

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2023-047
November 2022

**SUWANNEE RIVER
WATER MANAGEMENT DISTRICT**



Sherrill F. Norman, CPA
Auditor General

Board Members and Executive Director

During the period October 2020 through March 2022, Hugh Thomas served as Executive Director and the following individuals served as Suwannee River Water Management District Board Members:

	<u>Service Area</u>
Virginia H. Johns, Chair	At Large
Richard Schwab, Vice Chair	Coastal River Basin
Charles Keith, Secretary/Treasurer	At Large
Dr. George Cole from May 14, 2021 ^a	Aucilla River Basin
William Lloyd from May 14, 2021 ^a	Santa Fe and Waccasassa River Basin
Virginia Sanchez through August 10, 2021 ^b	At Large
Larry Sessions from October 9, 2020 ^c	Upper Suwannee River Basin
Harry Smith	At Large
Larry K. Thompson from December 18, 2020 ^d	Lower Suwannee River Basin

^a Position vacant October 1, 2020, through May 13, 2021.

^b Position vacant August 11, 2021, through March 31, 2022.

^c Position vacant October 1, 2020, through October 8, 2020.

^d Position vacant October 1, 2020, through December 17, 2020.

The team leader was Tiffany R. Stewart, CPA, and the audit was supervised by Glenda K. Hart, 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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SUWANNEE RIVER WATER MANAGEMENT DISTRICT

SUMMARY

This operational audit of the Suwannee River Water Management District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2020-106. Our operational audit disclosed the following:

Finding 1: District records did not always demonstrate compliance with Board directives and District procedures governing the use of agricultural cost-share funds.

BACKGROUND

The Suwannee River 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 15 counties served by the District. The District is one of five water management districts created under the Water Resources Act of 1972 and includes all or part of Alachua, Baker, Bradford, Columbia, Dixie, Gilchrist, Hamilton, Jefferson, Lafayette, Levy, Madison, Putnam, Suwannee, Taylor, and Union Counties. 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: Agricultural Cost-Share Program

State law¹ authorizes the District to participate and cooperate with landowners in water management projects of mutual benefit provided that such projects are consistent with the District's statutory authority and will ensure proper development, utilization, and conservation of the water resources and ecology within the jurisdictional boundaries of the District.

In September 2012, the District Governing Board (Board) established the Agricultural Cost-Share Program (Program), which was developed to offer District funding assistance to agricultural producers and to accept and administer funding from the Florida Department of Environmental Protection (FDEP) to implement projects that increase irrigation efficiency, implement water conservation practices, and assist with nutrient management technology through the implementation of best management practices. As approved by the FDEP, the District committed reserve funds totaling \$1.5 million in the initial year of the Program and had committed a total of approximately \$3 million as of September 2021.

Our examination of District records and discussions with District personnel disclosed that the Board adopted policies and procedures² for the Program that provided guidelines and eligibility requirements.

¹ Section 373.4591, Florida Statutes.

² District Governing Board Directive GBD12-005, SRWMD Employee Procedures Manual.

Pursuant to the policies and procedures, eligible project applicants are required to have an active water use permit, volunteer for the District's Water Use Monitoring Program, and enroll in the Florida Department of Agriculture and Consumer Services (FDACS) Best Management Practices Program (BMP Program). The policies and procedures also require the District to solicit applicants from agricultural producers to complete project applications that include information such as owner/entity name, name of contact, address, telephone number, listing of approved practices and/or equipment, project description, crop rotation, and location information. Additionally, applicants are required to certify they are not participating in any other agency cost-share program for the same practice and/or equipment being applied for, and have no familial or business relationships with a Board member, staff member, or a District agent administering the Program. District review staff are also required to disclose any conflicts of interest with Program participants.

The cost-share project amounts awarded are based on Board directive with a maximum cost-share per producer of \$300,000 over 5 years. According to District personnel, since available funding historically exceeds Program participation, all eligible applicants are approved. During the period October 2020 through March 2022, the District recorded 83 approved cost-share disbursements totaling \$1,240,783 for the Program.

As part of our audit, we examined available District records supporting 23 selected disbursements totaling \$952,861 for 22 cost-share projects to determine whether the District administered Program funds pursuant to Program directives, complied with project contract restrictions, and properly documented monitoring efforts. We identified certain control deficiencies and noncompliance with Board directives and the District *Procedures Manual*. Specifically:

- Although we requested, neither applications nor other District records were provided to evidence that 12 project recipients certified that they did not participate in any other agency cost-share program for the same practice and/or equipment and did not have a conflict of interest with Board members or other District personnel. The disbursements to these recipients totaled \$704,606, including \$210,334 to expand an existing wastewater storage capacity, \$196,190 for soil moisture probes, \$177,879 for a tailwater recovery system, \$56,250 for vertical tillage equipment, \$41,800 for remote controls, and \$22,153 for irrigation system retrofits.
- District records supporting disbursements totaling \$31,463 to an applicant for a variable frequency drive pump and irrigation retrofit project did not demonstrate that the applicant had enrolled in the FDACS BMP Program. Subsequent to our inquiry, the District obtained evidence that the applicant enrolled in the BMP Program in September 2022, 6 months after the disbursements were made.
- District records supporting disbursements totaling \$12,000 to an applicant for soil moisture probes did not demonstrate that the applicant volunteered for the District's Water Use Monitoring Program. Subsequent to our inquiry, the District obtained evidence that the applicant volunteered for that program in September 2022, 5 months after the disbursements were made.
- There was no evidence that District personnel had reviewed District records supporting the 23 selected disbursements for 22 cost-share projects to determine whether District review staff had disclosed any conflicts of interest with Program participants and, according to District personnel, no one performed such a review. Our examination did not disclose any conflicts, but our procedures cannot substitute for management's responsibility to verify that no conflicts of interest exist before project contracts are approved.

