the authority to execute certain permits without supervisory review; however, Department records did not clearly evidence the basis for not utilizing the *Forms* to document supervisory review and approval of the permits, nor the appropriateness of the delegation of authority.

Absent documentation that all permitting requirements are met and applications were subject to supervisory review and approval prior to issuing permits, the Department cannot clearly demonstrate that CCCL permits are appropriately issued in accordance with Department rules.

**Recommendation:** We recommend that Department management ensure that, prior to issuing permits, Department records evidence that all CCCL permitting requirements are satisfied and the permit applications were subject to appropriate supervisory review and approval.

## **Finding 2: Security Controls**

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed certain security controls related to the Beaches and Coastal Management System (BCMS) and the Permitting Application (PA) system needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising Department data and related IT resources. However, we have notified appropriate Department management of the specific issues. Without adequate security controls related to BCMS and PA system user authentication, the risk is increased that the confidentiality, integrity, and availability of Department data and related IT resources may be compromised.

**Recommendation:** We recommend that Department management strengthen certain security controls related to BCMS and PA system user authentication to ensure the continued confidentiality, integrity, and availability of Department data and related IT resources.

## ***PRIOR AUDIT FOLLOW-UP***

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The Department had taken corrective actions for the findings included in our report No. 2014-064.

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from February 2015 through September 2015, with selected actions through May 2016, 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.

This operational audit focused on Department of Environmental Protection (Department) water resource permitting processes. The overall objectives of the audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, all deficiencies noted in our report No. 2014-064.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in

considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit we:

- Reviewed applicable laws, rules, Department policies and procedures, and other guidelines, and interviewed Department personnel to gain an understanding of water resource permitting processes.
- Obtained an understanding of selected information technology (IT) controls for the Beaches and Coastal Management System, Cash Receiving Application (CRA), and Permitting Application (PA) system, assessed the risks related to those controls, evaluated whether selected general and application IT controls were in place, and tested the effectiveness of the controls.
- From the population of 17,229 water resource permits, with related fees totaling \$14,861,902, issued by the Department during the period July 2013 through February 2015, examined Department records for 160 permits, with related fees totaling \$405,918, to determine whether the permits were appropriately issued in accordance with applicable rules, permit fee collection duties were properly separated, and internal controls provided reasonable assurance of the prevention and detection of fraud.
- Reviewed permitting policies and procedures for the Coastal Construction Control Line, Oil and Gas, Potable Water, Underground Injection, Environmental Resource Permits, National Pollutant Discharge Elimination System, Stormwater, Domestic Wastewater, and Industrial Wastewater programs to determine whether the policies and procedures adequately addressed all permitting tasks.
- Analyzed PA system data for the period July 2013 through February 2015 to determine whether Department water resource permit records appeared complete, consecutive permit numbers were utilized, and permit fee information appeared reasonable.
- From the population of 17,229 water resource permit fee remittances, totaling \$14,861,902, recorded in the CRA for permits issued during the period July 2013 through February 2015, examined Department records for 60 remittances, totaling \$80,522, to determine whether the Department properly assessed, collected, recorded, and deposited permit fees.
- Examined four reconciliations performed by the Department between CRA payment data and PA system payment data during the period July 2013 through February 2015, and four reconciliations performed by the Department between CRA payment data and Florida Accounting Information Resource Subsystem data during the period July 2013 through February 2015, to determine whether Department reconciliations were supported by adequate records, timely reviewed by an appropriate supervisor, subject to timely and appropriate follow-up actions, and completed by staff who did not have access to cash collections.

- Evaluated Department actions taken to correct the findings noted in our report No. 2014-064. Specifically, we performed inquiries of Department management and inspected Department records and guidance to determine whether the Department had taken steps to:
  - Establish a standardized review process for, and Beach Control Erosion Program (Program) guidance addressing, the selection of contractors, including procedures to identify and prevent potential conflicts of interest for Program monitors.
  - Establish guidance addressing specific project costs allowable under the Program and a mechanism for tracking project costs, and enhance contract and request for reimbursement review processes.
- Reviewed applicable laws, rules, and other State guidelines to obtain an understanding of the legal framework governing Department operations.
- Observed, documented, and evaluated the effectiveness of selected Department processes and procedures for:
  - Revenue, cash management, and purchasing processes.
  - The administration of purchasing cards in accordance with applicable guidelines. As of January 25, 2015, the Department had 2,174 active purchasing cards.
  - The administration of Department travel in accordance with State law and other applicable guidelines. During the period July 2012 through December 2014, Department travel expenditures totaled approximately \$4,238,440.
  - The assignment and use of wireless telephones and other devices with related costs totaling \$322,296 for the period July 2013 through January 2015.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## **AUTHORITY**

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Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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## Florida Department of Environmental Protection

Marjory Stoneman Douglas Building  
3900 Commonwealth Boulevard  
Tallahassee, Florida 32399-3000

Rick Scott  
Governor

Carlos Lopez-Cantera  
Lt. Governor

Jonathan P. Steverson  
Secretary

June 24, 2016

Ms. Sherrill F. Norman  
Auditor General  
Claude Denson Pepper Building  
Suite G74  
111 W. Madison Street  
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

Enclosed is the Florida Department of Environmental Protection's response to the preliminary and tentative audit findings and recommendations pertaining to the Auditor General's audit on Water Resource Permitting Processes. If you have any questions or need additional information, please contact Candie Fuller, Inspector General, at (850)245-3151. Thank you for the opportunity to respond.

Sincerely,

A handwritten signature in black ink, appearing to read "Jonathan P. Steverson".

Jonathan P. Steverson  
Secretary

Enclosure

cc: Candie M. Fuller, Inspector General, FDEP

**Department of Environmental Protection**  
**Response to Preliminary and Tentative Audit Findings**  
**Auditor General Audit**  
**June 24, 2016**

**Finding 1: Coastal Construction Control Line Permitting Process**

Department records did not always evidence that Coastal Construction Control Line permitting requirements had been met prior to issuing permits or that permit processing activities had been subject to appropriate supervisory review and approval.

**Recommendation:** We recommend that Department management ensure that, prior to issuing permits, Department records evidence that all CCCL permitting requirements are satisfied and the permit applications were subject to appropriate supervisory review and approval.

**Department Response:** The Department will institute a procedure to document all waivers and is developing a new permit manager's manual based on the current organizational structure and the electronic permitting process.

**Finding #2: Security Controls**

Certain security controls related to user authentication for the Beaches and Coastal Management System and the Permitting Application system need improvement to better protect the confidentiality, integrity, and availability of Department data and information technology resources.

**Recommendation:** We recommend that Department management strengthen certain security controls related to BCMS and PA system user authentication to ensure the continued confidentiality, integrity, and availability of Department data and related IT resources.

**Department Response:** The Department agrees with the finding and we are in the process of upgrading BCMS and PA system user authentication protocols that will better ensure the confidentiality, integrity, and availability of Department data and related IT resources.