STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2027-021
August 2026

CITY OF MILTON

Wastewater Treatment Facility Capital Planning and Selected Administrative Activities

Prior Audit Follow-Up

Sherrill F. Norman, CPA
Auditor General

Mayor, Council Members, and City Manager

During the period October 2024 through February 2026, Heather Lindsay served as the City of Milton Mayor, Ed Spears served as the City Manager, and the following individuals served as City Council Members:

	Ward No.	Seat No.
Mike Cusack	I	I
Tom Powers from December 10, 2024 [a]	I	II
Matt Jarrett through December 10, 2024 [a]	I	II
Marilynn Farrow	II	I
Larry McKee from December 10, 2024 [a]	II	II
Roxanne Meiss through December 10, 2024 [a]	II	II
Gavin Hawthorne	III	I
Robert Leek from December 10, 2024 [a]	III	II
Jeff Snow through December 10, 2024 [a]	III	II
Ashley Fretwell from December 10, 2024 [a]	IV	I
Shari Sebastiao through December 10, 2024 [a]	IV	I
Casey Powell	IV	II

[a] Outgoing and incoming Council Members served on the same day.

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The team leader was Barbara J. Sturdivant, CPA, and the audit was supervised by Kenneth C. Danley, CPA.

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

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CITY OF MILTON

Wastewater Treatment Facility Capital Planning and Selected Administrative Activities Prior Audit Follow-Up

SUMMARY

In our operational audit report No. 2025-055 of the City of Milton (City), we noted 11 findings related to wastewater treatment facility capital planning and selected administrative activities. This operational audit focused on the progress that the City had made in addressing the findings and recommendations in report No. 2025-055.

Our audit disclosed that the City had:

- Corrected 5 findings (Findings 2, 3, 4, 5, and 11).
- Partially corrected 6 findings (Findings 1, 6, 7, 8, 9, and 10).

BACKGROUND

The Town of Milton was originally incorporated in 1844 under the Florida Territorial Acts of 1844 and later incorporated as the City of Milton (City) in 1959 under the provisions of Chapter 59-1574, Laws of Florida. The City is located in Santa Rosa County (County), Florida, and had an estimated population of 10,527 as of April 1, 2025.[1]

The City Council is composed of eight elected Council Members and a separately elected Mayor. The Mayor is recognized as the head of City government but does not vote on City Council matters except in the event of a tie. The City Council is responsible for enacting ordinances, resolutions, and policies governing the City, as well as appointing the City Manager, who serves as the chief executive officer and administers all City affairs.

The City provides a variety of services to its citizens and customers in surrounding areas, including public safety, roads and streets, sanitation, natural gas, and water and sewer utility services. For years, the City has considered ways to effectively deal with increased wastewater treatment demands resulting from growth and development. These considerations have included constructing a proposed new wastewater treatment facility (WWTF). In December 2024, the City Council rejected all previously received bids related to the construction of the proposed WWTF, withdrew existing WWTF-related grant applications, and approved a motion to explore redesigning and relocating the proposed WWTF. As of June 2026, the City Council had not decided whether to pursue construction of the proposed WWTF, and the City had not rebid the project.

[1] *Florida Estimates of Population 2025*, Bureau of Economic and Business Research College of Liberal Arts and Sciences University of Florida.

FINDINGS AND RECOMMENDATIONS

Finding 1: Capital Planning

Previously Reported

The City of Milton (City) needed to enhance capital planning policies and complete a comprehensive multi-year capital plan (Capital Plan) that includes the proposed new wastewater treatment facility (WWTF) project.

We recommended that the City Council enhance existing capital planning policies to include all elements recommended by the Government Finance Officers Association (GFOA) and prepare and approve a comprehensive, fiscally sustainable, multi-year Capital Plan that includes proposed projects, including the proposed new WWTF project.

