

OFFICE OF
INSPECTOR
GENERAL

Annual Report

October 1, 2020 Through September 30, 2021

Southwest Florida
Water Management District

The logo consists of three white, wavy lines representing water, positioned below the text.

Governing Board
September 28, 2021

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An Equal Opportunity Employer

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- Kelly S. Rice**
Chair, Citrus, Lake, Levy, Sumter
- Joel Schleicher**
Vice Chair, Charlotte, Sarasota
- Rebecca Smith**
Secretary, Hillsborough, Pinellas
- Ed Armstrong**
Treasurer, Pinellas
- Ashley Bell Barnett**
Polk
- Jack Bispham**
Manatee
- John Hall**
Polk
- William Hogarth**
Pinellas
- John Milton**
Hernando, Marion
- Seth Weightman**
Pasco
- Michelle Williamson**
Hillsborough
- Brian J. Armstrong, P.E.**
Executive Director

September 28, 2021

Mr. Kelly Rice, Chair
Southwest Florida Water Management District
2379 Broad Street
Brooksville, Florida 34604-6899

Dear Mr. Rice:

In accordance with F.S. 20.055 and the Office of Inspector General (OIG) Charter Governing Board Policy, I am pleased to submit the OIG's accomplishments during fiscal year 2021. I would like to highlight some of these accomplishments. During the fiscal year, the OIG completed the annual audit risk assessment, annual short and long-term audit plan, all quarterly updates to the Governing Board, one audit, all follow-up on corrective actions taken by the District from the previous annual report, an investigation report, a whistle-blower report, completed continuing professional education in order to maintain the certified public accountant (CPA) and certified inspector general (CIG) licenses, and successfully passed the certified fraud examiner (CFE) exam from the Association of Certified Fraud Examiners. In addition, the OIG initiated 96 review projects, closed 14 complaints, and saved the District approximately \$29,000 with in-house programs for the annual risk assessment and audits. The OIG operates the audit function under the *Generally Accepted Government Auditing Standards*, also known as the yellow book, which a peer review from the Association of Inspectors General determined the OIG met all applicable yellow book standards. The yellow book requires a peer review every 3 years. For FY 2021, the OIG is compliant with the yellow book peer review requirement.

It has been an honor to serve this Governing Board and I look forward to continuing to serve you.

Sincerely,

Brian Werthmiller, CPA, CFE, CIG
Inspector General

cc: Remaining Governing Board Members

INSPECTOR GENERAL (IG) RESPONSIBILITIES

IG Responsibilities - In accordance with the Office of Inspector General (OIG) Charter Governing Board Policy and Section 20.055, Florida Statutes, the IG is responsible for the following activities:

- (a) Advise in the development of performance measures, standards, and procedures for the evaluation of the District.
- (b) Assess the reliability and validity of the information provided by the District on performance measures and standards, and make recommendations, if necessary.
- (c) Review the actions taken by the District to improve program performance and meet program standards and make recommendations for improvement, if necessary.
- (d) Provide direction for, supervise, and coordinate audits, investigations, and management reviews relating to the programs and operations of the District.
- (e) Conduct, supervise, or coordinate other activities carried out or financed by the District for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.
- (f) Keep the Governing Board informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the District, recommend corrective action concerning fraud, abuses, and deficiencies, and report on the progress made in implementing corrective action.
- (g) Ensure effective coordination and cooperation between the AG, federal auditors, and other governmental bodies with a view toward avoiding duplication.
- (h) Review, as appropriate, rules relating to the programs and operations of the District and make recommendations concerning their impact.
- (i) Ensure that an appropriate balance is maintained between audit, investigative, and other accountability activities.
- (j) Comply with the *Principles and Standards for Offices of Inspector General* as published and revised by the Association of Inspectors General.

INTRODUCTION

The OIG serves as an essential element in promoting accountability, integrity, and efficiency in operations of the Southwest Florida Water Management District (District). The OIG employs one full-time employee which consists solely of the IG. To promote independence, the IG reports to and is under the supervision of the Governing Board.

