

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2026-022  
September 2025

**SUWANNEE RIVER  
WATER MANAGEMENT DISTRICT**



Sherrill F. Norman, CPA  
Auditor General

## Board Members and Executive Director

During the period October 2023 through March 2025, 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
George Wheeler from 8-27-24 <sup>a</sup>	Aucilla River Basin
William Lloyd	Santa Fe and Waccasassa River Basin
Vacant	At Large
Larry Sessions	Upper Suwannee River Basin
Harry Smith	At Large
Larry K. Thompson	Lower Suwannee River Basin

<sup>a</sup> Position vacant through 8-26-24.

The Auditor General conducts 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.

The team leader was Joseph M. Holmes, 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](mailto:jaimehoelscher@aud.state.fl.us) (850) 412-2868.

This report and other reports prepared by the Auditor General are available at:

[FLAuditor.gov](http://FLAuditor.gov)

Printed copies of our reports may be requested by contacting us at:

**State of Florida Auditor General**

**Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722**

# 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. 2023-047. Our operational audit disclosed the following:

**Finding 1:** The District allocated interest earnings totaling \$300,000 to the General Fund that should have been allocated to the Special Revenue – Land Management and Operations Fund.

**Finding 2:** Contrary to State law, the District disbursed extra compensation payments totaling \$128,500 to 58 employees.

## 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.

## FINDINGS AND RECOMMENDATIONS

---

### Finding 1: Interest Allocations

State law generally limits the use of restricted resources to specified purposes. For example, State law<sup>1</sup> requires that timber sale revenue be segregated in an agency trust fund and remain available to the agency in subsequent fiscal years to support land management appropriations. Additionally, the Attorney General<sup>2</sup> has indicated that, as a general rule, interest generated by a particular fund must be added to that fund and utilized for the same purpose as said fund. Based on this principle of law, interest earnings generated by a restricted resource should only be used for the same authorized purpose established for that resource.

As part of our audit, we examined District records and noted that the District accounts for restricted resources such as timber sales in the Special Revenue – Land Management and Operations Fund (Land Management Fund). Further review of the District's audited financial statements for the 2023-24 fiscal year disclosed that the District reported interest earnings totaling \$1.2 million and \$244,000 in the General

---

<sup>1</sup> Section 253.036, Florida Statutes.

<sup>2</sup> Attorney General Opinion Nos. 88-1, 92-13, 2000-32, and 2000-37.

Fund and State Fund, respectively; however, no interest earnings were reported in the Land Management Fund.

We expanded our audit procedures and determined that, for the period of October 2023 through March 2025, the District recorded interest earnings totaling \$300,000 in the General Fund that were earned by and should have been recorded in the Land Management Fund. In response to our inquiries, District management indicated that interest is allocated monthly based on a cost center's interfund bank balance at the end of each month. The cost center for the Land Management Fund includes multiple operational activities that the District considers to be general operations, and the District records interest earnings of the Land Management Fund in the General Fund.

While District records did not identify the ultimate use of the \$300,000 interest earnings recorded in the General Fund, District personnel believed that State law<sup>3</sup> allows for moneys received from the use of the lands owned, managed, and controlled by the District to be returned to the lead managing agency (District) with no directive on how the funds must be used. Notwithstanding this response, the misallocation of restricted interest earnings could impact the availability of funds to support land management activities. Subsequent discussions with District personnel indicated that the District would start retaining interest earnings of the Land Management Fund in that Fund to support land management activities.

**Recommendation: District procedures should continue efforts to ensure that interest earnings are properly calculated and allocated to the specific fund that produced the earnings. Such procedures should require and ensure that interest earnings from restricted resources, like timber sale revenue, remain available in the Land Management Fund to support land management activities.**

## **Finding 2: Extra Compensation**

State law<sup>4</sup> prohibits the District from making extra compensation payments to employees after services have been rendered. While State law provides for the payment of bonus awards, the law requires that any policy, ordinance, rule, or resolution designed to implement a bonus scheme must base the award of a bonus on work performance; describe the performance standards and evaluation process by which a bonus will be awarded; notify all employees of the policy, ordinance, rule, or resolution before the beginning of the evaluation period on which a bonus will be based; and consider all employees for the bonus.