Result of Follow-Up Procedures

The City partially corrected this finding. As of June 2026, the City Council had not adopted a new Capital Plan since the prior audit. However, City personnel had prepared a draft of City capital planning goals, objectives, and policies that include the elements recommended by the GFOA and indicated that the draft will be included in the City's next comprehensive plan[2] adopted by the City Council. Absent a comprehensive multi-year Capital Plan, there is an increased risk that the City may not effectively plan for and fund future capital projects, and critical projects, such as the proposed new WWTF, may be unnecessarily delayed, resulting in increased costs to the City, its citizens, and utility customers.

Recommendation: The City Council should continue its efforts to prepare and approve a comprehensive, multi-year Capital Plan that includes all proposed projects, including the proposed new WWTF should the City Council decide to pursue that construction.

Finding 2: Grant Management Policies and Procedures

Previously Reported

The City had not established grant policies and procedures, which may have resulted in forfeited funding opportunities for the proposed new WWTF project.

We recommended that the City continue efforts to establish City Council approved grant management policies and procedures that address steps to take prior to applying for or accepting grants. Such policies and procedures should include:

- Requirements that the City obtain a detailed understanding of grant terms and conditions, assign responsibility and provide proper training for the specific City personnel carrying out the grant, and ensure that proper resources are available to support the grant.

[2] The comprehensive plan provides the principles, guidelines, standards, and strategies for the orderly balanced future economic, social, physical, environmental, and fiscal development of an area and reflects community commitments to implement the plan and its elements. Section 163.3191, Florida Statutes, requires that at least once every 7 years, a local government evaluate its comprehensive plan to determine if plan amendments are needed.

- Consideration of the City's ability to meet grantor deadlines and ensure that grant terms and conditions are fulfilled should the grant be awarded to the City.
- Steps to ensure that information included in grant pre-applications and applications is verified for accuracy and supported prior to submitting the applications to the grantor.

Result of Follow-Up Procedures

The City corrected this finding. In February 2025, the City Council approved a policy[3] that includes the elements noted in our recommendation. As of June 2026, the City had applied for the following grants related to the proposed new WWTF or effluent (liquid waste or wastewater) disposal projects:

- $8 million from the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States (Restore Act) program,[4] included as part of an application by Santa Rosa County.
- $38.2 million from the Hazard Mitigation Grant program.[5]

Our examination of City records disclosed that City personnel followed the established policies and procedures when applying for the grants.

Finding 3: Contracted Services

Previously Reported

City policies and procedures over contracted services needed improvement.

We recommended that the City establish effective construction project management procedures that ensure City Council approval is obtained for all existing contract additions or modifications with costs exceeding $10,000 in accordance with City policies, and that the City also enhance contractor billing review procedures to verify that such billings are accurate and in accordance with contract rates and provisions before payment is made.

Result of Follow-Up Procedures

The City corrected this finding. In February 2025, the City implemented contractor billing review procedures to verify the accuracy of contract billings and, in June 2025, the City implemented construction project management procedures requiring approvals for all existing contract additions or modifications with costs exceeding $10,000 in accordance with City policies.[6]

During the period October 2024 through February 2026, the City expended $3.9 million on the proposed new WWTF and effluent disposal projects. We examined City records supporting 20 payments from these projects totaling $3.6 million and noted that City personnel followed the contractor billing review procedures.

[3] City Policy 15.1, *Grants Administrative Policies and Procedures*.

[4] Administered by the United States Department of the Treasury. This program supports restoration and economic revitalization of Gulf Coast ecosystems and communities affected by the 2010 Deepwater Horizon oil spill.

[5] This program supports the implementation of long-term mitigation strategies aimed at reducing or preventing future disaster losses.

[6] City Policy 9.0, *Purchasing Policy*.

Finding 4: Direct Purchase of Construction Materials

Previously Reported

The City had not established policies and procedures for direct purchases of construction materials, and the City did not take advantage of sales tax exemptions by directly purchasing construction materials.

