

Report No. 2025-036  
October 2024

**STATE OF FLORIDA AUDITOR GENERAL**

Operational Audit

**ST. JOHNS RIVER  
WATER MANAGEMENT DISTRICT**



Sherrill F. Norman, CPA  
Auditor General

## Board Members and Executive Director

During the period January 2023 through December 2023, Michael Register served as Executive Director and the following individuals served as St. Johns River Water Management District Board Members:

	<u>Service Area</u>
Robert Bradley, Chairman	Area 2
Maryam Ghyabi-White, Vice Chair	At Large
Ronald Howse, Treasurer	At Large
Jon C. Peterson, Secretary	Area 4
Douglas Burnett	At Large
Douglas C. Bournique	Area 5
Janet Price	Area 1
Ryan Atwood	Area 3
Cole Oliver	At Large

The team leader was Daniel O'Donnell, CPA, and the audit was supervised by Ivo Njabe, 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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# ST. JOHNS RIVER WATER MANAGEMENT DISTRICT

## SUMMARY

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This operational audit of the St. Johns River Water Management District (District) focused on selected District processes and administrative activities and included a follow-up on the findings noted in our report No. 2022-194. Our operational audit disclosed the following:

**Finding 1:** District controls need improvement to ensure that purchasing cards are promptly canceled upon a cardholder's employment termination.

## BACKGROUND

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Established in 1972, the St. Johns River Water Management District protects and manages water resources in a sustainable manner for the continued welfare of the citizens across the 18 counties it serves. The District is one of five water management districts created under the Water Resources Act of 1972<sup>1</sup> and includes all or part of Alachua, Baker, Bradford, Brevard, Clay, Duval, Flagler, Indian River, Lake, Marion, Nassau, Okeechobee, Orange, Osceola, Putnam, Seminole, St. Johns, and Volusia Counties. The District encompasses 12,283 square miles, or about 23 percent of the State's total land area. Governance lies with a nine-member board consisting of one representative from each of the District's five designated geographic areas and four at-large members. 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

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### Finding 1: Purchasing Cards

The District administers a purchasing card (P-card) program that gives employees the convenience of purchasing items without using the standard purchase order process. The P-card program is designed to provide a cost-effective, convenient, and decentralized method for authorized individuals to make certain business purchases on behalf of the District.

Board policies<sup>2</sup> require cardholders who terminate employment to return P-cards to the District and the District to cancel the P-cards on the date of employment termination. According to District personnel, the P-card administrator is responsible for monitoring P-card issuance, use, and training and, upon notification by the Human Resources Department, the P-card administrator must promptly cancel the P-cards of cardholders who terminate employment.

For the 2023 calendar year, District P-card expenditures totaled \$906,157 and, at the end of that year, 222 P-cards were in use. To determine whether applicable P-cards were promptly canceled, we examined District records for the 14 cardholders who terminated employment and found that 7 P-cards

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

<sup>2</sup> District Administrative Directive 351 - *Purchasing Card Procedures*.

were not canceled until 7 to 96, or an average of 40, days after the cardholders' employment termination dates. According to District personnel, the P-card administrator was timely notified of the employment terminations but did not always cancel P-cards promptly as required.

Although our examination of District records did not disclose any inappropriate charges using the P-cards of the 7 individuals with untimely P-card cancellations, prompt cancellation of P-cards upon employment termination reduces the risk for P-card misuse.

**Recommendation:** The District should enhance procedures to ensure that P-cards are canceled upon a cardholder's employment termination.

## ***PRIOR AUDIT FOLLOW-UP***

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The District had taken corrective actions for the findings included in our report No. 2022-194.

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

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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>3</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 March 2024 through August 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 efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2022-194.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

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<sup>3</sup> Section 11.45(2)(f), 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:

- 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.
- Reviewed the District administratively assigned duties and responsibilities and examined documentation such as organization charts and minutes of Board meetings to determine whether the District complied with Section 373.079, Florida Statutes.
- Reviewed the 2024-2028 fiscal years strategic plan to verify that the District had a plan for their short-term and long-term operations.
- Evaluated District Inspector General policies and procedures for compliance with Section 20.055, Florida Statutes, and Internal Auditing Standards.
- 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.

- 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 interests existed among District employees during the audit period.
- From the 36 bank and investment account reconciliations for the audit period, examined District records supporting 9 selected reconciliations, including 3 monthly account reconciliations for one bank account and two investment accounts, to determine whether the reconciliations were timely, complete, and evidenced supervisory review and approval. We also evaluated District procedures for periodically reviewing District banking agreements, the reasonableness of the agreement terms, 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. Also, we evaluated District procedures for allocating interest earnings to the respective District funds.
- From the population of six land purchases totaling \$873,922 during the audit period, examined District records supporting two selected land purchases totaling \$787,162 to determine whether lands were purchased in accordance with Section 373.139, Florida Statutes.
- From the population of four land disposals totaling \$2.14 million during the audit period, examined District records supporting two selected land disposals totaling \$2.13 million to determine whether lands were disposed in accordance with Section 373.089, Florida Statutes.
- From the population of 31 capital projects with expenditures totaling \$33.8 million during the audit period, examined District records supporting 1 selected project with estimated expenditures totaling \$14.4 million to determine whether the architects, engineers, and contractors were properly selected pursuant to Section 287.055, Florida Statutes, and the plans and specifications were properly reviewed and approved by the Board in compliance with Board policies.
- Evaluated District procedures for identifying and inventorying attractive items pursuant to Florida Department of Financial Services (FDFS) Rule Chapter 69I-73, Florida Administrative Code. From the population of 1,079 attractive items purchased during the audit period with acquisition costs totaling \$2.2 million, we examined District records for 20 selected attractive items with acquisition costs totaling \$222,903 to determine whether District procedures ensured compliance with FDFS rules.
- Evaluated Board policies and District procedures relating to revenue cash collections. Specifically, from the population of 4,485 cash collections totaling \$106 million, we examined District records supporting 30 selected collections totaling \$7.3 million for accuracy of amounts collected and documentation fixing responsibility for initial collections and transfers.
- From the population of 3,280 permit applications with fees totaling \$3 million, examined District records supporting 30 selected permits with fees totaling \$270,815 to assess the accuracy of the fees and determine whether the permits were properly authorized and reviewed prior to issuance.
- From the population of 87 new hires during the audit period, examined District records for 30 selected employees 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 salary payments totaling \$36.3 million to 576 employees during the audit period, examined District records supporting salary payments totaling \$119,230 to 40 selected employees to determine whether the rate of pay complied with the Board-approved salary schedule .
- Evaluated the District purchasing card (P-card) program to determine whether the program was administered in accordance with Board policies and District procedures. Specifically, we:

