

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2025-015
September 2024

**NORTHWEST FLORIDA
WATER MANAGEMENT DISTRICT**



Sherrill F. Norman, CPA
Auditor General

Board Members and Executive Director

During the period January 2023 through December 2023, Lyle Seigler served as Executive Director and the following individuals served as Northwest Florida Water Management District Board Members:

	<u>Service Area</u>
George A. Roberts, Chair	Basin III
Jerry K. Pate, Vice Chair	Basin I
Nick J. Patronis, Secretary/Treasurer	At-Large
John W. Alter	Basin IV
Angus G. "Gus" Andrews	Basin II
Ted S. Everett	At-Large
Kellie R. Ralston	Basin V
Anna H. Upton	At-Large

Note: One at-large member position was vacant for the entire period.

The team leader was Adeyemi Olaogun, CPA, and the audit was supervised by Gina M. Bailey, CPA, CFE, CISA.

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

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

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

NORTHWEST FLORIDA WATER MANAGEMENT DISTRICT

SUMMARY

This operational audit of the Northwest Florida Water Management District (District) focused on selected District processes and administrative activities and included a follow-up on a finding noted in our report No. 2022-201. Our operational audit disclosed the following:

Finding 1: District controls over the Agricultural Cost-Share Program and related disbursements could be improved.

BACKGROUND

The Northwest Florida 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 16 counties served by the District. The District is one of five water management districts created by the Water Resources Act of 1972 and includes Bay, Calhoun, Escambia, Franklin, Gadsden, Gulf, Holmes, Jackson, Leon, Liberty, Okaloosa, Santa Rosa, Wakulla, Walton, and Washington Counties, and a part of Jefferson County. 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.

FINDING AND RECOMMENDATION

Finding 1: Agricultural Cost-Share Program

State law¹ encourages the District to enter public-private partnerships to accomplish water storage, groundwater recharge, and water quality improvements on private agricultural lands. In December 2013, the District established the Agricultural Cost-Share Program (Program) to offer District funding assistance to agricultural producers and to accept and administer funding from the Florida Department of Environmental Protection (FDEP) to implement projects that increase irrigation efficiency, implement water conservation practices, and assist with nutrient management technology through the implementation of best management practices (BMPs).

The District provided Program funding for projects in four areas such as the Jackson Blue Spring/Merrit's Mill Pond Groundwater Contribution Area Agricultural BMP Area. Eligible projects within that area could receive Program funding for various allowable cost-share purchases. For example, costs of generally up

¹ Section 373.4591, Florida Statutes.

to 75 percent, with a maximum of \$56,250,² could be reimbursed per producer³ for certain irrigation system retrofits, control panel and pump bowl upgrades, sensor technology, and other eligible farming equipment and service purchases. To help administer the cost-share funds to eligible applicants, the District established Program policies and procedures⁴ that require:

- Producers to complete an application requesting partial cost reimbursements for purchases relating to certain equipment or services. District personnel indicated that, while the application initiates communication with the District, District follow-up communication with applicants can identify information not listed on the application, such as information about other equipment or service purchases that may qualify for reimbursement without an application.
- After District personnel verify that the applicant has purchased qualifying equipment or services and before District disbursements are made, producers to provide the employer's identification (ID) number or individual's social security number, property tax ID number, and Notice of Intent to Implement the BMPs (NOI).⁵
- Applicants to enroll in a BMP program with the Florida Department of Agriculture and Consumer Services (FDACS).

District procedures also require the Agricultural Assistance Team to determine whether the applicant's NOI corresponds with the listed parcel on the FDACS Web site. Before cost-share funds are disbursed, District staff and the applicant sign an applicant agreement certifying that the applicant owns or leases the parcel and identifying the applicant's property tax ID number, NOI number, address, and telephone number.