On October 3, 2024, the District had a total of 63 employees and awarded amounts totaling \$128,500 to 58 employees.<sup>5</sup> Employees received awards of either \$2,500, \$1,500, or \$1,000 based on performance evaluation (PE) scores of 5, 4, or 3, respectively. In response to our inquiries, District personnel indicated that award amounts are routinely annually approved by the Governing Board as part of the salary and benefits budget and, if funds are available, senior leadership determines the award amounts associated with the respective employee PE scores.

<sup>3</sup> Section 373.1391, Florida Statutes.

<sup>4</sup> Section 215.425, Florida Statutes.

<sup>5</sup> Five of the 63 employees were deemed ineligible for an award due to their hire or resignation date.

Our evaluation of District records and discussions with District personnel disclosed that the District had not established an effective process to ensure that such awards complied with the statutory requirements for implementing a bonus scheme. Specifically, the District did not describe the performance standards and evaluation process by which the bonus would be awarded or notify all employees of the policy, ordinance, rule, or resolution before the beginning of the evaluation period on which the bonus would be based.

Since the District did not comply with the statutory requirements for awarding bonuses and the payments were made after the employees had rendered services, the payments represent extra compensation prohibited by State law. In response to our inquiries, District personnel indicated that they would update procedures to include bonus language and would reference the inclusion of the bonus in the budget approval process.

**Recommendation: The District should refrain from making extra compensation payments to employees after services have been rendered. If the District decides to implement a bonus scheme, an effective process should be established to ensure compliance with the statutory requirements for implementing the scheme.**

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

---

The District had taken corrective action for the finding included in our report No. 2023-047.

## ***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 law<sup>6</sup> 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 March 2025 through July 2025 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

---

<sup>6</sup> Section 11.45(2)(f), Florida Statutes.

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, the finding included in our report No. 2023-047.
- To 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, 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 the selection and examination of transactions, as well as events and conditions, occurring during October 2023 to March 2025, 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 employee compensation, 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 the individuals in the Executive Director and Deputy Executive Director positions and the eight individuals who served on the District's governing board as of December 31, 2023, and 2024, 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 ten 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 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, to evaluate the reasonableness of District actions.
- From the 109 bank and investment account reconciliations for the audit period, examined District records supporting 13 selected reconciliations, including 2 monthly account reconciliations for five bank accounts and one investment account and 1 account reconciliation for another investment account, to determine whether the reconciliations were timely, completed, and evidenced supervisory review and approval. We also evaluated District procedures for periodically reviewing District banking agreements, the reasonableness of the agreement terms, and whether minimum required balances, interest earnings, and fee and service charge amounts complied with good business practices.
- Evaluated the adequacy of Board policies governing investments and examined investment activity during the audit period to determine District compliance with applicable laws and Board policies. Also, we evaluated the reasonableness of District procedures for allocating interest earnings to the respective District funds.
- From the population of three land acquisitions totaling \$1.15 million during the audit period, examined District records supporting one selected land acquisition totaling \$875,524 to determine whether land was purchased in accordance with Section 373.139, Florida Statutes.
- From the eight capital projects with expenditures totaling \$1.07 million during the audit period, examined District records supporting one selected project with expenditures totaling \$823,245 to determine whether the architects, engineers, and construction management entities were properly selected pursuant to Section 287.055, Florida Statutes, and the plans and specifications were properly reviewed and approved by the Board in compliance with Board policies.
- 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 \$2.66 million in TPP reported as of September 30, 2024, to determine whether the property records and the results of the annual inventory were reconciled to District control accounts, any reconciliation differences were investigated, and any necessary corrections were posted to the property records.
  - From the reported TPP items with costs totaling \$2.66 million as of September 30, 2024, we selected and examined records for 20 TPP items, with costs totaling \$260,151, to determine if the items were located during most recent physical inventory. We also examined each of the 20 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 \$270,948 in TPP disposals during the period October 2023 through March 2025 to determine whether TPP disposals were properly authorized and documented in Board meeting minutes.
- Evaluated District procedures for identifying and inventorying attractive items pursuant to Department of Financial Services Rules, Chapter 69I-73, Florida Administrative Code.
- From the population of salary payments totaling \$6.72 million to 78 employees during the audit period, examined District records supporting salary payments totaling \$100,982 to 15 selected employees to determine whether salary expenditures were properly calculated, authorized, and supported by appropriate documentation; were for established positions; and were within the established approved salary range.
- Examined District records supporting the extra compensation totaling \$128,500 paid to 58 employees during the audit period to determine whether the payments were in accordance with Section 215.425(3), Florida Statutes.
- Determined whether expenditures, exclusive of compensation and contractual services, were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State law and Board policies; and applicable vendors were properly selected. Specifically, from the population of 1,018 expenditures totaling \$1.45 million for the period October 2023 through March 2025, we examined documentation supporting 30 selected expenditure transactions totaling \$615,090.
- Evaluated District competitive bidding procedures and examined documentation supporting 26 contracts and 30 selected contractor payments totaling \$1,296,260 from the population of purchases totaling \$6.12 million to 115 contractors during the audit period to determine whether goods and services were acquired in accordance with contract terms and evaluated the effectiveness of District controls over contracted services and the related payments.
- Evaluated the District purchasing card (P-card) program to determine whether the program was administered in accordance with Board policies and District procedures. Specifically, we:
  - For the population of 27 cardholders as of March 2025, examined District records to determine whether the established card limits were reasonable based upon the cardholders' job responsibilities.
  - Examined District records for the 17 employees issued P-cards during the audit period to determine whether the employees accepted the P-cards and related usage terms.
  - From the population of 993 P-card transactions totaling \$270,878, examined District records supporting 30 selected transactions totaling \$5,536 to determine whether the expenditures were reasonable, properly authorized and approved, correctly recorded, adequately documented, and for a valid District purpose.
  - Examined P-card records for the 3 cardholders who separated from District employment during the audit period to determine whether the P-cards were timely canceled upon the cardholder's employment separation.
- From the population of restricted local fund expenditures related to 20 District agricultural cost-share contracts with disbursements totaling \$234,466 during the audit period, examined District records related to 5 selected project contracts with disbursements totaling \$133,909 to determine whether District procedures were adequate to ensure funds were administered in accordance with program directives, complied with applicable restrictions imposed by the project contract terms, and were adequately documented and monitored.
- From the population of restricted State fund expenditures related to 80 agricultural cost-share contract disbursements totaling \$4.83 million made during the audit period, requested for

