

Report No. 2024-112  
January 2024

**STATE OF FLORIDA AUDITOR GENERAL**

Operational Audit

**SOUTHWEST FLORIDA  
WATER MANAGEMENT DISTRICT**



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

During the period October 2021 through March 2023, Brian J. Armstrong served as Executive Director and the following individuals served as Southwest Florida Water Management District Board Members:

Joel A. Schleicher, Chair from 6-21-22,  
Vice Chair through 6-20-22  
Elijah D. "Ed" Armstrong, Vice Chair from 6-21-22,  
Treasurer through 6-20-22  
Kelly S. Rice, Chair through 6-20-22  
Michelle D. Williamson, Secretary from 10-19-21 <sup>a</sup>  
John R. Mitten, Treasurer from 6-21-22  
Ashley B. Barnett  
Paul J. "Jack" Bispham  
John E. Hall  
William Hogarth through 11-5-22 <sup>b</sup>  
James W. Holton from 2-17-23 <sup>b</sup>  
Dustin Rowland from 2-17-23 <sup>c</sup>  
Robert G. Stern from 2-17-23 <sup>d</sup>  
Seth Weightman through 11-15-22 <sup>c</sup>

<sup>a</sup> Secretary position vacant through 10-18-21.

<sup>b</sup> Member position vacant 11-6-22, through 2-16-23.

<sup>c</sup> Member position vacant 11-16-22, through 2-16-23.

<sup>d</sup> Member position vacant through 2-16-23.

Note: Two Member positions were vacant during the entire period.

The team leader was Gina M. Bailey, CPA, and the audit was supervised by Hector J. Quevedo, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at [jaimehoelscher@aud.state.fl.us](mailto:jaimehoelscher@aud.state.fl.us) or by telephone at (850) 412-2868.

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# SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT

## SUMMARY

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This operational audit of the Southwest Florida Water Management District (District) focused on selected District processes and administrative activities. Our operational audit disclosed the following:

**Finding 1:** District security measures over buildings, facilities, and structures could be enhanced.

**Finding 2:** District controls over revenue collections could be improved.

## BACKGROUND

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The Southwest Florida Water Management District (District) protects and manages water resources in a sustainable manner for the continued welfare of the citizens across the 16 counties it serves. The District is one of five water management districts created under the Florida Water Resources Act of 1972<sup>1</sup> and includes all or part of Charlotte, Citrus, Desoto, Hardee, Hernando, Highlands, Hillsborough, Lake, Levy, Pinellas, Manatee, Marion, Pasco, Polk, Sarasota, and Sumter Counties. Governance lies with a 13-member Board which consists of 9 representatives from the District's five designated geographic areas and 4 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

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### Finding 1: Risk Assessment and Security Plan

State law<sup>2</sup> requires a water management district that has structures or facilities identified as critical infrastructure by the Regional Domestic Security Task Force, created pursuant to State law,<sup>3</sup> to conduct a fingerprint-based criminal history check every 5 years for any current or prospective employee and other persons designated pursuant to the water management district's security plan if those persons are allowed regular access to restricted access areas defined in the water management district's security plan. State law also authorizes districts with structures or facilities that are not identified as critical infrastructure by the Task Force to conduct the criminal history checks for any current or prospective employee and other persons allowed regular access to restricted access areas defined in the district's security plan.

Incorporating an enterprise perspective into day-to-day governance actions helps District personnel identify and understand the greatest security risk exposures and determine whether planned controls are appropriate and adequate to secure buildings, facilities, and structures from unauthorized modification or destruction. To help identify security risk exposures, it is important to ensure District personnel conduct

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<sup>1</sup> Chapter 373, Florida Statutes.

<sup>2</sup> Section 373.6055, Florida Statutes.

<sup>3</sup> Section 943.0312, Florida Statutes.

a District risk assessment to consider and document specific threats and vulnerabilities, and the severity of such threats and vulnerabilities, at District infrastructure levels and the range of risks that District infrastructures may be subject to, including those posed by internal and external users.