For the 2023 calendar year, the District made 43 Program fund disbursements totaling \$967,053. As part of our audit, we requested and examined District records supporting 19 selected disbursements totaling \$608,949 to evaluate the District's administration of the Program. We found that two individuals received Program funds totaling \$112,500, which partially reimbursed one individual for a no-till drill⁶ and the other individual for a ripper roller.⁷ However, the applicable applicant agreements referenced the same parcel, property tax ID number, NOI number, address, and telephone number, and each individual certified that they either owned or leased the same parcel.

In response to our inquiry, FDACS staff indicated that the two individuals were family members who were listed as authorized agents on the NOI which was established by a producer who was another member of the family. District personnel indicated that applications only initiate the eligibility determination process and that, since the two individuals were separate legal entities, each was eligible for

² The District may reimburse costs above the \$56,250 maximum if the FDEP and District waive the reimbursement maximum after eligible participants are identified and reimbursed and Program funds remain.

³ Department of Agriculture and Consumer Services Rule 5M-1.001(8), Florida Administrative Code, defines the producer as any person or other legal entity engaged in agriculture, including any and all forms of farm products and farm production. FDACS rules were applicable as the District required Program applicants be enrolled in a FDACS BMP program.

⁴ *Jackson Blue Spring and Chipola Groundwater Contribution Areas Grant Funding Programs*.

⁵ The NOI is required to be submitted to the FDACS to demonstrate that the applicant intends to enroll in and implement the requirements of the BMP program and the FDACS assigns a number to the NOI document.

⁶ A no-till drill is a farming tool used to plant cover crops with minimal soil disturbance with the intent to reduce wind and water erosion of the soil.

⁷ A ripper roller is a farming tool used as a conservation tillage alternative. The tool "rolls" down the cover crop and then "rips" the ground with minimal soil disturbance while reducing soil compaction.

reimbursement. In addition, District personnel provided correspondence that confirmed the FDEP approved this practice. Notwithstanding the FDEP's approval, allowing individual family members to obtain program funding for equipment use on the same parcel provides more funding for family operations than for other producers who may not be aware of this practice.

Although using Program funds to reimburse multiple family members within the same family operation for the cost-share of equipment used on the same parcel may be an allowable practice, District policies and procedures did not effectively communicate that practice so that all individuals within family operations could apply for and receive reimbursements. Without effective communication, Program funding may not be equitably distributed as other producers may be unaware of the practice and miss the opportunity to have their family members included in their farming operation and obtain reimbursement for eligible cost-share purchases.

Recommendation: The District should improve procedures to ensure that all producers are equally informed of their opportunities to obtain Program funding when multiple family members are part of the farming operation. Such information should be clarified in Program documents and communicated to the public through the District Web site or other means.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the finding included in our report No. 2022-201.

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 law⁸ 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 2024 through May 2024 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

⁸ Section 11.45(2)(f), Florida Statutes.

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 January 2023 through December 2023, and selected District actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions 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.
- 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.
- Examined Board, committee, and advisory board meeting minutes during the audit period to determine whether District records evidenced compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).

- Evaluated Board directives and the District *Procedures Manual* relating to major District functions such as conflict of interest disclosure, internal audit function, 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.
- Examined District records to determine whether the District had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals.
- 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.
- Reviewed the administratively assigned District 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.
- Examined District records supporting the 11 land purchase transactions totaling \$422,707 during the audit period to determine whether the District complied with applicable laws, rules, regulations, Board policies, District procedures, and other guidelines associated with the transactions.
- Examined District records supporting the land disposal transactions totaling \$17,000 during the audit period to determine whether the District complied with applicable laws, rules, regulations, Board policies, District procedures, and other guidelines associated with the transactions.
- Reviewed the District land management plan to determine whether the District complied with Sections 253.034(5) and 373.591, Florida Statutes.
- 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 \$90,563, examined District records for 10 selected attractive items with acquisition costs totaling \$29,125 to determine whether the District maintained appropriate control over the items.
- Evaluated Board policies governing and District controls over revenue collections. Specifically, from the population of 1,234 receipts totaling \$30 million, examined District records supporting 30 selected collections totaling \$10.8 million.
- From the population of 5,858 permit applications with fees totaling \$692,110, examined District records supporting 35 selected permits with fees totaling \$25,170 to determine whether the fees were collected, and permits were issued, in accordance with applicable laws, rules, Board policies, and District procedures.
- Evaluated District controls over the District Agricultural Cost-Share Program to determine whether the District complied with Section 373.707, Florida Statutes; Department of Agriculture and Consumer Services Rule 5M-12.005, Florida Administrative Code; and District procedures.
- From the 43 District Agricultural Cost-Share Program disbursements totaling \$967,053 made during the audit period, requested for examination District records supporting 19 selected disbursements totaling \$608,949 to determine whether the District properly administered the Program.

