

# STATE OF FLORIDA AUDITOR GENERAL

## Operational Audit

Report No. 2021-137  
February 2021

### TRIUMPH GULF COAST, INC.



Sherrill F. Norman, CPA  
Auditor General

## **Board of Directors and Executive Director of Triumph Gulf Coast, Inc.**

Section 288.8013, Florida Statutes, establishes Triumph Gulf Coast, Inc. (Triumph) as a nonprofit corporation that is not a unit or entity of State Government. Section 288.8014, Florida Statutes, provides for Triumph to be governed by a seven-member Board of Directors (Board). The Board is to include three private sector members appointed by the Governor, the Attorney General, and the Chief Financial Officer, respectively, two private sector members appointed by the President of the Senate, and two private sector members appointed by the Speaker of the House of Representatives. One of the two Board members appointed by the President of the Senate and the Speaker of the House of Representatives must represent one of the four least populous disproportionately affected counties.

During the period July 2019 through June 2020, Susan Skelton served as Executive Director of Triumph and the following individuals served as Board members:

Governor Appointee:	Lewis Bear, Jr.
Attorney General Appointee:	Pam Dana
Chief Financial Officer Appointee:	Stephen Riggs, IV, Treasurer
President of the Senate Appointees:	Allan Bense, Vice Chair Matt Terry from August 13, 2019
Speaker of the House of Representatives Appointees:	Don Gaetz, Chair Benjamin Lee

The team leader was William Karalius, CPA, and the audit was supervised by Christi Alexander, CPA.

Please address inquiries regarding this report to Christi Alexander, CPA, Audit Manager, by e-mail at [christialexander@aud.state.fl.us](mailto:christialexander@aud.state.fl.us) or by telephone at (850) 412-2786.

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**State of Florida Auditor General**

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

# TRIUMPH GULF COAST, INC.

## SUMMARY

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This operational audit of Triumph Gulf Coast, Inc. (Triumph) focused on the administration of Triumph project and program awards and selected administrative activities. The audit also included a follow-up on the finding noted in our report No. 2020-057. Our audit disclosed the following:

**Finding 1:** Security controls over mobile device utilization continue to need improvement to ensure the confidentiality, integrity, and availability of Triumph data and information technology (IT) resources.

## BACKGROUND

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The Gulf Coast Economic Corridor Act<sup>1</sup> (Act) established Triumph Gulf Coast, Inc. (Triumph) effective May 17, 2013, as a nonprofit corporation that is not a unit or entity of State Government to administer the funds to be used for the economic recovery, diversification, and enhancement of the areas impacted by the 2010 Deepwater Horizon oil spill.<sup>2</sup>

State law<sup>3</sup> specifies that 75 percent of the funds received by the State pursuant to the settlement agreement<sup>4</sup> with the BP entities must be deposited into a trust account established by Triumph and that at least 40 percent of the funds received by the State before July 1, 2017, are to be allocated equally among the eight disproportionately affected counties (Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, Walton, and Wakulla).<sup>5</sup> State law<sup>6</sup> provides that Triumph administrative costs may not exceed 0.75 percent of the funds released to Triumph and that the annual salaries of employees and contracted staff may not exceed \$130,000 and associated benefits may not exceed 35 percent of salary.

Triumph is authorized<sup>7</sup> to hire or contract for all staff necessary to properly execute its powers and duties to implement the requirements of the Act. According to Triumph records, as of June 2020, Triumph employed an Executive Director and utilized four independent contractors to carry out Triumph's responsibilities. During the period July 2019 through June 2020, Triumph paid salary and benefit expenses totaling \$383,155.

Pursuant to State law,<sup>8</sup> Triumph is responsible for: responsibly and prudently managing all funds received; ensuring funds are used in accordance with all applicable laws, bylaws, or contractual requirements; administering the awards program created by the Act; and operating in a transparent

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<sup>1</sup> Chapter 2013-39, Laws of Florida. Codified in Sections 288.80 and 288.8011 through 288.8018, Florida Statutes.