We recommended that City policy and procedures over construction projects be established to require and ensure that the City takes advantage of sales tax exemptions by making direct purchases of construction materials or, alternatively, documents in City records how the contractor's purchase of the materials would result in greater savings.

Result of Follow-Up Procedures

The City corrected this finding. In February 2025, the City Council approved a policy[7] requiring that the City utilize sales tax exemptions by making direct purchases of construction materials. Our review of City records during the period October 2024 through February 2026 disclosed that City personnel followed the policy and recognized sales tax exemption savings of $10,333 related to the purchase of materials totaling $147,465 for a construction project.

Finding 5: Land Appraisals

Previously Reported

The City had not established land acquisition policies and procedures.

We recommended that, to ensure compliance with State law and promote the acquisition of real property at a fair and appropriate price, the City establish land acquisition policies and procedures that require sufficient independent appraisals of current property values be obtained and considered by the City Council prior to purchasing real property.

Result of Follow-Up Procedures

The City corrected this finding. In February 2025, the City Council approved a policy[8] requiring sufficient independent appraisals of current property values be obtained and considered by the City Council prior to purchasing real property. In December 2025, the City purchased land related to the proposed new WWTF for $1.8 million. Our examination of City records disclosed that the City Council obtained and considered three independent appraisals with property values ranging from $780,000 to $1.5 million before approving the purchase, by extraordinary vote, in accordance with State law.[9] According to the November 20, 2025, City Council meeting agenda notes, City personnel indicated that other properties of sufficient size were not available in the vicinity of the proposed WWTF, and the additional cost of pipeline needed to connect other considered land purchases would be more than the $300,000 paid above the highest appraised value of the purchased land.

[7] City Policy 9.3, *Direct Purchase Policy*.

[8] City Policy 19.3, *Real Property Acquisition and Disposal*.

[9] Section 166.045(1)(b), Florida Statutes, requires, if the agreed purchase price exceeds the average appraised price of the appraisals, the City Council to approve the purchase by an extraordinary vote.

Finding 6: Florida Department of Environmental Protection Consent Order Compliance

Previously Reported

The City had not fully complied with a January 2023 Florida Department of Environmental Protection (FDEP) consent order[10] relating to the existing WWTF.

We recommended that the City continue efforts to implement all corrective actions and comply with the FDEP consent order.

Result of Follow-Up Procedures

The City partially corrected this finding.

In October 2024, the FDEP issued an amended consent order[11] indicating that:

- The City failed to timely comply with corrective actions established in the original January 2023 consent order.
- Unauthorized discharges or unpermitted sanitary sewer overflows had occurred at the existing WWTF.
- Certain effluent quality monitoring results failed to meet permitted limits.

The amended consent order required the City to pay the FDEP $8,511 in civil penalties and investigative costs, and to implement specified corrective actions. The City paid the $8,511 in October 2024 and paid an additional $3,000 penalty in October 2025 for sewer overflows occurring during the period September 2024 through August 2025. In July 2025, the City's engineering firm notified the FDEP that the firm's calculations indicated the City complied with inflow and infiltration limits in the original and amended consent orders.

However, in January 2026, the FDEP issued a second amended consent[12] order indicating that the City failed to timely comply with certain corrective actions in the first amended consent order. The second amended consent order requires the City to implement specified corrective actions and indicates that various potential penalties may be assessed for further violations.

Failure to timely take corrective actions to resolve FDEP consent orders could subject the City to additional civil penalties, investigative costs, and corrective action costs.

Recommendation: The City should continue efforts to comply with FDEP consent orders and implement all specified corrective actions.

[10] FDEP Office of General Counsel File No. 22-2517.

[11] FDEP Office of General Counsel File No. 22-2517B.

[12] FDEP Office of General Counsel File No. 22-2517C.

Finding 7: Water and Sewer Fund Rate Studies

Previously Reported

The City had not established policies and procedures that require and ensure periodic water and sewer utility rate studies are performed and that the rate studies include consideration of the City's future capital plans.