- Examined District records for the 22 employees issued P-cards during the audit period to determine whether the employees accepted the P-cards and related usage terms.
- From the population of 7,417 P-card transactions totaling \$906,157, examined District records supporting 30 selected transactions totaling \$55,839 to determine whether the expenditures were reasonable, properly authorized and approved, correctly recorded, adequately documented, and were for a valid District purpose.
- Examined P-card records for the 14 employees who separated from District employment during the audit period to determine whether the P-cards were timely canceled upon the cardholder's employment separation.
- For the population of 221 cardholders as of December 2023, examined District records to determine whether the established card limits were reasonable based upon the cardholders' job responsibilities.
- Determined whether non-compensation expenditures were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State laws, contract terms, and Board policies; and applicable vendors were properly selected. Specifically, from the population of 15,231 non-compensation expenditures totaling \$92 million for the period January 2023 through December 2023, we examined documentation supporting 30 payments for general expenditures totaling \$3.6 million.
- Evaluated District competitive bidding procedures and examined documentation supporting 30 contracts totaling \$11.2 million selected from the population of 304 contracts totaling \$168 million in effect during the audit period to determine whether goods and services were acquired in accordance with contract terms and evaluate the effectiveness of District controls over contracted services and the related payments.
- From the 51 District Agricultural Cost-Share Program active contracts totaling \$5.1 million during the audit period, examined District records supporting 20 selected contracts totaling \$2.5 million to determine whether the District properly administered the Program.
- From the 54 District Non-Agricultural Cost-Share Program active contracts totaling \$57.2 million during the audit period, examined District records supporting 20 active contracts totaling \$37.2 million to determine whether the District properly administered the Program.
- Evaluated District controls over the District Agricultural Cost-Share and Non-Agricultural Cost Share Programs to determine whether the controls ensured District compliance with Section 373.707, Florida Statutes; Department of Agriculture and Consumer Services Rule 5M-12.005, Florida Administrative Code; and District procedures.
- 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, 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 system finance and human resources (HR) applications 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. Specifically, from the population of 150 employees with access to finance and HR applications, we examined District records supporting the access privileges of 44 selected District personnel to evaluate the propriety of the access privileges granted. We also examined the administrator account access privileges granted and procedures for oversight of administrative accounts for the applications to determine whether these accounts had been appropriately assigned and managed.
- Evaluated District procedures to prohibit former employee access to electronic data files. Specifically, we reviewed selected user access privileges for 18 of the 55 employees who

separated from District employment during the audit period to determine whether the access privileges were timely deactivated.

- Determined whether the District had a comprehensive IT disaster recovery plan in place that was designed properly, operating effectively, and had been recently tested.
- Determined whether an adequate, comprehensive IT security awareness and training program was in place.
- 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 written in a cursive, flowing style.

Sherrill F. Norman, CPA  
Auditor General



# MANAGEMENT'S RESPONSE

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## St. Johns River Water Management District

Michael A. Register, P.E., Executive Director

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October 24, 2024

Ms. Sherrill F. Norman, CPA  
Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, FL 32399-1450

Re: St. Johns River Water Management District's written response to the Preliminary and Tentative Audit Findings for the period January 1, 2023, through December 31, 2023

Dear Ms. Norman:

Thank you for your letter dated September 19, 2024, communicating a list of preliminary and tentative audit findings and recommendations ("Preliminary Audit Findings") arising from the operational audit of the St. Johns River Water Management District (the "District") for the period from January 1, 2022, through December 31, 2023. This letter provides the District's written response concerning the Preliminary Audit Findings.

We would like to express our appreciation to the staff of your Jacksonville office and the professional manner in which they conducted our audit.

Sincerely,

Rob Bradley  
Governing Board Chair

Michael A. Register, P.E.  
Executive Director

cc: Governing Board Members

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### GOVERNING BOARD

Rob Bradley, CHAIR  
FLEMING ISLAND

Ryan Atwood  
MOUNT DORA

Maryam H. Ghyabi-White, VICE CHAIR  
ORMOND BEACH

Doug Bournique  
VERO BEACH

Douglas Burnett  
ST. AUGUSTINE

J. Chris Peterson, SECRETARY  
WINTER PARK

Ron Howse  
COCOA

Cole Oliver, TREASURER  
MERRITT ISLAND

Janet Price  
FERNANDINA BEACH

**Finding No. 1 – Purchasing Cards**

***District Response:*** The District recognized this issue, reassigned the pcard administration duties and established internal processes to ensure the issue was addressed. This issue was brought to the attention of the auditors during the audit.