<sup>2</sup> On April 20, 2010, the oil rig Deepwater Horizon exploded in the Gulf of Mexico, resulting in an 87-day oil spill that impacted the coasts of Alabama, Florida, Louisiana, Mississippi, and Texas.

<sup>3</sup> Section 288.8013(2), Florida Statutes.

<sup>4</sup> Section 288.8012(4), Florida Statutes, specifies that the settlement agreement is the agreement entitled, "Settlement Agreement Between the Gulf States and the BP Entities with Respect to Economic and Other Claims Arising from the *Deepwater Horizon* Incident," entered into on October 5, 2015.

<sup>5</sup> Section 288.8013(2)(b)2., Florida Statutes, specifies that at least 32 percent of settlement agreement funds received after July 1, 2017, are to be allocated equally among the eight disproportionately affected counties.

<sup>6</sup> Section 288.8013(2)(d) and (3), Florida Statutes.

<sup>7</sup> Section 288.8014(9), Florida Statutes.

<sup>8</sup> Section 288.8016, Florida Statutes.

manner, including providing public access to information, notice of meetings, awards, and the status of projects and programs. State law<sup>9</sup> requires Triumph to make awards from available funds to projects or programs that meet the priorities for economic recovery, diversification, and enhancement of the disproportionately affected counties, including projects or programs that:

- Provide ad valorem tax rate reductions.
- Meet local match requirements for rural infrastructure projects.<sup>10</sup>
- Construct, expand, or maintain public infrastructure.
- Establish and maintain equipment and trained personnel for local action plans to respond to disasters.
- Prepare students for future occupations and careers at K-20 institutions.
- Provide participants with transferable, sustainable workforce skills that are not confined to a single employer.
- Promote and advertise tourism and Fresh From Florida and promote workforce and infrastructure.

Triumph awards may not finance 100 percent of any project or program, and contracts executed with an awardee must include provisions for a performance report on contracted activities, account for the proper use of awarded funds, and permit the recovery of awards in the event the award was based on fraudulent information or the awardee is not meeting performance requirements.<sup>11</sup> State law<sup>12</sup> specifies that Triumph is to monitor, review, and annually evaluate awardees' projects and programs to determine whether an award should be continued, terminated, reduced, or increased.

State law<sup>13</sup> requires Triumph to establish an application procedure for awards and a scoring process to select projects and programs that have the potential to generate increased economic activity in the disproportionately affected counties. Accordingly, Triumph created the *Application for Funds Form* for applicants to include a detailed description of the proposed project or program, including the requested funding. According to Triumph records, during the period July 2019 through June 2020, Triumph received 11 *Application for Funds Forms* and approved 10 awards totaling \$13,096,586.

## ***FINDING AND RECOMMENDATION***

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### **Finding 1: Mobile Device Security Controls**

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit procedures disclosed that certain security controls related to mobile device<sup>14</sup> utilization continue to need improvement. We are not disclosing specific details

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<sup>9</sup> Section 288.8017(1), Florida Statutes.

<sup>10</sup> Section 288.0655(2)(e), Florida Statutes.

<sup>11</sup> Section 288.8017(3) and (4), Florida Statutes.

<sup>12</sup> Section 288.8016(3), Florida Statutes.

<sup>13</sup> Section 288.8017(2), Florida Statutes.

<sup>14</sup> Mobile devices are portable devices, such as laptop computers, smartphones, and tablets, that allow storage and transmittal of entity data.

of the issues in this report to avoid the possibility of compromising Triumph data and IT resources. However, we have notified appropriate Triumph management of the specific issues.

Without appropriate security controls related to the use of mobile devices by Triumph management, Board members, and contracted employees, the risk is increased that the confidentiality, integrity, and availability of Triumph data and IT resources may be compromised. A similar finding was communicated to Triumph management in connection with our report No. 2020-057 (Finding 1).

**Recommendation:** We again recommend that Triumph enhance certain security controls related to Triumph management, Board member, and contracted employee use of mobile devices to ensure the confidentiality, integrity, and availability of Triumph data and IT resources.