We recommended that the City establish policies and procedures that require periodic water and sewer utility rate studies and that such rate studies consider the City's future capital outlay needs.

Result of Follow-Up Procedures

The City partially corrected this finding. In February 2025, the City Council approved a policy[13] requiring that the City Council, at least every 5 years, determine if a comprehensive utility rate study should be conducted by an experienced rate consultant. The policy further provides that dramatic increases in expenses, infrastructure improvement demands, or debt could warrant a formal comprehensive utility rate study.

Although the policy was approved in February 2025, as of June 2026, the City had not obtained a utility rate study. In response to our inquiries regarding the delay, City personnel indicated that they were waiting for permits associated with design changes to the proposed new WWTF, and in June 2026, the City Council authorized City personnel to solicit proposals for a water and sewer utility rate study. Periodic rate studies would provide the City with additional insight into the adequacy and fairness of current rates and whether those rates align with and support future utility capital projects, including the proposed new WWTF.

Recommendation: The City should continue efforts to obtain periodic water and sewer utility rate studies that consider the City's future capital outlay needs.

Finding 8: Water and Sewer Fund Transfers to the General Fund

Previously Reported

The City had not established policies and procedures to ensure that resources transferred from the Water and Sewer Fund to the General Fund are calculated using a reasonable and consistent methodology.

We recommended that the City adopt and consistently utilize a sustainable methodology to calculate Water and Sewer Fund transfers to the General Fund and that the methodology should consider the provision of reliable utility services and all relevant factors, such as future utility capital outlay plans and the associated long-term financial implications.

Result of Follow-Up Procedures

The City partially corrected this finding. In October 2025, the City established a Utilities Cost Allocation Plan (Allocation Plan) designed to more accurately identify, allocate, and document administrative and overhead costs attributable to enterprise funds and provide a stronger and more

[13] City Policy 11.7, *Utility Rate Study*.

transparent basis for interfund transfers. The Allocation Plan indicates that, in addition to cost pool and base distribution allocated charges, the City will allocate an additional overhead percentage rate of 30 percent or less of Water and Sewer Fund revenues to the General Fund.

The Allocation Plan provides for additional annually calculated overhead charges for costs that City personnel believe are too intricate to trace and calculate using the cost pool methodology, including shared building space, asset depreciation, and law enforcement and fire control readiness and response for utility properties or emergencies. However, our review of the Allocation Plan disclosed that the plan does not indicate how the additional overhead percentage charged to the Water and Sewer Fund will be determined and that the City included costs for accounting and auditing services totaling $24,000 in the indirect cost pool even though these costs had already been directly allocated to City funds, including the Water and Sewer Fund, when the services were paid. In response to our inquiries, City personnel indicated that the accounting and auditing expense will be removed from the indirect cost pool, and that, going forward, the City will develop more definitive allocation metrics and supporting documentation to strengthen the transparency, consistency, and auditability of the overhead calculation process.

We also noted that the Allocation Plan does not include any consideration of the impact of calculated transfers on the provision of reliable utility services, future utility capital outlay plans, and the associated long-term financial implications to the Water and Sewer Fund. In response to our inquiries, City personnel indicated that although those considerations are not included in the Allocation Plan, the City does consider future capital outlay plans and the financial health of the Water and Sewer Fund. For example, the 2025-26 fiscal year City budget book indicates that the City will strive to maintain an unrestricted net position in the Water and Sewer Fund of 3 to 6 months of operating expenses.

Notwithstanding, absent a sustainable methodology to calculate transfers from the Water and Sewer Fund to the General Fund that considers the provision of reliable utility services and all relevant factors, such as future utility capital outlay plans and the associated long-term financial implications, the risk is increased that the City may make inappropriate or unsupported transfers from the Water and Sewer Fund to the General Fund, which could lead to unreliable funding for utility operations, insufficient resources for future capital outlay needs, and long-term financial instability within the utility system. The absence of such a methodology may also reduce transparency, weaken the City's ability to plan for ongoing infrastructure investment, and impair the sustainability of both utility and general governmental services.