This report highlights the fiscal year (FY) 2021 work product, other activities, and is

produced in accordance with State law¹ and Governing Board Policy². During FY 2021, the OIG had recommendations as noted below of which one was similarly noted in FY 2020, did not report any significant abuses or deficiencies, and determined the Department of Highway Safety and Motor Vehicles audit and Families First Coronavirus Relief Act investigation recommendations from FY 2020 were corrected by the District.

MAJOR FUNCTIONS AND ACTIVITIES

Audits

Pursuant to State Law³ and Governing Board Policy⁴, the OIG provides independent, objective audits designed to add value and improve District operations. An audit involves establishing objectives, obtaining an understanding of the program and internal controls through inquiries, observations, and inspections, assessing risk, determining the nature, timing, and extent of audit work, other procedures, and communicating the results of the audit. Audits are conducted in accordance with the *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. These professional standards provide a framework for performing high-quality audit work with independence, competence, and objectivity in order to provide accountability and help improve District operations. The results of completed OIG audit activity during the period October 1, 2020 through September 30, 2021, are summarized below.

- **Risk Assessment and Audit Plan.** State law⁵ requires the IG to develop long-term and annual audit plans based upon the results of periodic risk assessments. The IG conducted a formal, District-wide risk assessment which included input from the Governing Board, executive management, and senior staff, review of the District's overall and regional goals and objectives, financial statements, budget information, and other procedures. In January 2021, the Board approved the OIG's short-term and long-term audit plan.
- **Florida Department of Highway Safety and Motor Vehicles (DHSMV) Audit Follow-Up Audit.** This was a follow-up audit to the OIG report released in February 2020. The OIG recommended: 1) The District should enhance procedures to ensure that assigned access privileges to DHSMV information is restricted to employees with

¹ Section 20.055(8), Florida Statutes.

² Office of Inspector General Charter.

³ Section 20.055(6), Florida Statutes.

⁴ Office of Inspector General Charter.

⁵ Section 20.055(6)(i), Florida Statutes.

only those functions necessary for their assigned job responsibilities. To help monitor assigned access privileges to DHSMV information, the District should establish procedures to periodically review the appropriateness of such privileges to ensure that employees do not have access incompatible with their assigned job responsibilities. In addition, the District should monitor access to the DHSMV information on an ongoing basis. 2) The District should enhance procedures to ensure that signed acknowledgements are maintained for all individuals with access to DHSMV information and those acknowledgements are obtained timely.

The objectives of this audit were to: (1) 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. (2) Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance to protect the unauthorized access, distribution, use, modification, or disclosure of DHSMV information, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls. (3) Determine whether management had taken corrective action for, or was in the process of correcting, the findings noted in the OIG's audit report released in February 2020.

Based upon the results of the follow-up audit, the District had taken corrective actions for the DHSMV finding as recommended by the OIG.

Reviews

The OIG receives internal requests to review reports, contracts, policies, procedures, or to provide information for the District's consideration. The OIG will not make management decisions but rather provides recommendations for the requestor to consider. Reviews can also include external requests from another government agency such as the Office of the Chief Inspector General, assisting with external audits, or OIG projects that do not require a formal report to the Governing Board. During the fiscal year, the OIG had 96⁶ review projects. Some of the notable projects were:

- Provided assistance to the Florida Department of Management Services' (DMS) compliance audit of the District's participation in the Florida Retirement System released December 2020. DMS recommended the District review and update policies

⁶ As of September 20, 2021.

and procedures, if necessary, to ensure that workers' compensation is properly reported.

- Assist the District in its annual fraud and ethics training.
- Presented to multiple bureaus at the District on what the OIG does and how it can be of assistance.
- Recommendations to improve District governing documents which include Board Policies and Executive Director Procedures.