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

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

We conducted this operational audit from July 2020 through December 2020 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 Triumph Gulf Coast, Inc. (Triumph) focused on the administration of Triumph project and program awards and selected administrative activities. For those areas, the 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 responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed into 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.
- Determine whether management had corrected, or was in the process of correcting, the deficiency disclosed in our report No. 2020-057.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

In planning and conducting our audit, we assessed whether internal controls were significant to our audit objectives by considering the internal control integrated framework established by the Committee of Sponsoring Organizations (COSO)<sup>15</sup> and adapted for a government environment within the *Standards*

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<sup>15</sup> The Committee of Sponsoring Organizations (COSO) of the Treadway Commission was established in 1985 to develop guidance in the areas of risk and control which enable good organizational governance and reduction of fraud. Pursuant to their mission, COSO developed a framework for internal control that consists of five components and 17 underlying principles.

for *Internal Control in the Federal Government* issued by the United States Government Accountability Office. That framework is illustrated in the following table.

**COSO Internal Control Integrated Framework**

Internal Control Component	Description	Underlying Principles (To be Applied by the Triumph Board and Triumph Management)
<b>Control Environment</b>	Standards, processes, and structures that provide the basis for carrying out internal control across the organization. Represents the foundation on which an effective internal control system is built.	<ul style="list-style-type: none"> <li>• Demonstrate commitment to integrity and ethical values.</li> <li>• Exercise oversight responsibility.</li> <li>• Establish structures and reporting lines and assign authorities and responsibilities.</li> <li>• Demonstrate commitment to a competent workforce.</li> <li>• Hold individuals accountable for their responsibilities.</li> </ul>
<b>Risk Assessment</b>	Management’s process to consider the impact of possible changes in the internal and external environment and to consider actions to mitigate the impact. The basis for how risks will be managed.	<ul style="list-style-type: none"> <li>• Establish clear objectives to define risk and risk tolerances.</li> <li>• Identify, analyze, and respond to risks.</li> <li>• Consider the potential for fraud.</li> <li>• Identify, analyze, and respond to significant changes that impact the internal control system.</li> </ul>
<b>Control Activities</b>	Activities in the form of policies, procedures, and standards that help management mitigate risks. Control activities may be preventive in nature or detective in nature and may be performed at all levels of the organization.	<ul style="list-style-type: none"> <li>• Design control activities to achieve objectives and respond to risks.</li> <li>• Design control activities over technology.</li> <li>• Implement control activities through policies and procedures.</li> </ul>
<b>Information and Communication</b>	Information obtained or generated by management to support the internal control system. Communication is the dissemination of important information to help the organization meet requirements and expectations.	<ul style="list-style-type: none"> <li>• Use relevant and quality information.</li> <li>• Communicate necessary information internally to achieve entity objectives.</li> <li>• Communicate necessary information externally to achieve entity objectives.</li> </ul>
<b>Monitoring</b>	Periodic or ongoing evaluations to verify that the internal control system is present and functioning properly.	<ul style="list-style-type: none"> <li>• Conduct periodic or ongoing evaluations of the internal control system.</li> <li>• Remediate identified internal control deficiencies on a timely basis.</li> </ul>

We determined that all internal control components were significant to our audit objectives. The associated underlying principles significant to our objectives included:

- Board and management commitment to integrity and ethical values.
- Board exercise of oversight responsibility.
- Management establishment of an organizational structure, assignment of responsibility, and delegation of authority to achieve Triumph’s goals and objectives.
- Management establishment of clear objectives to enable the identification of risks and define risk tolerances.
- Management identification and analysis of and response to risks.
- Management consideration of the potential for fraud.
- Management identification and analysis of and response to significant changes that could impact the internal control system.
- Management design of control activities to achieve Triumph’s objectives and respond to risks.
- Management design of controls over information technology.
- Management establishment of policies and procedures to implement internal control activities.
- Management use of relevant and quality information to achieve Triumph’s objectives.