As of June 2026, no transfers had been made from the Water and Sewer Fund to the General Fund for the City's 2025-26 fiscal year.

Recommendation: The City should continue efforts to adopt and consistently utilize a sustainable methodology to calculate Water and Sewer Fund transfers to the General Fund. The methodology should consider the provision of reliable utility services and all relevant factors, such as future utility capital outlay plans and the associated long-term financial implications.

Finding 9: Conflicts of Interest

Previously Reported

The City needed to strengthen its conflict-of-interest (COI) policies.

We recommended the City enhance its COI policies and procedures. The enhancements should require and ensure that local officers complete and timely submit State-required[14] statements of financial interests and that City personnel responsible for approving purchases routinely review and consider the statement disclosures, along with City employee and vendor COI forms, to avoid potential conflicts of interest when procuring goods and services.

Result of Follow-Up Procedures

The City partially corrected this finding. In February 2025, the City Council revised its COI policy.[15] The revised COI policy requires:

- The City Clerk to ensure local officers timely submit State-required statements of financial interests.
- The Purchasing Director to conduct ongoing reviews and consider the statements of financial interests and City COI forms when procuring goods and services.

Fifty-three local officers were required to submit statements of financial interests for the 2024 calendar year. Our audit procedures disclosed that, despite notifications from the City Clerk, 2 of the officers (a former City Board of Adjustments member and a former City General Employee Pension Board member) did not submit the statements for the 2024 calendar year.

Our audit procedures also disclosed that 5 of the 8 City Council members and the Mayor serving as of February 2026 and 32 of the 151 employees required to complete City COI forms during the period October 2024 through February 2026 did not complete the forms prior to our inquiries in April 2026. In addition, 5 of 22 selected vendors required to complete the forms during that period did not. City personnel indicated that the vendor COI forms were not obtained due to oversights and the remaining COI forms were not completed primarily due to technical issues and that, as of June 2026, City personnel were still in the process of obtaining the forms.

Disclosures of financial interests are essential to provide a public record of the financial interests, activities, and associations of local officers, as well as potential conflicts of interest. Absent the required statements of financial interests and City COI forms, and the routine review and consideration of the disclosures on those statements and forms by City personnel responsible for approving purchases, there is an increased risk that City personnel may be unaware of potential conflicts of interest when procuring goods or services.

Recommendation: The City should continue efforts to ensure that local officers complete and timely submit State-required statements of financial interests, City officials, employees, and vendors complete and timely submit City COI forms, and City personnel responsible for approving purchases routinely review and consider the disclosures on the statements and forms to avoid potential conflicts of interest when procuring goods and services.

[14] Section 112.3145(1) and (2), Florida Statutes.

[15] City Policy 1.3, *Conflict of Interest*.

Finding 10: Public Records – Electronic Communications

Previously Reported

The City needed to enhance public records policies and procedures to ensure that electronic communications are made available to members of the public pursuant to State law.[16]

We recommended that the City enhance policies and procedures to ensure compliance with State public records laws. The enhancements should include provisions for the collection and retention of public records from City-owned cell phones and prohibit the use of personal e-mail accounts and personal wireless communication devices when conducting City business or ensure the City captures and archives all City-related communications from such devices.

Result of Follow-Up Procedures

The City partially corrected this finding. In February 2025, the City Council approved revisions to its public records policy[17] that require the City Information Technology (IT) Department to collect and maintain electronic communications from all City-owned cell phones. The policy also recommends that employees and elected officials refrain from using personal devices to conduct City business but, if personal devices are used, the policy requires employees and elected officials to provide any public records from those devices to the City Clerk or IT Director. As of June 2026, the City was still in the process of implementing the policy and collecting electronic communications.

Absent effective public records retention policies and procedures and adequate controls to ensure compliance with record retention laws, the City has limited assurance that City officials and personnel consistently and appropriately maintain public records.

