

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

HELD ON

May 24, 2022

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

10:00 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
Jay Miller. Director of Wastewater Operations

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 10:01 a.m.

1. INTERNAL COMPLIANCE AUDIT FOLLOW-UP REPORT FROM 10/01/2021 – 5/24/2022: 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, 2021, to May 24, 2022, in the following areas: cash disbursements and purchasing, cash receipts, customer account adjustments, customer meter deposits, customer billing, payroll and hiring practices 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 and that follow-up procedures were performed on prior year comments, , i.e., for the period from October I, 2020, to September 30, 2021, and reported to the Board on January 25, 2022, 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.
- 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.
- Employee policies and procedures as detailed in the FKAA Employee Handbook are up-to-date and have been approved.

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:

Payroll, Hiring Practices and Guidance:

a. Comment:

While auditing Board approved employment guidance, it was noted that revisions to the FKAA Employee Handbook have occurred, but not brought back to the Board for approval. For example, the tuition reimbursement policy as May 4, 2017, had "capped" the maximum allowable reimbursement per employee in a master's degree seeking program at \$12,000 not to exceed \$6,000 per fiscal year. Then, the revised policy as of March 12, 2020, did not have a maximum allowable reimbursement limit for a master's degree.

It is recommended that management compare the most current FKAA Employee Handbook edition to the last Board Approved/Directive edition to identify all additions and deletions of employment guidance to be brought back before the Board of Directors. The handbook provides background on the Authority as well as general rules and policies for all employees that are approved by the Board of Directors.

Management's Response:

Human Resources will identify any changes to the Board approved policy to the most current policy in the Employee Handbook. Many of the Employee Handbook Policies are duplicated from the Bargaining Unit Agreement. All policies are currently being reviewed for Union Negotiations. The revised policies will be brought to the Board of Directors for Approval.

Person(s) Responsible: Union Negotiation Team. Human Resources

Target Date: October 1, 2022

Additional Comments:

Mr. Toppino requested that Department Directors attend Audit Committee Meetings when a specific item regarding their department is being reviewed and discussed.

Mr. Shelby concurred.

b. Comment:

While testing disbursements and procurements it was noted that employees join various organizations and clubs and pay for their membership using FKAA assigned "P" cards. No guidance is provided in the FKAA Employee Handbook regarding civic participation, but a review of the minutes of the Board of Directors indicated that on December 16, 1998, staff proposed an internal policy regarding organization and club membership.

Management should include the internal policy regarding membership dues in the FKAA Employee Handbook to provide guidance. The internal policy promoted memberships that: 1) offered FKAA access to required training and certification programs at reduced costs; 2) provided technical/informational support on industry related issues; 3) enhanced community relations; and 4) benefited FKAA through local contacts by enhanced communication between agencies, community, and businesses. Additionally, membership would be reviewed annually to assure that benefits are being derived; and that membership would be limited to staff who demonstrated active participation in the organization.

Management's Response:

HR will draft a policy to be included in the Employee Handbook. This will become part of the Board approved Employee Handbook.

Person(s) Responsible: Cheryl Sargent, Director of Human Resources.

Target Date: October 1, 2022

Additional Comments:

Mrs. Appell asked if the memberships fees were included in the budget.

Mr. Esquinaldo advised yes.

Ms. Higgins asked what active membership participation meant.

Mr. Esquinaldo advised that it means regular meeting attendance and participating in the club's activities. He added that it does not mean to join for the title of being a member but not participating.

Ms. Higgins agreed and stated that if the Authority is paying for a club membership the employee is the face of the agency and should be attending regularly and participating.

Mr. Esquinaldo concurred.

Mr. Toppino asked if employees are trained on what is considered permissible p-card charges.

Mr. Esquinaldo advised yes and explained that prior to a p-card being issued there is a review, and the policy is also listed in the Procurement policy.

Mr. Toppino asked how often the charges are reviewed.

Mr. Esquinaldo advised monthly.

Mr. Mulick asked if memberships were strictly approved for management level or all employees.

Mr. Esquinaldo advised open to all employees.

c. Comment:

Employees are sometimes issued equipment, i.e., P-Cards, cell phones, lap-tops, tablets, etc. While testing employee terminations of employment it was noted that there is not a central tracking process in place to determine if all equipment is returned prior to the issuing of the final paycheck. Instead, the process is left up to the employee's supervisor to account for all equipment that was issued to the employee.

It is recommended that all supervisors and managers issuing equipment to employees complete a form describing what specific equipment was issued, have the form signed by both the supervisor/manager and the employee and then send the form to the Human Resources (HR). This process will facilitate the tracking of equipment that has been assigned to an employee and will enable HR to enter the information in ADP (Automatic Data Processing) so it can be collected when employment is terminated. This will strengthen internal control and limit exposures to loss of FKAA property.

