

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2022-201
June 2022

**NORTHWEST FLORIDA
WATER MANAGEMENT DISTRICT**



Sherrill F. Norman, CPA
Auditor General

Board Members and Executive Director

During the period October 2019 through March 2021, Brett Cyphers served as Executive Director and Secretary-Treasurer and the following individuals served as Northwest Florida Water Management District Board Members:

	<u>Service Area</u>
Jerry Pate, Vice Chair	Basin I
Gus Andrews from October 7, 2020 ^a	Basin II
George Roberts, Chair	Basin III
Kellie Ralston from September 8, 2020 ^b	Basin V
Jon Costello through August 27, 2020 ^b	Basin V
Ted Everett	At Large
Nick Patronis from September 8, 2020 ^c	At Large
Bo Spring through August 27, 2020 ^c	At Large

^a Position vacant October 1, 2019, through October 6, 2020.

^b Position vacant August 28, 2020, through September 7, 2020.

^c Position vacant October 1, 2019, through September 7, 2020.

Note: Member positions for Basin IV and two at large service areas were vacant for the entire period.

The audit was supervised by Jacqueline Bell, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at or by telephone at jaimehoelscher@aud.state.fl.us (850) 412-2868.

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NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT

SUMMARY

This operational audit of the Northwest Florida Water Management District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2019-050. Our operational audit disclosed the following:

Finding 1: The District did not always timely cancel purchasing cards after cardholders separated from District employment.

BACKGROUND

The Northwest Florida Water Management District (District) was authorized in 1972 to protect and manage water resources in a sustainable manner for the continued welfare of the citizens across the 16 counties served by the District. The District is one of five water management districts created under the Water Resources Act of 1972 and includes Bay, Calhoun, Escambia, Franklin, Gadsden, Gulf, Holmes, Jackson, Leon, Liberty, Okaloosa, Santa Rosa, Wakulla, Walton, and Washington Counties, and a part of Jefferson County. Governance lies with a nine-member board, which consists of representatives for each of the District's five hydrologic basins and four members who serve at-large. Each member is appointed by the Governor and confirmed by the Senate. An Executive Director is appointed by the Board, subject to approval by the Governor and confirmation by the Senate.

FINDING AND RECOMMENDATION

Finding 1: Purchasing Cards

The District uses purchasing cards (P-cards) to pay for low-cost commodities and for items from vendors that do not accept purchase orders. Pursuant to District policies and procedures,¹ the P-card Administrator coordinates the P-card Program and is responsible for auditing billings and canceling applicable P-cards. To facilitate applicable P-card cancellations, an e-mail notification, initiated by the Human Resources Department through a Districtwide automated business process, was sent to the P-card Administrator to identify employees who will separate from District employment. However, according to District personnel, the automated business process stopped working in November 2020 and, afterward, the HR Administrator notified the P-card Administrator of employment separations by e-mail.

To evaluate the timeliness of P-card cancellations, we examined District records for the ten cardholders who separated from District employment during the period October 2019 through June 2021. We found that the District did not cancel the P-cards for five of the ten former employees until 10 to 52 days, or an average of 28 days, after the cardholders' employment separation dates.

¹ Section 3.4.1, *NFWWMD Policies and Procedures Manual*, Version 20.10.

While our examination of District records disclosed that the P-cards were not used subsequent to the cardholders' employment separation dates, our procedures do not substitute for the District's responsibility to establish adequate controls over P-card cancellations. In March 2022, the District employee separation form was revised to specify whether the employee had a P-card that must be returned to the District and the HR Administrator started using the form to notify the P-card Administrator of P-cards that must be canceled.

Recommendation: The District should continue efforts to ensure that P-cards are timely canceled upon a cardholder's separation from District employment.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the findings included in our report No. 2019-050.

OBJECTIVES, SCOPE, AND METHODOLOGY

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. State law² requires us to conduct at least every 3 years operational audits of the accounts and records of water management districts.

We conducted this operational audit from July 2021 through May 2022 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 of the District focused on selected District processes and administrative activities.

For those areas, our audit objectives 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 other guidelines.
- 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, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective action for, or was in the process of correcting, findings included all applicable deficiencies disclosed in our report No. 2019-050.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

² Section 11.45(2)(f), Florida Statutes.