Investigations

Pursuant to State Law⁷ and Governing Board Policy⁸, the OIG carries out investigative duties. Complaints are received from different sources including employees, former employees, citizens, and those wishing to remain anonymous through various means such as in-person, virtual communications, the OIG fraud hotline, mail, and e-mails. When receiving a complaint, the OIG evaluates it to determine the action to be taken. Complaints that do not fall into the categories of fraud, waste, or abuse are referred to the appropriate District staff. Investigations are conducted in accordance with the *Principles and Standards for Offices of Inspector General*, issued by the Association of Inspectors General. During FY 2021, the OIG closed 14 complaints⁹. The following summarizes the complaints that resulted in reporting to the Governing Board.

- **Whistle-Blower Request.** A whistle-blower request was received for a former employee who claimed was discharged from employment by the District in violation of the provisions of the Florida public sector Whistle-blower's Act. The OIG determined that the complaint did not demonstrate reasonable cause to suspect that an employee or agent of an agency or independent contractor has violated any federal, state, or local law, rule or regulation thereby creating and presenting a substantial and specific danger to the public's health, safety, or welfare or has committed an act of gross mismanagement, malfeasance, misfeasance, gross waste of public funds, or gross neglect of duty as required under the Whistle-blower's Act and is therefore not within the purview of this Office. Due to the nature of the allegation, this matter was referred to the Office of General Counsel.
- **Use of District Fleet Equipment.** An allegation was received alleging personal use of the District's Fleet equipment. Based upon the information obtained from the investigation, evidence was found to substantiate the allegation that Fleet Services'

⁷ Section 20.055(7), Florida Statutes.

⁸ Office of Inspector General Charter.

⁹ As of September 20, 2021.

equipment was being used for personal purposes. A recommendation was made the District should enhance procedures to ensure that District property e.g., parts, tools, and related equipment, is used for conducting official District business only. To facilitate this, the District should enhance procedures to monitor and review badge access that occurs outside of normal business hours and document this review.

- **Conflict of Interest.** An allegation was received alleging a District employee made purchases on behalf of the District at a vendor by whom the same District employee was also employed and allegedly received commissions or bonuses as a result of the purchases. Based on the information obtained from the investigation, evidence was found to substantiate the allegation that the District employee made purchases from this vendor. However, the OIG was unable to obtain documentation to prove or disprove the District employee received bonuses or commissions as a result of the purchases. A recommendation was made that the District should enhance procedures to ensure compliance with its Code of Ethics to ensure there are no potential relationships that create a conflict of interest with District vendors. In addition, the District should enhance procedures to ensure that the best value is received when purchasing parts used by Fleet Services.
- **Increase in Pay.** An allegation was received alleging a District employee submitted an offer from another employer at a rate that cannot be confirmed in order to get a higher rate of pay from the District. Based on the information obtained from the investigation, evidence was found to substantiate the allegation the District employee submitted an offer for a rate of pay that could not be confirmed. A recommendation was made the District should implement procedures to ensure documentation used to determine increases in pay are valid.
- **Families First Coronavirus Relief Act (FFCRA) Follow-Up.** As noted by an investigation in the FY 2020 OIG Annual Report, a recommendation was made the District should enhance procedures to ensure FFCRA leave is in accordance with District procedures; including requests and approvals are processed through the leave request system, the approved request is for an eligible use of FFCRA leave, and documentation is obtained for each reason(s) FFCRA leave is approved. Based upon the results of the follow-up procedures performed, the District had taken corrective actions for the FFCRA finding as recommended by the OIG.
- **Use of District Vehicles Follow-Up.** As noted by an investigation in the FY 2020 OIG Annual Report, a recommendation was made for the District to continue to enhance procedures regarding monitoring of District vehicles to ensure use is in compliance with governing documents. While the District did enhance procedures to

require supervisory staff to document their periodic monitoring of vehicle use, the OIG's review of eight employees totaling thirty days of vehicle use during the months of July 2021 and August 2021 disclosed that vehicle use compliance with governing documents was not always met. Specifically, follow-up procedures disclosed:

- Approval of two employees' occasional overnight use was documented 29-57 days after the first overnight use.
- Two permanent 24-hour dispatch requests were made beginning 7/1/2021. The Division Director did approve these requests; however, it was not timely as both were approved 83 days after the employees' first night requested to be on permanent 24-hour dispatch. For one of these employees, approval was not documented by the Bureau Chief until 77 days later. In addition, and for the same employee, a cost-benefit analysis was not completed as required by District procedures.