Recommendation: The City should continue to implement its policies and procedures to ensure compliance with State public records laws, including the collection and retention of public records from personal and City-owned communication devices.

Finding 11: Anti-Fraud Policy

Previously Reported

The City could enhance its anti-fraud policies and procedures for the mitigation, detection, and reporting of suspected or known fraud.

We recommended that the City strengthen policies and procedures to encourage and facilitate the reporting of fraud. Specifically, the policies and procedures should establish practical mechanisms for the confidential and anonymous reporting of concerns about fraud; address how concerns regarding the City Manager or the City Council should be reported and investigated; and be widely distributed and publicized.

[16] Section 119.021(2)(b), Florida Statutes.

[17] City Policy 1.13, *City of Milton Public Records Policy*.

Result of Follow-Up Procedures

The City corrected this finding. In February 2025, the City Council approved revisions to its anti-fraud policy[18] that adequately addressed our recommendations.

OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to Section 11.45(3)(a), Florida Statutes, we conducted an operational audit of the City of Milton (City) and issued our report No. 2025-055 in November 2024. Pursuant to Section 11.45(2)(j), Florida Statutes, the objective of this audit was to perform, no later than 18 months after the release of that report, appropriate follow-up procedures to determine the City's progress in addressing the findings and recommendations contained within report No. 2025-055. In addition, Section 288.8018(2), Florida Statutes, provides that, every 2 years, the Auditor General shall conduct an operational audit of a local governmental entity's funds related to the Deepwater Horizon oil spill.

We conducted this follow-up audit from February 2026 through June 2026 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 audit was designed to identify, for those programs, activities, or functions included within the scope of the follow-up audit, weaknesses in management's internal controls, 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 overall objective 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 follow-up 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; 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 transactions, as well as events and conditions, occurring during the period October 2024 through February 2026 and selected City actions taken prior and subsequent thereto. Our audit included the examination of pertinent City records and transactions, inquiry of City personnel, observation of procedures in practice, and additional follow-up procedures as appropriate. Unless

[18] City Policy 9.1, *City of Milton Fraud Policy*.

otherwise indicated in this report, records and transactions were not selected with the intent of 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.

In conducting our audit, we:

- Reviewed applicable laws, rules, City policies and procedures, and other guidelines, and interviewed City personnel to obtain an understanding of the City's processes and requirements and to evaluate whether the City had established effective policies and procedures for selected City functions.
- Determined whether the City had enhanced existing capital planning policies and procedures and prepared and approved a comprehensive, multi-year capital plan that includes the proposed new Wastewater Treatment Facility (WWTF) project.
- Determined whether the City had established and approved grant management policies and procedures that address steps to take prior to applying for or accepting grants. For 2 grants totaling $46.2 million, related to the proposed new WWTF or effluent disposal projects that the City applied for during the period February 2025 through June 2026, including an $8 million Deepwater Horizon oil spill grant, we examined City records to determine whether the City followed its established grant policies and procedures.
- Determined whether the City had established effective construction project management procedures that ensure Council approval for all contract additions or modifications and in accordance with City policies and enhanced billing review procedures to verify billings are accurate and in accordance with contract rates and provisions. Additionally, from the population of $3.9 million in expenses related to the City's proposed new WWTF and effluent disposal projects, we examined records supporting $3.6 million in expenses to determine compliance with City policies and procedures.
- Determined whether the City had established policies and procedures requiring the City to take advantage of sales tax exemptions by making direct purchases of construction materials or alternatively, documented in City records how the contractor's purchase of the materials result in greater savings. Additionally, examined City records and determined whether the City took advantage of sales tax exemptions by making direct purchases of construction materials.
- Determined whether the City adopted policies and procedures for land acquisitions that require sufficient independent appraisals of current property values be obtained and considered by the City Council prior to purchasing real property. Additionally, examined City records to determine if a land purchase costing $1.8 million was in accordance with City policies and procedures and promoted the acquisition of real property at a fair and appropriate price.
- Evaluated City actions taken to comply with Florida Department of Environmental Protection consent orders relating to the existing City WWTF and effluent discharge.
- Determined whether the City had established policies and procedures that require and ensure periodic water and sewer utility rate studies are performed and that the rate studies include consideration of the City's future capital plans.
- Evaluated City records to determine the adequacy of the methodology used to establish transfer amounts from the Water and Sewer Fund to the General Fund.
- Examined City records to determine whether City policies and procedures require and ensure that local officers complete and timely submit the required statements of financial interests and City personnel responsible for approving purchases routinely review and consider the statement disclosures, along with City-designed employee and vendor Conflict of Interest Forms, to avoid any potential conflicts of interest when procuring goods and services.