- Examined severance pay provisions in employee contracts to determine whether the provisions complied with Section 215.425(4)(a), Florida Statutes.
- Examined District records supporting the 14 new hires during the audit period to determine whether personnel records evidenced that the employees had the necessary qualifications, degrees, and experience based on their position descriptions.
- From the population of compensation payments totaling \$6.5 million to 115 employees during the audit period, examined District records supporting compensation payments totaling \$91,913 to 30 selected employees to determine whether regular compensation, overtime, and terminal leave payments were made in accordance with applicable laws, Board policies, District procedures, and other guidelines.
- Examined purchasing card (P-card) records for the 4 cardholders who separated from District employment during the audit period to determine whether the District promptly canceled the P-cards.
- From the population of 75 employees who received bonus payments totaling \$119,725 during the audit period, examined District records for 10 selected employees who received bonus payments totaling \$15,907 to determine whether the payments complied with Section 215.425(3), 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, 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 the first name being the most prominent.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Lyle Seigler
Executive Director

Northwest Florida Water Management District

81 Water Management Drive, Havana, Florida 32333-4712
(U.S. Highway 90, 10 miles west of Tallahassee)

Phone: (850) 539-5999 • Fax: (850) 539-2777

Submitted electronically to: flaudgen_audrpt_water_mgt@aud.state.fl.us

September 6, 2024

Ms. Sherill F. Norman, C.P.A.
State of Florida Auditor General
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399

Dear Ms. Norman:

Thank you for the opportunity to review the preliminary and tentative findings of the Auditor General's operational audit of the Northwest Florida Water Management District. Pursuant to Section 11.45(4)(d), Florida Statutes, below is the Northwest Florida Water Management District's response to the preliminary and tentative audit finding and recommendation.

Auditor General Finding 1: District controls over the Agricultural Cost-Share Program and related disbursements could be improved.

Auditor General Recommendation: The District should improve procedures to ensure that all producers are equally informed of their opportunities to obtain Program funding when multiple family members are part of the farming operation. Such information should be clarified in Program documents and communicated to the public through the District Web site or other means.

District Response: The District has made improvements to program processes over the past year. These include improved documentation and document management, as well as enhanced program operations and outreach. The District conducts numerous types of communication and outreach efforts to inform Agricultural producers of the program and its requirements. The District will continue those program improvements and outreach efforts.

If you have any questions or if we can provide additional information that can assist you, please do not hesitate to contact Paul Thorpe, Division of Resource Management Director or Jack Furney, Division of Administrative Services Director at (850) 539-5999.

Sincerely,

A handwritten signature in blue ink that reads "Lyle Seigler".

Lyle Seigler
Executive Director

GEORGE ROBERTS
Chair
Panama City

JERRY PATE
Vice Chair
Pensacola

NICK PATRONIS
Secretary
Panama City

JOHN W. ALTER
Malone

GUS ANDREWS
DeFuniak Springs

TED EVERETT
Chipley

KELLIE RALSTON
Tallahassee

ANNA UPTON
Tallahassee