

OFFICE OF
INSPECTOR
GENERAL

Annual Report

October 1, 2022 Through September 30, 2023

Southwest Florida
Water Management District

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

Governing Board
September 26, 2023

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Nancy Watkins
Hillsborough, Pinellas

Brian J. Armstrong, P.G.
Executive Director

September 26, 2023

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

Dear Mr. Armstrong:

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 2023. 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, all follow-up on corrective actions taken by the District from the previous annual report, continuing professional education in order to maintain the certified public accountant (CPA), certified fraud examiner (CFE) and certified inspector general (CIG) licenses. In addition, the OIG initiated 64 review projects, closed 12 complaints of which 3 resulted in reporting to the Board, 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 *Generally Accepted Government Auditing Standards*, also known as the yellow book, which a peer review was completed in May 2023 by Sam McCall PhD, CPA, with over 50 years of government experience. The peer review concluded the OIG conformed in all material respects with *Generally Accepted Government Auditing Standards* for the period October 1, 2019 to September 30, 2022.

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) 2023 work product, other activities, and is

produced in accordance with State law¹ and Governing Board Policy². During FY 2023, there were no significant abuses or deficiencies reported by the OIG.

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, 2022 through September 30, 2023, 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 2023, the Board approved the OIG's short-term and long-term audit plan.

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

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.

require a formal report to the Governing Board. During the fiscal year, the OIG initiated 64⁶ review projects. Some of the notable projects were:

- ◆ Assist the District in its annual fraud and ethics training.
- ◆ Assist with the State of Florida's Auditor General audit of but not limited to, anti-fraud procedures, conflicts of interest, banking agreements, investments, land purchases, land sales, capital projects, attractive assets, purchasing cards, travel expenditures, cash collections, salary payments, general expenditures, background checks, etc.
- ◆ 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 2023, the OIG closed 12 complaints⁹. The following summarizes the complaints that resulted in reporting to the Governing Board and also follow-up procedures for prior recommendations.

- ◆ **Demotion Follow-Up.** As noted in the FY 2022 OIG Annual Report, a recommendation was made that the District should enhance procedures to ensure that for cases of discharge, suspension without pay, involuntary demotion, and other disciplinary actions, the notice of discipline, which will include the notice of rights, is provided in accordance with District Governing Documents, when applicable. During the period of October 1, 2022 to June 27, 2023, the OIG's test of employee discipline found that the notice of discipline was in accordance with Governing Documents and included the notice of rights. Based upon the results of the follow-up procedures performed, the District has taken corrective actions for the disciplinary actions finding as recommended by the OIG.

⁶ As of September 13, 2023.

⁷ Section 20.055(7), Florida Statutes.

⁸ Office of Inspector General Charter.

⁹ As of September 13, 2023.

- ◆ **Conflict of Interest Follow-Up.** As noted in the FY 2022, the District was in the process of implementing a declaration of conflict application to assist in identifying possible conflicts. During FY 2023, the District had implemented a declaration of conflict application which includes OGC review of any possible identified conflicts. Based upon the results of the follow-up procedures performed, the District has taken corrective actions for the conflict of interest finding as recommended by the OIG.
- ◆ **Increase in Pay Follow-Up.** As noted in the FY 2022 OIG Annual Report, a recommendation was made that the District should enhance policies and procedures to ensure that all records evidencing the basis for the pay increase be properly maintained. During the period of October 1, 2022 to January 20, 2023, five pay increases were examined. The OIG found that the District maintained documentation to support the basis for the pay increase. In addition, the District enhanced governing documents to include a procedure that documents supporting special pay adjustments will be maintained. Based upon the results of the follow-up procedures performed, the District has taken corrective actions for the increases in pay finding as recommended by the OIG.
- ◆ **Use of District Vehicles Follow-Up.** As noted in the FY 2022 OIG Annual Report, a recommendation was made that the District should continue to enhance procedures to ensure that the usage of District vehicles is in accordance with governing documents. During the period of August 15, 2023 to September 11, 2023, 25 vehicles were selected for testing to determine whether use was in accordance with District governing documents. The OIG found that vehicle use was in accordance with District governing documents. Based upon the results of the follow-up procedures performed, the District has taken corrective actions for the vehicle finding as recommended by the OIG.
- ◆ **Fraudulent Bank Transactions.** Beginning in November 2021, the District was subject to fraudulent transactions and attempts for additional fraudulent transactions from its bank account. The last fraudulent transaction noted occurred in June 2022. The District has implemented procedures to reduce its risk. The bank and appropriate authorities were notified. Since no new fraudulent transactions have occurred and the District has been fully reimbursed, no further reporting will be given unless the OIG becomes aware of additional fraudulent transactions or information.
- ◆ **Returned Mail.** Postmarked from August 2022, the District received returned mail through the United States Postal Service that had the District's return address. Inside of the envelopes contained non-District checks made out to various individuals with addresses from around the world. The appropriate authorities were notified. No

further reporting will be given unless the OIG becomes aware of additional returned mail or information.

- ◆ **Allegations at the March 2023 Board Meeting.** On March 28, 2023 a former District employee provided documents and alleged a current District employee provided false information on their resume. In addition, it was alleged that a former employee was inappropriately paid off when terminated. Based upon the investigative work performed, the allegations were unfounded as reported to the Board on April 25, 2023.

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.

Sam McCall, PhD, CPA with over 50 years of government experience, conducted the peer review to make a determination whether the OIG's audit work conformed in all material respects with *Generally Accepted Government Audit Standards*. The peer review was completed in May 2023 and the OIG received the highest rating of pass for the 3-year period of October 1, 2019 to September 30, 2022. The last peer review was conducted by the Association of Inspectors General for the period October 1, 2018 to September 30, 2019 which this OIG again received the highest rating of pass.

- ◆ **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.
- ◆ **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 2022, January 2023, April 2023, and July 2023.

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.

PERFORMANCE MEASURES

The status of the OIG performance measures, which were approved by the Governing Board in October 2022, are as follows:

Office of Inspector General Performance Measures		
Performance Measure	Goal	Status
Complete follow-up on the disciplinary actions recommendation from FY 2022	Complete by September 2023	Completed June 2023
Complete follow-up on the conflict of interest recommendation from FY 2022	Complete by September 2023	Completed September 2023
Complete follow-up on the increases in pay recommendation from FY 2022	Complete by September 2023	Completed June 2023
Complete follow-up on the use of District vehicles recommendation from FY 2022	Complete by September 2023	Completed September 2023
Complete a Cybersecurity Audit	Complete by December 2023 ¹²	Open
Appropriate time allocated to efforts resulting in reporting to the Board	65% of Chargeable Hours	70% ¹³
Performance Measure	Goal	Status
Risk Assessment and audit plan	Submit the audit plan to the Board January 2023	Completed January 2023
Inspector General FY 2023 Annual Report	Submit to the Board September 2023	Completed September 2023
Updates to the Finance/Outreach & Planning Committee including IG performance measures	Submit to the Board the month following each quarter-end	Completed

CERTIFICATIONS

The IG is currently certified as follows:

Certified Public Accountant (CPA).

Certified Fraud Examiner (CFE).

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:

¹² The Auditor General's audit began in FY 2023, goal is to complete by December 2023.

¹³ As of September 13, 2023.

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 CPE 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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