Management's Response:

Property is issued to employees from various Departments. The Supervisor is responsible for entering the property issued to the employee in ADP. When an employee terminates, HR sends a request to the Supervisor to obtain all equipment issued. It appears that some of the Supervisors

are not entering this information. HR is willing to assist the Supervisor, by entering the equipment issued, into ADP, upon receipt of the approved signed form.

Person(s) Responsible: FKAA Managers/Supervisors. Executive Assistant -Human Resources
Target Date: Immediately.

Additional Comments:

Mr. Toppino asked how FKAA property is being tracked currently.

Mr. Esquinaldo advised that the supervisor is responsible for entering the property issued into ADP. He added that it appears that some of the supervisors are not entering the information.

Mr. Toppino advised that this issue needs to be resolved and a new tracking process implemented as soon as possible.

Mr. Esquinaldo concurred and advised that he is working with HR to immediately implement corrective action to prevent any loss.

Follow-Up:

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 FKAA's project/construction management tool. Workflow processes are developed that require electronic approvals/signatures. Currently, the electronic approvals/signatures reside in thee-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

Follow-up Results: **Resolved** - On March 23, 2022, a meeting was held with all concerned and the following plan of action was established to remedy the concern described above: 1) the administrative assistant for engineering contracts and permitting gathered all open, i.e., current contracts, obtained signatures from all parties, scanned and placed them in Laser Fiche for safekeeping; and 2) the director of information technology is obtaining "DocuSign" to create electronic signatures in £-Builder for signing further contracts.

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

Follow-up Results: **Unresolved** - *While testing wastewater connections after October 1, 2022, it was noted that the workflow process established by finance in Cogsdale (FKAA 's Enterprise Resource Program) is not being used by engineering as agreed upon. Instead, engineering sends connection information via emails to billing, i.e., finance so the customer can be setup for*

wastewater billing. An account was identified as "connected to sewer" but wasn't being billed for flow and base facility charges. (The engineering department process is as follows: If a service order is created meaning that a permit is not required then the utility permit task is removed from the service order. If a permit is required, then a workorder is created leaving the permit task on the workorder and mark it "completed" once).

A meeting was held on April 27, 2022, with all concerned to further discuss the issue and it was agreed that the workflow process will now be followed. The workflow process setup in Cogsdale creates a workorder to ensure that customer service can identify where to direct a customer with detailed questions, to ensure that pertinent locations are billed, and that a utility permit task was created for subsequent billing. The billing verification task once completed verifies the location to be billed and then the workorder is automatically closed.

Additional Comments:

Mr. Toppino asked if the Authority was installing the grinder pumps.

Mrs. Reynolds advised no, the customer is responsible for the purchase of the grinder pump including costs and installation.

Mr. Toppino asked if there is a penalty for customers that are not connected to the central wastewater system.

Mr. Shelby advised that it is a Monroe County ordinance that requires customers to connect, and Code Enforcement applies the penalties and fines.

Mr. Shelby advised that staff would schedule a meeting with Monroe County to discuss the issue further.

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

Follow-up Results: **Resolved** - Employees receiving non-promotional, i.e., other than merit and/or performance related raises after 11/1/2021, were identified and all fifteen (15) were approved via the established workflow in ADP (Automatic Data Processing).

INTERNAL COMPLIANCE AUDIT SCHEDULE AS OF MAY 24, 2022

Mr. Esquinaldo presented the Audit schedule as follows:

Section	Area	Status	Comments?
A	Cash Disbursements (Purchasing)	Completed	No
B	Cash Receipts	Completed	No
C	Customer Account Adjustments	Completed	Pending
D	Customer Meter Deposits	Completed	No
E	Customer Billing	Completed	No
F	Payroll and Hiring Practices	Completed	Yes
G	Construction/Consultant Contracts	Started	
H	Inventory	Not Started	
I	Fixed Assets	Not Started	
J	Investments	Not Started	
C1	Compliance - Customer Accounts	Completed	No
C2	Compliance - Laws & Regulations	Completed	No
C3	Compliance - Enabling Legislation	Completed	No
C4	Compliance - Bond Covenants	Not Started	
C6	Compliance - Permits and Licenses	Not Started	
C7	Compliance - Maintenance and Readiness	Not Started	
C8	Compliance - Environmental Regulations	Not Started	

C9	Compliance - Safety and Regulatory	Not Started	
C10	Compliance - Risk Management	Not Started	
C11	Compliance - Information Technology	Not Started	
C12	Compliance - Grants	Not Started	
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 10:42 a.m.

FLORIDA KEYS AQUEDUCT AUTHORITY

By: 
Richard J. Toppino, Chairman

Attest:


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	Maghan Barber
Greg Veliz	Randy Acevedo
Robert T. Feldman	Christina Ortiz
Timothy Esquinaldo	Krystal Waldner
Cindy Kondziela	Pam Albury
David Hackworth	George Wallace
Jolynn Reynolds	Jay Miller

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