Additional Achievements, Projects, and Reports

- ◆ **Peer Review.** The OIG operates the audit function under the *Generally Accepted Government Auditing Standards*, also known as the yellow book, issued by the Comptroller General of the United States. These standards require a peer review every three years. The Association of Inspectors General performed a peer review of the OIG and determined the OIG met all applicable yellow book standards. For FY 2021, the OIG is compliant with the yellow book peer review requirement.
- ◆ **Cost Savings.** The IG saved the District approximately \$27,000¹⁰ with an in-house risk assessment program and \$2,000¹¹ with an in-house audit program to conduct audits. These programs were part of the peer review process which found professional standards were fully met. Savings totaled approximately \$29,000.
- ◆ **Monitoring.** In addition to the peer review performed by an external party, the OIG also monitors the quality of its audits and investigations in accordance with professional standards. The results of the OIG's monitoring found compliance with professional standards and the OIG's Audit and Investigation Quality Control Policies and Procedures.
- ◆ **Certified Fraud Examiner (CFE).** The IG successfully passed the exam from the Association of Certified Fraud Examiners and obtained certification as a CFE.

¹⁰ Subscription to a cloud-based risk assessment program.

¹¹ Subscription to a professional audit program package. This amount does not include the initial one-time set up fee of approximately \$22,000.

- **OIG Quarterly Updates submitted to the Governing Board.** Provides an update to the Board on the OIG work product and other activities. These were submitted to the Board in October 2010, January 2021, April 2021, and July 2021.

PERFORMANCE MEASURES

The status of the OIG performance measures, which were approved by the Governing Board in October 2020, are as follows:

<i>Office of Inspector General</i>		
<i>Performance Measures</i>	<i>Goal</i>	<i>Status</i>
Audit Plan	Submit to the Board January 2021	Completed January 2021
Appropriate Time Allocated to Efforts Resulting in Reporting to the Board	75% of Chargeable Hours by September 2021	79% ¹²
Inspector General Annual Report	Submit to the Board September 2021	Completed September 2021
Updates to the Finance/Outreach & Planning Committee including IG Performance Measures	All quarters in FY	100% Complete
Complete follow-up on two investigative recommendations from FY 2020	Complete by September 2021	Completed September 2021
Complete follow-up to the Department of Highway Safety and Motor Vehicles audit recommendations from FY 2020	Complete by September 2021	Completed August 2021

CERTIFICATIONS

The IG is currently certified as follows:

Certified Public Accountant (CPA).

Certified Fraud Examiner (CFE).

¹² As of September 20, 2021.

Certified Inspector General (CIG).

PROFESSIONAL AFFILIATIONS

To maintain professional proficiency and to establish and advance professional networks, the IG belongs to the following professional affiliations:

Association of Inspectors General.

Association of Certified Fraud Examiners.

Florida Government Finance Officers Association.

CONTINUING PROFESSIONAL EDUCATION

Continuing professional education (CPE) is essential to the OIG to maintain the certifications noted above, professional proficiency, and remain updated on changes in the industry in order to ensure the highest quality of services. The IG receives a minimum of 80 hours of CPE every two years to meet requirement of 80 CPE hours for performing audits in accordance with professional standards of the *Generally Accepted Government Auditing Standards* and the requirement by the State of Florida to maintain an active CPA license. In the past, the IG has received from the Association of Inspectors General, the Florida Institute of Certified Public Accountants, the Governmental Accounting Standards Board, and the Florida Government Finance Officers Association.

CONTACT INFORMATION

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Inspector General

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