Through a properly conducted risk assessment, District management can establish cost-effective measures in a security plan to mitigate risk associated with District infrastructures and, where appropriate, to formally accept residual risk. Protective measures in the plan may include perimeter protection, access control, as well as electronic surveillance and alarms. Security awareness training and regular inspections will also be an important component of overall protection in the plan for all facilities and structures. Other security measures in the plan should include the designation of the District personnel positions that should be subject to periodic fingerprint-based criminal history checks.

According to Regional Domestic Security Task Force personnel, no documentation specifically calls out any of the District's facilities as "critical" from the perspective of the Task Force. However, the Task Force also indicated that all the water and water control structures within the District's area of responsibility are considered infrastructure with their criticality determined by the local agencies and population served.

At the time of our initial inquiry in April 2023, the District had 12 information technology (IT) personnel and the personnel were responsible for the security of the IT system and the operation and maintenance of the District's network and applications. Although District records did not identify the personnel positions that should be subject to periodic criminal history checks, criminal history checks were conducted for all 12 IT personnel upon their initial employment. However, only 3 had been hired in the past 5 years and 6 to 29 years had elapsed since the background checks for the other 9 IT personnel. Subsequent to our inquiry, in May 2023, the District conducted criminal history checks on the 9 IT personnel and the results of the criminal history checks did not disclose any unsuitable backgrounds.

District personnel indicated that mitigating controls had been implemented to address accidental, intentional, or potential maloperation of restricted areas, including continuous network water level and gate movement monitoring and security cameras at remotely operated sites. Notwithstanding, District personnel indicated that, since the Task Force did not identify any District structures or facilities as critical infrastructure, a risk assessment and security plan were not required and criminal history checks were not required by State law. Although we requested, District records were not provided to document consideration of conducting risk assessments or establishing a security plan to identify critical infrastructure restricted access areas and those who should be subject to periodic employee criminal history checks.

Documented risk assessments and a security plan to help identify critical infrastructure and related security risk exposures would provide additional assurance that the District identified all likely threats and vulnerabilities, addressed the most significant risks, and made appropriate decisions regarding the risks to accept and other risks to mitigate through appropriate controls. In addition, without periodic criminal history checks, the risk is increased for individuals with unsuitable backgrounds to have access to restricted access areas and for those areas to be compromised.

**Recommendation: The District should document a risk assessment to help identify critical infrastructure and related security risk threats and vulnerabilities, address the most significant risks, and make appropriate decisions regarding the risks to accept and other risks to mitigate through appropriate controls. Based on the results of the risk assessment, the District should**

**establish a security plan identifying all building, facility, and structure restricted access areas and require current and prospective employees and other persons allowed regular access to those areas to undergo fingerprint-based criminal history checks at least once every 5 years. If District management concludes, based on the risk assessment, that critical infrastructure does not exist and that the plan and criminal history checks are not warranted, justification for not establishing the plan and conducting criminal history checks should be documented.**

## **Finding 2: Revenue Collections**

Ad valorem property tax collections are the District's main source of revenue and are received by wire transfer to the District from the 16 counties served by the District. In addition, the District directly collects environmental resource, water use and well construction permit, easement inspection, and other fees at the District headquarters and three service office locations. Effective controls over the fee collections require an employee at the point of collection to sufficiently document the collections, including the payor and related collection amounts. Such controls should also separate the incompatible duties of listing initial collections, recording collections in the accounting system, and making bank deposits. If a sufficient number of staff are unavailable to separate duties, compensating controls such as independent reconciliations of deposits to District-issued permits, inspection reports, and other source documents are necessary.

From October 2021 through March 2023, District personnel recorded receipts totaling \$244 million, including \$239 million received by wire transfer and \$5 million (2 percent) directly received at a District office. To evaluate District collection controls, we examined District records supporting 30 selected collections totaling \$5.9 million, including 17 collections totaling \$33,042 in checks and a money order received at a District office. For the 17 collections we found that:

- For 10 collections totaling \$11,469, one employee in each of the three District service offices had the incompatible duties of listing initial collections, recording collections in the accounting system, and making bank deposits.
- For the other 7 collections totaling \$21,573, which were received at the District headquarters, no one listed the initial collections, and one employee had the incompatible duties of recording collections in the accounting system and making bank deposits.

In response to our inquiries, District personnel indicated that controls did not exist to compensate for these deficiencies which were caused by staff limitations. Notwithstanding, when no one lists initial collections and an employee has the sole responsibility of two or more conflicting tasks without the benefit of compensating controls, there is an increased risk for fraud or errors to occur without timely detection.

