

**MINUTES OF PUBLIC MEETING**  
**OF THE**  
**AUDIT COMMITTEE**  
**FLORIDA KEYS AQUEDUCT AUTHORITY**

**HELD ON**

**January 25, 2022**

**Florida Keys Aqueduct Authority**  
**1100 Kennedy Drive**  
**Key West, Florida 33040**

**10:30 A.M.**

The following MEMBERS were present:

Richard J. Toppino. . . . .	Audit Committee Chairman
Antoinette M. Appell. . . . .	Audit Committee Member
J. Robert Dean. . . . .	Chairman of the Board
Cara Higgins. . . . .	Member of the Board
Nicholas W. Mulick. . . . .	Member of the Board
Kerry Shelby. . . . .	Executive Director
Greg Veliz. . . . .	Deputy Executive Director
Robert T. Feldman . . . . .	General Counsel
Timothy Esquinaldo. . . . .	Internal Auditor
Cindy Kondziela. . . . .	Director of Finance
David Hackworth. . . . .	Director of Capital Projects
Jolynn Reynolds. . . . .	Director of Engineering

A LIST OF ATTENDANCE IS RETAINED WITH THE PERMANENT RECORD OF THIS MEETING.

## **INTERNAL COMPLIANCE AUDIT FOLLOW-UP**

Mr. Toppino called the Audit Committee Meeting to order at 10:43 a.m.

### **1. INTERNAL COMPLIANCE AUDIT FOLLOW-UP REPORT FROM 10/01/2020 – 9/30/2021: OVERVIEW AND DISCUSSION**

Mr. Esquinaldo reported that in accordance with the Standards for the Professional Practice of Internal Auditing and Statements on Internal Auditing Standards audit procedures were performed for the period from October 1, 2020, to September 30, 2021, in the following areas: cash disbursements and purchasing, cash receipts, customer account adjustments, customer meter deposits, customer billing, payroll and hiring practices, construction and consultant contracts, inventory, fixed assets, and investments. He advised that in addition, compliance testing was performed to determine conformity with Florida Keys Aqueduct Authority's policies and procedures, laws and regulations in the following areas: customer accounts, laws and regulations, enabling legislation, maintenance and readiness, safety and regulatory, risk management, permits and licenses, information technology, grants, and environmental regulations and that follow-up procedures were performed on prior year comments and reported to the Board on March 30, 2021, and July 27, 2021, to ensure that management's corrective action is achieving the desired results.

#### **Objective and Scope:**

Mr. Esquinaldo reported that in planning and performing the audit the Authority's internal control structure, processes, policies and procedures were reviewed and specific tests were performed to address risk and to provide feedback to management as to their effectiveness and adequacy. He added that the primarily objective of these tests are to determine whether transactions are executed in accordance with management's authorization and are properly recorded and accounted for and to determine whether:

- Procurement practices adhere and comply with Chapters 287 and 112 of the Florida Statutes, policy; and that payment for goods and services are duly authorized, properly supported and evidenced receipt.
- Customer payments received are promptly processed and accredited.
- Customer account charges (including consumptive and base facility rates), deposits and adjustments are accurate, pursuant to governance, adequately documented and approved.
- Contracts are properly administered in accordance with policy to ensure that the specified work was performed within the approved price of the contract and schedule of values, and that change orders and amendments and are accurate and have been approved.
- Payroll transactions are processed in accordance with instructions, provide appropriate safeguards against unauthorized payments, and comply with laws and regulations. Also tested were monitoring procedures for continuing job description requirements, i.e., licenses, certifications, etc., as well as established workflows in ADP for awarding raises.

- Fixed assets are capitalized pursuant to policy, depreciated in accordance with applicable guidance, properly recorded, properly supported by appropriate documentation, i.e., requisitions, purchase orders, invoices, etc. and located in assigned areas.
- Inventory on-hand agrees with perpetual records, and properly valued throughout the system and whether issues and receipts are proper.
- Investments are authorized pursuant to policy, Chapter 218.345 and 218.415 of the Florida Statutes, reconciled in a timely basis, and that depositories are qualified public depositories.
- Operations and activities comply with governance detailed in the Chapter 76-441 Laws of Florida (Enabling Act).
- Insurance coverage is maintained given property values.
- Transaction and activities comply with restrictive water and wastewater bond covenants for Series 2008, 2012, 2013A, 2013B, 2014A, 2015A, 2015B, 2016, 2019A and 2021B.
- Operations and activities are in conformity with Florida Keys Aqueduct Authority's policies and procedures, laws, and regulations.

**Results:**

Mr. Esquinaldo advised that results did not identify any significant deficiencies and/or weaknesses in management's system of internal control; and were presented to management along with recommendations for improvement and have been summarized for your review and consideration. He explained that the attached report details the finding, the recommendation for improvement, management's response, the person responsible for implementation, and management's target date for the implementation of corrective action. Mr. Esquinaldo advised that follow-up procedures will then be scheduled later to determine whether management's corrective action is achieving desired results in the following areas:

- Construction/Consultant Contracts
- Customer Billing/Wastewater
- Payroll and Hiring Practices
- Permits and Licenses – Update

**Construction and Consultant Contracts:**

a. Comment:

While testing construction and consultant signature documents, i.e., executed contracts were not available in Laser Fiche and/or E-Builder.