- Management communication of information internally necessary to achieve Triumph’s objectives.
- Management communication of information externally necessary to achieve Triumph’s objectives.
- Management activities to monitor Triumph’s internal control system and evaluate the results.
- Management remediation of identified internal control deficiencies on a timely basis.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in internal controls significant to our audit objectives; 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 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’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 to obtain an understanding of the legal framework governing Triumph operations.
- Reviewed applicable laws, Triumph policies and procedures, and other guidelines, and interviewed Triumph’s Executive Director, independent contractors, Board members, independent certified public accounting firm, and legal advisor to gain an understanding of Triumph controls for administering awards and managing financial and other administrative activities.
- From the population of 27 pre-applications for awards submitted to Triumph during the period July 2019 through June 2020, examined Triumph records for 11 selected pre-applications to determine whether pre-applications were evaluated based on the criteria established in Section 288.8017, Florida Statutes, and eligibility decisions were sufficiently documented and communicated to applicants.

- Interviewed Triumph management and reviewed Triumph policies and procedures to determine whether Triumph required management and independent contractors to attest, in writing, that they would comply with established Triumph conflict of interest policies and were independent of, and had no conflicts of interest related to, the applicants they were responsible for evaluating.
- From the population of 11 applications for awards received by Triumph during the period July 2019 through June 2020, examined Triumph records for 5 selected applications to determine whether applications were appropriately evaluated based on the criteria established in Section 288.8017, Florida Statutes, and approval or denial decisions were sufficiently documented and communicated to applicants.
- Examined the 5 applications for awards, totaling \$14,904,086, approved by the Board to enter into term sheet negotiations during the period July 2019 through June 2020 to determine whether Triumph staff obtained Board approval prior to negotiating terms with the applicants and whether Triumph posted its intent to award on Triumph's Web site in accordance with Section 288.8016(4), Florida Statutes.
- Examined the 10 award agreements, totaling \$13,096,586, executed by Triumph during the period July 2019 through June 2020 to determine whether Triumph included in the award agreements the provisions specified in Section 288.8017, Florida Statutes.
- From the population of 30 award agreements, totaling \$224,165,151, subject to Triumph monitoring during the period July 2019 through June 2020, examined Triumph records for 10 selected award agreements, totaling \$179,326,161, to determine whether Triumph monitored awardee compliance with award agreement terms and conditions.
- Examined the two Infrastructure and Logistics Fast Track Training award agreements, totaling \$350,500, executed by Triumph during the period July 2019 through June 2020 to determine whether the award agreements were to fund eligible technical colleges, school boards, or State colleges for construction trades workers and commercial drivers to aid in the economic recovery of Northwest Florida following the COVID-19 pandemic and were in accordance with Section 288.8017(1) and (3), Florida Statutes.
- Examined the four Hurricane Michael Skilled Labor Recovery award agreements, totaling \$782,000, executed by Triumph during the period July 2019 through June 2020 to determine whether the award agreements related to the education and training of construction trades workers to aid in the economic recovery from Hurricane Michael, pursuant to Section 288.8017(1) and (3), Florida Statutes.
- Examined Triumph records for both semi-annual reports due to the Governor, the President of the Senate, and the Speaker of the House of Representatives during the period July 2019 through June 2020 to determine whether Triumph submitted the reports in accordance with Section 288.8013(4), Florida Statutes.
- Examined Triumph policies and procedures and Board meeting agendas and minutes for the period July 2019 through June 2020 to determine whether Triumph ensured that Board meetings were held in accordance with Section 288.8011, Florida Statutes, and whether Board members timely and properly disclosed possible direct and indirect conflicts of interest.
- Examined Triumph policies and procedures, performed inquiries of Triumph management related to the Triumph organizational structure, and reviewed disclosures of financial interests filed with the Commission on Ethics for Triumph's Executive Director and seven Board members to determine whether Triumph had established adequate processes to ensure that all parties filed disclosures of financial interests by July 1, 2019, in accordance with Section 112.3145, Florida Statutes.
- From the population of 74 general expenses, totaling \$99,200, incurred during the period July 2019 through June 2020, examined Triumph records for 10 selected general expenses,



totaling \$23,343, to determine whether general expenses were appropriately supported, approved, and timely and accurately recorded to Triumph financial records.