**Recommendation: District collection procedures should be enhanced to document initial collections and appropriately separate incompatible duties. If a sufficient number of staff at any of the District office locations is unavailable to appropriately separate the duties, the District should ensure that compensating controls exist.**

## ***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>4</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 April through October 2023 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, rules, regulations, 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 safeguarding of assets, and identify weaknesses in those 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 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 October 2021 through March 2023, and selected District actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these transactions

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<sup>4</sup> Section 11.45(2)(f), Florida Statutes.

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 applicable laws, rules, Board policies, District procedures, and other guidelines, and interviewed District personnel to obtain an understanding of applicable processes and administrative activities and the related requirements.
- Reviewed Board information technology (IT) policies and District procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, logging and monitoring, system backups, and disaster recovery.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. We examined selected user access privileges to District enterprise resource planning (ERP) system finance application to determine the appropriateness and necessity of the access privileges based on employee job duties and user account functions and whether the access privileges prevented the performance of incompatible duties. We also examined the administrator account access privileges granted and procedures for oversight of administrative accounts for the application to determine whether these accounts had been appropriately assigned and managed. Specifically, we:
  - Reviewed 27 of the 50 approval role access privileges to selected critical ERP system finance application functions resulting in the review of the appropriateness of approval privileges granted for 461 accounts.
  - Reviewed 26 of the 97 security role access privileges to selected critical ERP system application functions resulting in the review of the appropriateness of security privileges granted for 34 accounts.
- Evaluated the effectiveness of Board policies and District procedures related to identifying potential conflicts of interest. We also searched the State of Florida, Division of Corporations, records; statements of financial interests; and District records to determine whether conflicts of interest existed among District employees during the audit period.
- Determined whether the District had established a comprehensive IT risk assessment to document the District's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether an adequate, comprehensive IT security awareness and training program was in place.
- Determined whether the District established a security plan that identified critical buildings, facilities, or structures as restricted access areas and whether fingerprint-based criminal history checks were conducted for current or prospective employees and other persons allowed regular access to restricted access areas.
- 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.

- Inquired whether the District had expenditures or entered into any contracts under the authority granted by a state of emergency declared or renewed during the audit period.
- Reviewed the District administratively assigned duties and responsibilities and examined documentation such as organizational charts and minutes of Board meetings to determine whether the District complied with Section 373.079, Florida Statutes.
- Examined District records to determine whether statutorily required positions had been established for a District Ombudsman, Inspector General, Board Secretary, and Board Treasurer. We also examined District records to determine whether Board members met the residency and experience requirements of Section 373.073(2), Florida Statutes.
- From the population of 144 investment account and 54 bank account reconciliations for our audit period, examined documentation supporting 8 investment account and 3 bank account reconciliations to determine whether the reconciliations were timely, complete, and evidenced supervisory review and approval.
- Evaluated District procedures for periodically reviewing District banking agreements, the reasonableness of the agreement term, 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.
- From the population of three land purchases totaling \$20.2 million during the audit period, examined District records supporting a selected land purchase totaling \$13.8 million to determine whether the District complied with applicable laws, rules, regulations, Board policies, and District procedures, and other guidelines associated with the transaction.
- From the population of 61 land disposals totaling \$7.1 million during the audit period, examined District records supporting 5 selected land dispositions with a total value of \$4.8 million to determine if the land was disposed in accordance with applicable laws, rules, regulations, and Board policies.
- From the population of 12 significant capital projects with expenditures totaling \$ 6.7 million during the audit period, examined District records supporting 2 selected construction projects with expenditures totaling \$3.3 million to determine whether the architects, engineers, and construction managers were properly selected in accordance with applicable laws, rules, regulations, and other guidelines. We also examined District records to evaluate the effectiveness of monitoring subcontractor licensure verification.
- Evaluated District procedures for identifying and inventorying attractive items and, from a population of attractive items purchased during the audit period with acquisition costs totaling \$1.2 million, examined District records for 7 selected attractive items with acquisition costs totaling \$70,143 to ensure that District procedures had been appropriately implemented.
- Evaluated Board policies and District procedures supporting revenue collections. Specifically, from the population of 2,902 receipts totaling \$244 million, examined District records supporting 30 selected collections totaling \$5.9 million, including 17 collections totaling \$33,042 received by check or money order at the District headquarters and three service office locations.
- From the population of 1,341 permit applications with fees totaling \$1.6 million, examined District records supporting 30 selected permits with fees totaling \$52,428 to determine whether the fees were collected, and permits were issued, in accordance with applicable laws, rules, Board policies, and District procedures.
- From the population of salary payments totaling \$55 million to 724 employees during the audit period, examined District records supporting salary payments totaling \$238,974 to 30 selected



