

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2023-086
January 2023

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 2021 through June 2022, Susan Skelton served as Executive Director of Triumph and the following individuals served as Board members:

Governor Appointee:	Vacant through 8-12-21 David Bear, from 8-13-21
Attorney General Appointee:	J. Collier Merrill, Vice Chair
Chief Financial Officer Appointee:	Vacant through 7-19-21 Reynolds Henderson, Treasurer from 7-20-21
President of the Senate Appointees:	Allen Bense through 6-2-22, vacant from 6-3-22 Matt Terry through 6-29-22, vacant 6-30-22
Speaker of the House of Representatives Appointees:	Don Gaetz, Chair through 6-29-22, vacant 6-30-22 Benjamin Lee, Assistant Treasurer through 6-2-22 Vacant 6-3-22, through 6-26-22 Jay Trumbull Sr., from 6-27-22

The team leader was Justin Farris, 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 or by telephone at (850) 412-2786.

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TRIUMPH GULF COAST, INC.

SUMMARY

This operational audit of Triumph Gulf Coast, Inc. (Triumph) focused on the administration of Triumph project and program awards and selected administrative activities. Our audit did not disclose any reportable conditions regarding the administration of Triumph project and program awards or selected administrative activities included within the scope of our audit.

BACKGROUND

The Gulf Coast Economic Corridor Act¹ (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.²

State law³ specifies that 75 percent of the funds received by the State pursuant to the settlement agreement⁴ 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).⁵ State law⁶ provides that Triumph administrative costs may not exceed 0.75 percent of the funds released to Triumph and that the annual salary for any employee or contracted staff may not exceed \$130,000 and associated benefits may not exceed 35 percent of salary.

Triumph is authorized⁷ 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 2022, Triumph employed an Executive Director and utilized four independent contractors to carry out Triumph's responsibilities. During the period July 2021 through June 2022, Triumph paid salary and benefit expenses totaling \$417,098.

Pursuant to State law,⁸ 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 manner, including providing public access to information, notice of meetings, awards, and the status of

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

² 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.

³ Section 288.8013(2), Florida Statutes.

⁴ 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.

⁵ 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.

⁶ Section 288.8013(2)(d) and (3), Florida Statutes.

⁷ Section 288.8014(9), Florida Statutes.

⁸ Section 288.8016, Florida Statutes.

projects and programs. State law⁹ 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.¹⁰
- 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.¹¹ State law¹² 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 law¹³ 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 2021 through June 2022, Triumph received 12 *Application for Funds Forms* and approved 8 awards totaling \$78,881,510.

AUDIT RESULTS

Our audit did not disclose any reportable conditions regarding the administration of Triumph project and program awards or selected administrative activities included within the scope of our audit. Nothing came to our attention through our audit procedures to indicate that Triumph controls, as designed and implemented, were not adequate to ensure that Triumph project and program awards and selected administrative activities were properly administered and related laws, rules, and other guidelines were followed. As such, we are not making any recommendations.

⁹ Section 288.8017(1), Florida Statutes.

¹⁰ Section 288.0655(2)(e), Florida Statutes.

¹¹ Section 288.8017(3) and (4), Florida Statutes.

¹² Section 288.8016(3), Florida Statutes.

¹³ Section 288.8017(2), Florida Statutes.

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 July 2022 through December 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 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.
- 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 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. 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, waste, 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, rules, 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 obtain an understanding of Triumph controls and responsibilities for administering awards and managing financial and other administrative activities.
- Inquired of Triumph management regarding whether Triumph made any expenditures or entered into any contracts under the authority granted by an applicable state of emergency declaration during the period July 2021 through June 2022.
- From the population of 28 pre-applications for awards submitted to Triumph during the period July 2021 through June 2022, examined Triumph records for 12 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, reviewed Triumph policies and procedures, and examined Triumph records 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 12 applications for awards received by Triumph during the period July 2021 through June 2022, examined Triumph records for 7 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 seven applications for awards, totaling \$54,837,125, approved by the Board to enter into term sheet negotiations during the period July 2021 through June 2022 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 eight award agreements, totaling \$78,881,510, executed by Triumph during the period July 2021 through June 2022 to determine whether Triumph included in the award agreements the provisions specified in Section 288.8017, Florida Statutes.
- From the population of 48 award agreements, totaling \$348,010,907, subject to Triumph monitoring during the period July 2021 through June 2022, examined Triumph records for 18 selected award agreements, totaling \$262,982,008, to determine whether Triumph effectively monitored awardee compliance with award agreement terms and conditions.

- 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 2021 through June 2022 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 2021 through June 2022 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 applicable Board members to determine whether Triumph had established adequate processes to ensure that all parties filed disclosures of financial interests by July 1, 2022, in accordance with Section 112.3145, Florida Statutes.
- From the population of 17 general expenses, totaling \$1,870, incurred during the period July 2021 through June 2022 and not paid with a purchasing card, examined Triumph records for 9 selected general expenses totaling \$1,328, to determine whether the expenses were appropriately supported, approved, and timely and accurately recorded to Triumph financial records.
- From the population of 22 travel expenses, totaling \$3,239, incurred during the period July 2021 through June 2022, examined Triumph records for 11 selected travel expenses, totaling \$2,144, to determine whether the travel expenses complied with applicable provisions of State law and were timely and accurately recorded to Triumph financial records.
- From the population of 29 administrative contracts with expenditures totaling \$808,308, active at some point during the period July 2021 through June 2022, selected 7 administrative contracts with expenditures totaling \$464,251 and examined Triumph records to determine whether the 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 2021 through June 2022.
- 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 2022, 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. During the period July 2021 through June 2022, purchasing card charges totaled \$6,628 and, as of June 30, 2022, Triumph had one active purchasing card.
 - The assignment and use of mobile devices with related costs totaling \$2,700 during the period July 2021 through June 2022.
 - The acquisition and management of real property leases in accordance with Triumph policies and procedures. As of June 30, 2022, Triumph was responsible for one real property lease.
- 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 the views of management concerning the conclusions in this report. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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

Triumph management concurred with the audit results.