Management should review policy and procedures regarding what documentation is essential for approved projects with staff to ensure their understanding. This will strengthen related internal controls pertaining to data preservation with Laser Fiche and E-Builder and will safeguard against the loss of crucial documentation.

**Management's Response:**

E-Builder is the FCAA's project/construction management tool. Workflow processes are developed that require electronic approvals/signatures. Currently, the electronic approvals/signatures reside in the e-Builder workflow processes. However, staff has encountered certain requirements with grants that require actual signatures. Therefore, staff will have all contracts and change orders physically signed and uploaded into e-Builder. As a back-up to E-Builder for records retention, contract and change order documents will be saved in Laser Fiche immediately and other project documentation will be saved in Laser Fiche at least on an annual basis or when a project is completely closed out, whichever happens first. The file structure was created in Laser Fiche to facilitate this interim procedure so implementation can begin immediately.

Person(s) Responsible: Director of Engineering and Director of Capital Projects

Target Date: October 2021

**Customer Billing -Wastewater**

a. Comment:

Data regarding locations without wastewater connections differed between information available on Cogsdale (financial and billing software) and information provided by Engineering. Management should continue its efforts to identify locations without wastewater connections and determine whether these locations have a "wastewater main" available for connection. A Cogsdale system "smart list" can be generated to identify all locations without wastewater service, i.e., connections and then determine if these locations have water connections are being billed for "flow and base facility" charges to expedite the search. Identifying locations available for wastewater service will promote the generation of additional income.

**Management's Response:**

Staff will enhance workflow processes to ensure that service orders are generated within the CSM (Customer Service Management) segment of our ERP (Enterprise Resource Program) system Cogsdale which includes billing tasks related to locations that should be billed for wastewater services.

Person(s) Responsible: Director of Engineering and Director of Finance

Target Date: November 2021.

**Payroll and Hiring Practices**

a. Comment:

Non-promotional, i.e., other than merit and/or performance related raises are not always processed through established "workflows":

Management should review and adhere to "workflows" established in ADP to ensure that

transactions and processes are executed in accordance with approved guidance. Executing processes, i.e., transactions outside of established “workflows” do not provide an audit trail to demonstrate that they are performed in accordance with directives and that the “outcomes” are consistent with management’s expectations.

**Management’s Response:**

Human Resources will enforce the established “workflows” via ADP and no longer accept exceptions via e-mails or letters to their employment file.

Person(s) Responsible: Director of Human Resources

Target Date: November 1, 2021

**Permits and Licenses -Update:**

a. Comment:

Marathon and Stock Island Reverse Osmosis Facility Permits #162177-003-U0/50 and #162177-003-U0/50 respectively have expired, and consent orders were filed on April 29, 2021, with the Florida Department of Environmental Protection (FDEP) allowing these facilities to operate in accordance with guidelines detailed in the expired permits until renewal. Both permits were renewed on November 4, 2021, with an expiration date of November 4, 2026.

**2. INTERNAL COMPLIANCE AUDIT SCHEDULE-AS OF JANUARY 25, 2022:**  
**OVERVIEW AND DISCUSSION**

Mr. Esquinaldo presented the Audit schedule as follows:

<b>Section</b>	<b>Area</b>	<b>Status</b>	<b>Comments?</b>
A	Cash Disbursements (Purchasing)	Completed	No
B	Cash Receipts	Completed	No
C	Customer Account Adjustments	Completed	No
D	Customer Meter Deposits	Completed	No
E	Customer Billing	Completed	Yes
F	Payroll and Hiring Practices	Completed	Yes
G	Construction/Consultant Contracts	Completed	Yes
H	Inventory	Completed	No
I	Fixed Assets	Completed	No
J	Investments	Completed	No
C1	Compliance - Customer Accounts	Completed	No
C2	Compliance - Laws & Regulations	Completed	No
C3	Compliance - Enabling Legislation	Completed	No
C4	Compliance - Bond Covenants	Completed	No

C6	Compliance - Permits and Licenses	Completed	No
C7	Compliance - Maintenance and Readiness	Completed	No
C8	Compliance - Environmental Regulations	Completed	No
C9	Compliance - Safety and Regulatory	Completed	No
C10	Compliance - Risk Management	Completed	No
C11	Compliance - Information Technology	Completed	No
C12	Compliance - Grants	Completed	No
C13	Follow-up	On Going	-

**Additional Comments:**

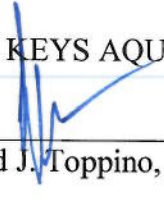
The Board thanked Mr. Esquinaldo for the work he performed in the in-depth follow-up report.

**ADJOURNMENT**

With there being no further business, the meeting was adjourned at 10:55 a.m.

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FLORIDA KEYS AQUEDUCT AUTHORITY

By:  2/2/22  
 Richard J. Toppino, Chairman

Attest:

 2/2/22  
 Antoinette M. Appell, Vice Chairman

**ATTENDANCE**

**BOARD MEMBERS**

Richard J. Toppino  
Antoinette M. Appell  
J. Robert Dean  
Cara Higgins  
Nicholas W. Mulick

**FKAA STAFF**

Kerry G. Shelby  
Greg Veliz  
Robert T. Feldman  
Timothy Esquinaldo  
Cindy Kondziela  
David Hackworth  
Krystal Waldner  
Pam Albury  
George Wallace  
Randy Acevedo

**MEMBERS OF THE PUBLIC**