- Evaluated the adequacy of City policies and procedures to ensure compliance with State public records law related to the collection and retention of public records from City-owned cell phones and from personal wireless communication devices if used to conduct City business.
- Determined if the City's anti-fraud policy established practical mechanisms for confidential and anonymous reporting of concerns about fraud, addressed how concerns regarding the City Manager and City Council should be reported and investigated, and was widely distributed and publicized.
- 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.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

August 21, 2026

Sherrill F. Norman, CPA
Auditor General
State of Florida
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

RE: City of Milton Operational Audit 18-Month Follow-up Preliminary and Tentative Findings and Recommendations

Dear Ms. Norman:

Enclosed is a written response concerning the eleven (11) preliminary and tentative audit findings and recommendations in the 18-month follow-up review. The City successfully corrected five (5) of the eleven (11) findings and made substantial progress on the six (6) remaining. The City of Milton wishes to thank your staff for providing insight and guidance throughout the audit process.

Please do not hesitate to contact me with any questions, additional requests, or concerns.

Respectfully,

Edward E. Spears
City Manager

Enclosure

cc: Mayor Heather Lindsay
Members of Milton City Council

*P. O. Box 909 * Milton, Florida 32572 * (850) 983-5400 * Fax (850) 983-5415*

CITY OF MILTON

PRELIMINARY AUDIT FINDINGS, EXPLANATIONS, AND IMPROVEMENT PLANS

The City of Milton (City) wishes to thank the staff of the Auditor General of the State of Florida for their professional, timely and thorough review of the City's progress in addressing the findings and recommendations in report No. 2025-055

The City continues to take the audit findings very seriously and is convinced that the full implementation of the Improvement Plans, as identified for each finding, will only result in better management practices to make our City stronger and better prepared for future project success. It is our sincere hope that the public can continue to view these results as proof that the City strives to act in the best interest of its citizens by remaining good stewards of the public's financial and environmental resources.

As discussed with the state auditors, this audit does not report on all the things we have done well to safeguard the City's assets. The State's review of the policies, procedures, actions, transactions, decisions and millions in project expenditures demonstrate the City management's continued performance in establishing and maintaining internal controls and administering assigned responsibilities. The State's review also confirmed there remains no incidences of identified fraud, abuse, or waste.

The City of Milton appreciates the Auditor's time, evaluation of our progress, and the additional recommendations.

1. *Capital Planning*

The City is currently working through its comprehensive plan update (a 12–18-month process) that should be completed as early as next year. This update will include an approved comprehensive, multi-year capital plan that will include all proposed capital improvement projects, including the proposed new wastewater treatment facility infrastructure project.

2. *Grant Management Policies and Procedures.*

The City has successfully completed this finding with evidence of full implementation of the improvement plan.

3. *Contracted Services.*

The City has successfully completed this finding with evidence of full implementation of the improvement plan.

4. *Direct Purchase of Construction Materials.*

The City has successfully completed this finding with evidence of full implementation of the improvement plan.

5. *Land Appraisals.*

The City has successfully completed this finding with evidence of full implementation of the improvement plan.