employees to determine whether regular compensation, overtime, and terminal leave payments were made in accordance with applicable laws, rules, Board policies, District procedures, and other guidelines.

- From the population of general expenditures totaling \$186.3 million to 1,646 vendors, examined District records supporting 30 selected general expenditures totaling \$11.3 million to determine whether the expenditures were made in accordance with applicable laws, rules, Board policies, and District procedures and were properly supported and authorized.
- From the population of contracted services expenditures totaling \$21.4 million during the audit period to 247 contractors, examined District records supporting 30 selected expenditures totaling \$5.8 million to determine whether contracted services and related expenditures were made in accordance with applicable laws, rules, Board policies, and District procedures.
- From the population of 323 purchasing cards (P-cards) with expenditures totaling \$2.6 million during the audit period, examined District records supporting 30 selected P-card transactions totaling \$72,042 to determine whether P-card purchases were made in accordance with applicable laws, rules, Board policies, and District procedures.
- From the population of travel expenditures totaling \$410,629 during the audit period, examined District records supporting 30 selected travel expenditures totaling \$19,387 to determine whether travel expenditures were made in accordance with applicable laws, rules, Board policies, and District procedures.
- 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**

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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 the first name being the most prominent.

Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE



## Southwest Florida Water Management District

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WaterMatters.org

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**Ed Armstrong**  
Chair, Pinellas  
**Michelle Williamson**  
Vice Chair, Hillsborough  
**John Milton**  
Secretary, Hernando, Marion  
**Jack Blapham**  
Treasurer, Manatee  
**Kelly S. Rice**  
Former Chair, Citrus, Lake,  
Levy, Sumter  
**Joel Schleicher**  
Former Chair, Charlotte,  
Sarasota  
**Ashley Bell Barnett**  
Polk  
**John Hall**  
Polk  
**James Holton**  
Pinellas  
**Dustin Rowland**  
Pasco  
**Robert Stern**  
Hillsborough  
**Nancy Watkins**  
Hillsborough, Pinellas  
**Brian J. Armstrong, P.E.**  
Executive Director

January 18, 2024

Ms. Sherrill F. Norman, C.P.A., Auditor General  
Claude Denson Pepper Building, G74  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

This letter provides the District's written statement of explanation concerning the list of preliminary and tentative audit findings and recommendations included with your letter to the District of December 19, 2023 (preliminary report). It is being provided in compliance with the requirements of Section 11.45(4)(d), Florida Statutes. The operational audit of the Southwest Florida Water Management District for the period of October 2021 through March 2023 completed by your office resulted in 2 tentative audit findings. The findings are addressed in the order that they appear in your preliminary report.

Finding No. 1: To address this finding, the District will perform a risk assessment to help identify critical infrastructure and related security risk threats and vulnerabilities. The results of the risk assessment will be used to help the District make decisions regarding risk exposure and the establishment of appropriate mitigating controls.

Finding No. 2: The District implemented procedures in October 2023 to address this finding. The procedures include documenting initial collections and establishing additional compensating controls over fee collections, recording of collections, and making deposits. The District will maintain a log (at all District service offices) of incoming checks and cash (listing all collections). The collections will be logged by someone other than the cashier who receipts and deposits the funds. At least once per day, an accountant will review a cash receipts report to confirm that all collections logged were recorded in the cash receipts system and deposited by the cashier.

The District's Inspector General is responsible for monitoring the implementation of the District's response to any operational audit. The Inspector General will ensure the District complies with both statutory and policy requirements.

Thank you for your time and effort.

Sincerely,

E.D. Armstrong III  
Governing Board Chair