

**SANTA ROSA COUNTY
BOARD OF COUNTY COMMISSIONERS**

Use of Funds Related to the
Deepwater Horizon Oil Spill



Sherrill F. Norman, CPA
Auditor General

Board of County Commissioners and County Administrator

During the period October 2019 through May 2021, the following individuals served on the Santa Rosa County Board of County Commissioners:

	<u>District No.</u>
Sam Parker, Chair from 11-20-18 through 11-13-19	1
Robert A. "Bob" Cole, Vice Chair from 11-17-20	2
James Calkins from 11-17-20	3
W. D. "Don" Slater through 11-16-20, Chair from 11-14-19, through 11-16-20, Vice Chair from 11-20-18, through 11-13-19	3
Dave Peich from 11-12-18, Chair from 11-17-20	4
Colten Wright from 11-17-20	5
Lane Lynchard through 11-16-20, Vice Chair from 11-14-19, through 11-16-20	5

Dan Shebler served as County Administrator during that period.

The team leader was Debbie S. Jabaley, CPA, and the audit was supervised by Derek H. Noonan, CPA.

Please address inquiries regarding this report to Derek H. Noonan, CPA, Audit Manager, by e-mail at dereknoonan@aud.state.fl.us or by telephone at (850) 412-2864.

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SANTA ROSA COUNTY BOARD OF COUNTY COMMISSIONERS

Use of Funds Related to the Deepwater Horizon Oil Spill

SUMMARY

This operational audit of the Santa Rosa County Board of County Commissioners (BCC) focused on an evaluation, pursuant to Section 288.8018(2), Florida Statutes, of the BCC's performance in administering laws, policies, and procedures governing the expenditure of funds related to the Deepwater Horizon oil spill in an efficient and effective manner during the period October 2019 through May 2021 and selected actions taken prior and subsequent thereto.

Our audit did not disclose any findings and recommendations regarding the BCC's processes and administrative activities included within the scope of our audit that must be reported in writing.

BACKGROUND

Pursuant to the State Constitution,¹ the Board of County Commissioners (BCC) is the governing body in Santa Rosa County (County), and State law² outlines the general duties and responsibilities of the BCC. The BCC is composed of five County Commissioners, and each County Commissioner is elected to a 4-year term by the voters in the geographical district in which he or she resides. The BCC approves the County budget, adopts local ordinances and resolutions, and establishes policies and procedures that govern the County and protect the health, safety, and welfare of the citizens.

On April 20, 2010, a gas release and subsequent explosion occurred on the British Petroleum (BP) mobile drilling platform Deepwater Horizon, located in the Gulf of Mexico approximately 130 miles southeast of New Orleans, Louisiana. To compensate for the impact of the explosion and oil spill, BP provided moneys to the State, certain local governments, and certain nonprofit organizations. During the period October 2019 through May 2021, the BCC received funds related to the Deepwater Horizon oil spill totaling \$2.3 million, including \$2.1 million expended and reimbursed from Triumph Gulf Coast, Inc. (Triumph).³ The Triumph grant award provided partial funding for the Whiting Aviation Park Project (Whiting Project) which includes infrastructure improvements to 40 acres of the Whiting Aviation Park to accommodate helicopter maintenance, repair, and overhaul and simulation training.

¹ Article VIII, Section 6 of the State Constitution.

² Chapter 125, Florida Statutes.

³ Chapter 2013-39, Laws of Florida, *The Gulf Coast Economic Corridor 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. State law 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, which includes Santa Rosa County.

AUDIT RESULTS

Our audit did not disclose any findings and recommendations that must be reported in writing regarding the BCC's performance in administering the Deepwater Horizon oil spill moneys included within the scope of our audit. Nothing came to our attention through our audit procedures to indicate that BCC controls, as designed and implemented, were not adequate to ensure that Deepwater Horizon oil spill moneys were properly administered by the BCC and related laws, rules, and other guidelines were followed. As such, we are not making any recommendations.

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 law⁴ provides that, every 2 years, the Auditor General shall conduct an operational audit of a local governmental entity's funds related to the Deepwater Horizon oil spill to evaluate the local government entity's performance in administering laws, policies, and procedures governing the expenditure of funds related to the Deepwater Horizon oil spill in an efficient and effective manner. The audit is to include any funds received or expended related to the Deepwater Horizon oil spill, including any funds under State law⁵ or Federal regulations.⁶

This operational audit of the Santa Rosa County Board of County Commissioners (BCC) focused on an evaluation of the BCC's performance in administering laws, policies, and procedures governing the expenditure of funds related to the Deepwater Horizon oil spill in an efficient and effective manner.

We conducted this operational audit from July 2021 through September 2021 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.

For those areas addressed by this audit, our 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.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.

⁴ Section 288.8018(2), Florida Statutes.

⁵ Section 288.8017, Florida Statutes.

⁶ Title 33 United States Code, Section 1321(t).

- 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 programs, activities, or functions included within the scope of the audit, deficiencies in management's 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 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'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 for the period October 2019 through May 2021 and selected transactions and 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, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, BCC policies and procedures, and other guidelines, and interviewed BCC personnel to obtain an understanding of BCC processes and administrative activities.
- Reviewed applicable laws, contracts, grant agreements, and BCC ordinances, policies, and procedures, and interviewed BCC personnel to gain an understanding of the County's processes and to evaluate whether the BCC had established effective policies and procedures in selected areas of operation related to the receipt and use of Deepwater Horizon oil spill funds.
- Determined whether the BCC had established anti-fraud policies and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals.
- Evaluated BCC policies and procedures for identifying potential conflicts of interest. For selected BCC elected officials and employees, we reviewed the Department of State, Division of Corporations records, statements of financial interests, and BCC records to identify any

relationships that represented a potential conflict of interest with vendors associated with the Whiting Aviation Park Project (Whiting Project).

- Examined BCC records to determine whether the BCC had implemented policies and procedures adequate to prohibit employees or officials from violating terms of the Whiting Project grant agreement related to Sections 11.062, 112.313, and 216.347, Florida Statutes.
- Reviewed BCC records to determine whether the BCC provided for separate accountability for Whiting Project transactions.
- Examined BCC records to determine whether the BCC filed the Whiting Project construction contract with Triumph Gulf Coast, Inc. for approval.
- Examined BCC records to determine whether the BCC filed required reports with Triumph Gulf Coast, Inc.
- Examined BCC records to determine whether the BCC had met the requirement to provide a 17.4 percent match with local moneys for Whiting Project grant funding.
- Examined two Applications for Disbursement of Grant totaling \$2.5 million to determine if they were properly completed and supported per provisions of the Whiting Project grant agreement.
- Tested 10 expenditures totaling \$3.2 million of \$4.5 million paid during the audit period to the Whiting Project engineer and construction contractor, including \$2.1 million reimbursed by the Triumph grant to evaluate management's performance in administering applicable laws, rules, regulations, contracts, grant agreements, and other guidelines governing the expenditures and the competitive procurement of goods or services.
- Examined BCC minutes and inquired of BCC personnel and determined that the BCC did not conduct any construction projects using its own staff during the period July 1, 2020, through June 30, 2021, that were required to be reported in accordance with Section 255.20(a)(c)(9), Florida Statutes.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing 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 Sections 11.45 and 288.8018(2), Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

BCC management concurred with the audit results.