This audit was designed to identify, for those areas included within the scope of the audit, deficiencies in management's internal controls significant to our audit objectives; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; 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; identifying and evaluating internal controls significant to our audit objectives; 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 findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during October 2019 to March 2021, and selected District actions taken prior and subsequent thereto. 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 entity management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed the duties and responsibilities administratively assigned to the District and examined documentation such as organizational charts and minutes of Board meetings to determine whether the District complied with Section 373.079, Florida Statutes.
- Evaluated District policies and procedures relating to major District functions, such as conflict of interest disclosure, internal audit function, motor vehicle usage, procurement of goods and services, and safeguarding of District assets, to determine whether internal controls were designed properly and operating effectively.
- Reviewed internal audit reports, as well as external audit reports, for matters that were significant to the scope of the audit, and considered those matters in planning the audit.
- Evaluated District policies and procedures related to identifying potential conflicts of interest. For 12 local officers who served on the District's governing board or in the Executive Director, Chief of Staff, or Director of Administration positions as of December 31, 2019, and 2020, we searched the State of Florida, Division of Corporations, records; statements of financial interests; and District records to determine whether conflicts of interest existed relating to these 12 individuals during the audit period.

- Examined District records to determine whether the District had adopted anti-fraud policies and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals.
- Examined District records and inquired with District personnel to determine whether the District provided for an internal audit function that developed long-term and annual audit plans based on periodic risk assessments.
- Determined whether District deposits were secured in a qualified public depository as required by Section 280.03, Florida Statutes, and whether the District complied with Section 280.17, Florida Statutes, public deposit account reporting requirements.
- Determined whether banking agreements were periodically reviewed to ensure that the banking services the District receives, and the cost of the services, were favorable when compared to other banking service providers.
- Evaluated District tangible personal property (TPP) controls over the annual physical TPP inventory and the disposal of surplus TPP to determine compliance with applicable provisions in Chapter 274, Florida Statutes; Department of Financial Services Rules, Chapter 69I-73, Florida Administrative Code; and District policies and procedures. Specifically, we:
 - Examined District records supporting the 2019-20 fiscal year annual physical TPP inventory of the District's 1,583 property items to determine whether the property records and the results of the inventory were reconciled and any differences investigated with any corrections posted to the property records.
 - Examined District records supporting the 22 TPP item disposals during the period October 2019 through March 2021 to determine if each disposal was properly authorized and documented.
- Evaluated District controls over District-owned conservation land to determine compliance with Sections 253.034(5) and 373.591, Florida Statutes.
- From the population of 68 District motor vehicles utilized during the period October 2019 through March 2021, examined District records supporting 23 selected motor vehicles to determine whether the District maintained adequate vehicle-use records approved by the appropriate supervisor as required by District policies and procedures.
- Determined whether the District had implemented a preventative maintenance program for all District-owned motor vehicles.
- Examined District records supporting seven motor vehicle purchases during the period October 2019 through March 2021 to determine whether the District had the budget authority for the purchases.
- Evaluated the District P-card program to determine whether the program was administered in accordance with District procedures. Specifically:
 - For the population of 41 cardholders for the period of October 2019 through March 2021, we examined District records to determine whether the established card limits were reasonable.
 - For the population of 4 employees issued P-cards during the audit period, we examined District records to determine whether the employees accepted the P-cards and related usage terms.
 - For the population of 10 cardholders who separated from District employment during the period October 2019 through June 2021, we examined District records to determine whether the P-card was timely canceled upon the cardholder's employment separation.

- From the population of 732 P-card transactions totaling \$109,620, we examined District records supporting 35 transactions totaling \$30,180 to determine whether the expenditures were reasonable, properly authorized and approved, correctly recorded, adequately documented, and were for a valid District purpose.
- 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

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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Lyle Seigler
Executive Director

Northwest Florida Water Management District

81 Water Management Drive, Havana, Florida 32333-4712
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Submitted electronically to: flaudgen_audrpt_water_mgt@aud.state.fl.us

June 7, 2022

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

Dear Ms. Norman:

Pursuant to Section 11.45(4)(d), Florida Statutes, below are the Northwest Florida Water Management District's responses to the preliminary and tentative audit findings and recommendations. The District concurs with the results of the operational audit and has already implemented steps to apply corrective actions that will preclude a recurrence of the finding.

Finding 1: The District did not always timely cancel purchasing cards after cardholders separated from District employment.

Recommendation: The District should continue efforts to ensure that P-cards are timely canceled upon a cardholder's separation from District employment.

District Response: The District has revised its procedures to establish better controls to ensure purchasing cards (P-card) are timely canceled upon a cardholder's separation from District employment. In March 2022, the District employee separation form was revised to specify whether the employee had a P-card that must be returned to the District and the Human Resources Administrator started using the form to notify the P-card Administrator of P-cards that must be canceled. The District will continue efforts to ensure that P-cards are timely canceled upon a cardholder's separation from District employment.

The Northwest Florida Water Management District appreciates the professionalism displayed by your staff throughout the audit process. If you have any questions or if we can assist you with providing additional information, please do not hesitate to contact Wendy Dugan, Division of Administration Director at (850) 539-5999.

Sincerely,

A handwritten signature in blue ink that reads "Lyle Seigler".

Lyle Seigler
Executive Director

cc: Northwest Florida Water Management District Governing Board

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