6. *Florida Department of Environmental Protection (FDEP) Consent Order Compliance.*

When a municipality follows the approved protocol and reports the results transparently and an FDEP approved pilot study fails to meet permitted limits during effluent quality monitoring, this does not automatically trigger a default finding of noncompliance. Pilot studies are explicitly exploratory tests designed to evaluate feasibility and effectiveness, and thus, a negative result is a valid scientific outcome rather than a permit or schedule breach.

While the City failed to meet the original compliance date of the January 2023 consent order, the City did successfully secure a formal time extension. The City is conducting another FDEP approved copper pilot study and will continue efforts to comply with all FDEP consent orders and implement all specified corrective actions by its new compliance date. Should the new copper pilot study be unsuccessful, the City will again identify an alternative approach until a successful result is reached. It should be noted that upon the completion of construction of the City's Effluent Disposal Project which will see the removal of the effluent from the Blackwater River no later than 2032, this issue will become moot, as there are no restrictions of copper in a land-based disposal system.

Sanitary systems are designed to carry waste only and are not expected to overflow. That is why sanitary sewer overflows are treated as unauthorized discharges . Fees and penalties are imposed if a sanitary sewer overflow was preventable (either by a third party or the City) when it breaches a permitted baseline. The FDEP Consent Order identifies and pre-sets the fines for sanitary sewer overflows and the City agrees to those penalties, in advance, in the event of an overflow. A sanitary sewer overflow is not, in and of itself, a breach of the Consent Order. Rather, the Consent Order anticipates such events. The sanitary overflows identified were not a result of plant operations, poor maintenance, inadequate equipment or equipment failures. The City paid the fines as detailed in the Consent Order.

7. *Water and Sewer Fund Rate Studies.*

The water and sewer fund rate study was delayed for the conclusion of the design and permitting process of the new wastewater treatment facility and effluent disposal system (including sprayfields). The City delayed the study as much as possible to minimize the expense of the rate study and to eliminate the potential of a rate study rework effort should the project meet continued opposition and/or should the project's scope of work be narrowed.

With the City Council's firm project commitment, the City has expedited the initial water and sewer rate study and will continue efforts to obtain periodic water and sewer utility rate studies that will consider the City's future capital outlay needs.

8. Water and Sewer Fund Transfers to the General Fund.

The City recognizes the need for a more formalized and measurable approach for Water and Sewer Fund transfers to the General Fund and has continued to enhance its methodology through the implementation of the FY 2026 Indirect Cost Allocation Plan.

The City will continue its efforts to adopt and consistently utilize a sustainable methodology to calculate the total annual Water and Sewer Fund transfers to the General Fund. The methodology that will be used will consider the provision of reliable utility services and all relevant factors, such as future utility capital outlay plans and the associated long-term financial implications.

9. Conflicts of Interest.

City Clerk exerted every effort to obtain 2 former officers' statements for 2024 calendar year, and the City will continue all efforts to ensure that local officers complete and timely submit his/her State-required statements annually.

The causes of the vendor COI Form oversights were identified, and corrective actions have been implemented. Also, the causes of the employee automated COI Form System's technical issues were identified and have been resolved.

The City will continue efforts to ensure City officials, employees, and vendors complete and submit timely COI forms and all City personnel responsible for approving purchases will routinely review and consider these disclosures on the statements and forms to avoid any potential conflicts of interest when procuring goods and services.

10. Public Records – Electronic Communications.

Due to manual backup limitations, the City IT Department began implementation of a new mobile device management system (MDM) that controls cellular devices and provides automatic backups. All newly issued phones have been incorporated into the MDM. All previously issued smart phones will be incorporated into the MDM and backed up following an established IT work schedule (6-months) and all previously issued non-smartphones that cannot be backed up will be replaced at its service renewal date with new smartphones that are incorporated into the MDM (12-months).

The City will continue to implement its policies and procedures to ensure compliance with State public records laws, including the collection and retention of public records from personal and City-owned communication devices.

11. Anti-Fraud Policy.

The City has successfully completed this finding with evidence of full implementation of the improvement plan.