examination District records supporting 1 selected disbursement totaling \$1,285,413 to determine whether the District properly administered the grant in accordance with contract terms.

- 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" and "N".

Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

---



## SUWANNEE RIVER WATER MANAGEMENT DISTRICT

---

September 22, 2025

Ms. Sherrill F. Norman, Auditor General  
State of Florida  
Claude Denson Pepper building, Suite G74  
111 West Madison Street  
Tallahassee, FL 32399-1450  
[flaugen\\_audrpt\\_water\\_mgt@aud.state.fl.us](mailto:flaugen_audrpt_water_mgt@aud.state.fl.us)

Dear Ms. Norman,

The Suwannee River Water Management District received the Auditor General Preliminary and Tentative audit findings for the 2025 Operation Audit. See below the District responses to each finding.

**Finding 1:** The District allocated interest earnings totaling \$300,000 to the General Fund that should have been allocated to the Special Revenue – Land Management and Operations Fund.

Recommendation: District procedures should continue efforts to ensure that interest earnings are properly calculated and allocated to the specific fund that produced the earnings. Such procedures should require and ensure that interest earnings from restricted resources, like timber sale revenue, remain available in the Land Management Fund to support land management activities.

**District Response: The District will begin allocating interest in accordance with the Auditor General's recommendation in the current fiscal year.**

**Finding 2:** Contrary to State law, the District disbursed extra compensation payments totaling \$128,500 to 58 employees.

Recommendation: The District should refrain from making extra compensation payments to employees after services have been rendered. If the District decides to implement a bonus scheme, an effective process should be established to ensure compliance with the statutory requirements for implementing the scheme.

**District Response: The District will comply with the recommendation beginning October 1, 2025.**

If you have any questions, please contact me.  
Sincerely,

A blue ink signature of Hugh Thomas, Executive Director, is written over a light blue horizontal line.

Hugh Thomas, Executive Director

Water for Nature. Water for People.

Suwannee River Water Management District | 9225 County Road 49, Live Oak, FL 32060 | 386.362.1001 | MySuwanneeRiver.com