- From the population of 25 travel expenses, totaling \$3,725, incurred during the period July 2019 through June 2020, selected 10 travel expenses, totaling \$2,086, and examined Triumph records to determine whether travel expenses complied with applicable provisions of State law and whether expenses were timely and accurately recorded to Triumph financial records.
- From the population of 16 administrative contracts with expenditures totaling \$633,972, active at some point during the period July 2019 through June 2020, selected 8 administrative contracts with expenditures totaling \$531,762 and examined Triumph records to determine whether contracts were properly managed and payments were timely approved by the Board and appropriately recorded to Triumph financial records.
- Interviewed Triumph management, examined Triumph records, and evaluated Triumph processes to determine whether Triumph took steps to reasonably ensure that service organization and subservice organization controls relevant to the services performed on behalf of Triumph were suitably designed and operating effectively during the period July 2019 through June 2020.
- Evaluated Triumph actions to correct Finding 1 noted in our report No. 2020-057. Specifically, we evaluated Triumph policies and procedures and examined selected records to determine whether Triumph had established adequate controls over the use of mobile devices.
- Observed, documented, and evaluated the effectiveness of selected Triumph processes and procedures for:
  - Cash and revenue management and budgetary activities.
  - The administration of tangible personal property in accordance with Triumph policies and procedures. As of June 2020, Triumph was responsible for tangible personal property with related acquisition costs totaling \$4,298.
  - The administration of purchasing cards in accordance with Triumph policies and procedures. As of June 30, 2020, Triumph had one active purchasing card.
  - The assignment and use of mobile devices with related costs totaling \$900 during the period July 2019 through June 2020.
  - The acquisition and management of real property leases in accordance with Triumph policies and procedures. As of June 30, 2020, Triumph was responsible for one real property lease.
  - The administration of hurricane-related contracting and purchasing activities.
- 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.
- Obtained management's views concerning the conclusions in this audit report, prepared a summary of management's comments, and provide a copy of the summary to management to verify that the comments were accurately represented. In addition, we included the summary of management's response in this report under the heading **MANAGEMENT'S RESPONSE**.

## ***AUTHORITY***

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Section 288.8013(5), Florida Statutes, requires the Auditor General to conduct an operational audit of Triumph Gulf Coast, Inc. annually. 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

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Scott A. Remington  
President / Managing Partner  
Direct (850) 432-2399  
sremington@clarkpartington.com

February 19, 2021

**VIA U.S. MAIL**

Sherrill F. Norman  
Auditor General, State of Florida  
Claude Denson Pepper Bldg, Suite G74  
111 W. Madison Street  
Tallahassee, FL 32399-1450

RE: Triumph Gulf Coast, Inc. Response to 2020 Audit Findings

Dear Ms. Norman:

This letter follows receipt of the detailed explanation describing tentative audit findings and recommendation dated January 29, 2021 and supplemental confidential recommendations. Please accept this correspondence as Triumph Gulf Coast, Inc.'s ("Triumph") written statement of explanation concerning the finding and recommendations highlighted in your preliminary and tentative findings.

Triumph acknowledges the concerns raised in the correspondence from your office. Triumph is in the process of enhancing its security controls by implementing actions to ensure the confidentiality, integrity, and availability of Triumph data and IT resources.

Thank you for your cooperation and assistance with this matter. We appreciate the time, attention, and thought that went into the Auditor General's report & recommendations and look forward to working with your office in the future.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Scott A. Remington', with a large, sweeping flourish extending to the right.

Scott A. Remington  
General Counsel, Triumph Gulf Coast, Inc.

cc: Don Gaetz, Chair  
Susan Skelton,  
Christi Alexander, CPA

(850) 434-9200 | 125 East Intendencia Street, Pensacola, FL 32502 | clarkpartington.com  
Pensacola | Destin | Tallahassee | Santa Rosa Beach | Orange Beach