In response to our inquiries, District personnel indicated that, due to personnel turnover, Program administration and monitoring procedures were not always enforced and documented as required. District personnel also indicated that, as of September 2022, a project approval checklist had been developed to document whether applicants met all eligibility requirements and whether District review staff had disclosed any conflicts of interest. Without properly completed project applications and documented verification of other project eligibility requirements, District records did not demonstrate that the projects comply with the eligibility guidelines for Program funding.

Recommendation: The District should continue efforts to ensure that Program project applications are maintained and all eligibility requirements are met prior to disbursement of Program funds. The District should also enhance Program administration to include verification that Program project recipients did not receive cost-share project funding from both the District and any other agency cost-share program for the same projects and documented consideration of potential conflicts of interest.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2020-106, except that Finding 1 was also noted in that report as Finding 2.

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.

We conducted this operational audit from June 2022 through August 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 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 actions for findings included in our report No. 2020-106.

- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those areas included within the scope of the audit, weaknesses 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 the selection and examination of transactions and records, as well as events and conditions, occurring during the audit period of October 2020 through March 2022 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 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 Board Directives and the District *Procedures Manual* relating to major District functions, such as conflict of interest disclosure, internal audit function, 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 Board Directives and the District *Procedures Manual* related to identifying potential conflicts of interest. For the nine local officers who served on the District Governing Board or in the Executive Director and Deputy Executive Director positions as of December 31, 2020, and 2021, we searched the State of Florida, Division of Corporations, records and reviewed

statements of financial interests and District records to determine whether conflicts of interest existed relating to these 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.
- Determined whether the District had a comprehensive information technology disaster recovery plan in place that was designed properly, operating effectively, and had been recently tested.
- Inquired whether the District had any expenditures or entered into any contracts under the authority granted by a state of emergency, declared or renewed during the audit period.
- From the population of two land acquisitions totaling \$671,077 during the audit period, examined District records supporting one selected land acquisition totaling \$651,926 to determine whether land was purchased in accordance with Section 373.139, Florida Statutes.
- From the population of salary payments totaling \$9 million to 83 employees during the audit period, examined District records supporting salary payments totaling \$0.1 million to 15 selected employees to determine whether salary expenditures were made in accordance with applicable laws, rules, Board directives, District procedures, and other guidelines.
- Evaluated District tangible personal property (TPP) controls over the annual physical TPP inventory, TPP records, 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 procedures. Specifically, we:
 - Examined District TPP records supporting the 2020-21 fiscal year District's reported \$2.9 million in TPP property to determine whether the property records and the results of the annual inventory were reconciled to District control accounts and any differences investigated with any corrections posted to the property records.
 - From the \$2.9 million in TPP reported as of September 30, 2021, we examined 15 TPP items, with a total cost of \$205,461, to determine if the items were located during most recent physical inventory. We also examined each of the 15 individual property records to determine whether they contained all required information, including description of item, acquisition date and cost, serial number, physical location, date of last inventory, and condition of item.
 - Examined District records supporting \$923,000 in TPP disposals during the period October 2020 through March 2022 to determine if TPP disposals were properly authorized and documented in the Board minutes.
 - Evaluated District procedures for identifying and inventorying attractive items.
- 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 14 timber harvesting contracts awarded during the audit period totaling \$1,880,407, examined District records supporting 12 selected contracts awarded for \$1,879,757 to determine whether the contracts were competitively bid and awarded in accordance with Board directives and the District *Procedures Manual*.
- From purchases totaling \$18.4 million to 260 contractors, examined the District competitive bid procedures and related documentation supporting 25 selected contractor payments totaling \$4.3 million to determine whether goods and services were acquired in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- From the population of restricted local funds used to make to agricultural producers 83 District agricultural cost-share contract disbursements totaling \$1.2 million incurred during the audit period, examined District records, including 22 project contracts supporting disbursements

totaling \$1 million to determine whether the District administered program funds pursuant to program directives, complied with project contract restrictions, and properly documented monitoring efforts.

- 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 written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



SUWANNEE RIVER WATER MANAGEMENT DISTRICT

November 2, 2022

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

Dear Ms. Norman,

We are in receipt of the preliminary and tentative audit finding and recommendation that may be included in the Suwannee River Water Management District Operational Audit report. Pursuant to Section 11.45(4)(d), Florida Statutes, we are submitting a written statement of our actual and proposed corrective action.

As discussed during the audit visit, District staff have made significant modifications to the processing of applications and have implemented a checklist to ensure elements required in the Directive and associated procedures are checked, verified, and retained. District staff has engaged with the Governing Board regarding the agricultural cost-share program and will be updating the Directive to clarify the intended workflow for processing cost-share. We have reviewed the finding and recommendation and are continuing to improve the processing of applications to ensure that the changes implemented address the audit findings.

We appreciate the opportunity to respond to the finding and recommendation and will continue to improve our processes as we revamp the program.

Sincerely,

A handwritten signature in blue ink, appearing to read "Hugh Thomas", is written over a light blue horizontal line.

Hugh Thomas, Executive Director

HT/ps
cc: Ms. Virginia Johns, Chair

Water for Nature. Water for People.

Suwannee River Water Management District | County Road 49, Live Oak, FL 32060 | 386.362.1001 | MySuwanneeRiver.com