

# **Review of Department Processes and Controls Over Advance Payments**

**Division of Administrative Services**

**Report: A-2122DEP-001**

**Office of Inspector General**

**Internal Audit Section**

**Florida Department of Environmental Protection**

**November 8, 2021**

3900 Commonwealth Boulevard, MS 40  
Tallahassee, Florida 32399-3000

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Review of Department Processes and Controls over Advance Payments  
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Report: A-2122DEP-001

## Table of Contents

<b>Scope and Objectives .....</b>	<b>1</b>
<b>Methodology .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Results .....</b>	<b>3</b>
<b>Conclusions.....</b>	<b>6</b>
<b>Finding and Recommendation.....</b>	<b>6</b>
<b>Appendix A.....</b>	<b>9</b>
<b>Appendix B.....</b>	<b>9</b>
<b>Division Response.....</b>	<b>10</b>

Report: A-2122DEP-001

The Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted a review of Department processes and controls over advance payments. This review was initiated as a result of the Fiscal Year (FY) 2021-2022 Annual Audit Plan.

## Scope and Objectives

The scope of this review included advance payment activities beginning July 1, 2020.

The objectives were to:

- determine whether Department advance disbursements are being issued in compliance with Sections 216.181(16)(b), 215.422(15), and 216.011, Florida Statutes (F.S.), and Chapter 69I-40.120 Florida Administrative Code (F.A.C.)
- evaluate management controls and oversight of advance payment activities

## Methodology

This review was conducted under the authority of Section 20.055, F.S., and in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Our procedures included review of authoritative documents, advance payment disbursement records, and interviews with Division of Administrative Services (Division) Bureau of Finance and Accounting (BFA) management and Department program staff.

## Background

Section 216.011, F.S. defines the appropriation category for grants and aids to local governments and nonstate entities-fixed capital outlay and allows funds appropriated in this category to be advanced. Section 216.181(16), F.S. states that *Any agency, or the judicial branch, that has been authorized by the General Appropriation Act [GAA] or expressly authorized by other law to make advances for program startup or advances for contracted*

Review of Department Processes and Controls Over Advance Payments  
Division of Administrative Services

Report: A-2122DEP-001

*services, in total or periodically, shall limit such disbursements to other governmental entities and not-for-profit corporations. The amount that may be advanced shall not exceed the expected cash needs of the contractor or recipient within the initial 3 months. Thereafter, disbursement shall only be made on a reimbursement basis. According to Section 215.422(15), F.S., The Chief Financial Officer may adopt rules to authorize advance payments for goods and services, including, but not limited to, maintenance agreements and subscriptions. Such rules shall provide objective criteria for determining when it is in the best interest of the state to make payments in advance and shall also provide for adequate protection to ensure that such goods or services will be provided.*

Chapter 69I-40.120 F.A.C. outlines criteria for making advance payment in a manner other than that required by Section 216.181(16)(b), F.S. In those circumstances, the Department *must request a waiver from the Chief Financial Officer.* With respect to advance payments authorized under Section 215.422(15), F.S., Chapter 61I-40.120, F.A.C. provides that advance payment may be made for maintenance agreements, software license agreements, and subscriptions which meet specified criteria.

Section 216.011(s), F.S., provides that funds appropriated to local units of government and nonprofit organizations under the category *Grants and aids to local governments and nonstate entities-fixed capital outlay* may be advanced in part or in whole. Advances made for activities under this funding source and qualifying under this category do not necessitate a request for waiver request.

The Division tracks advance payments for which a waiver from Section 216.181(16) F.S. is required and those made under the funding category *Grants and aids to local governments and*

Review of Department Processes and Controls Over Advance Payments  
Division of Administrative Services

Report: A-2122DEP-001

*nonstate entities-fixed capital outlay* per Section 216.011, F.S. using a Quarterly Advance

Reconciliation spreadsheet. The data in the spreadsheet is obtained from an Advance Interest Reporting Memo sent to the point of contact for each contract or grant. The Quarterly Advance Reconciliation spreadsheet for the quarter ending March 31, 2021 included 33 advance disbursements authorized under Section 216.181(16), F.S., and those qualifying as *Grants and aids to local governments and nonstate entities-fixed capital outlay* as follows.

Advances Actively Tracked	Advance Approval Amount	Advance Disbursement Amount	Advance Amount Expensed	Advance Balance Remaining	Interest Earned Thru 3/31/21
33	\$95,728,918.64	\$91,107,436.44	\$70,594,029.19	\$20,485,179.73	\$2,439,171.48

The Division also processed 90 advance payments totaling \$1,596,282.24 which met criteria outlined under Section 215.422(15), F.S. for maintenance agreements, software license agreements, and subscriptions in MyFloridaMarketPlace (MFMP)<sup>1</sup> during the period of January 1, 2021 to June 11, 2021.

## Results

We reviewed the following sample of 12 agreements (Appendix A) where advance disbursements were authorized under Section 216.181, F.S., including those which were funded as *Grants and aids to local governments and nonstate entities-fixed capital outlay* under Section 216.011, F.S., and did not necessitate a waiver under Chapter 61I-40.120, F.A.C.

Advances Authorized under Section 216.181, F.S.	Number of Advances	Advance Approval Amount	Advance Disbursement Amount	Advance Amount Expensed	Advance Balance Remaining	Interest Earned Through 3/31/21
Grants and Aids-Fixed Capital Outlay as defined under Section 216.011, F.S.	6	\$10,683,518.86	\$7,535,364.34	\$7,440,311.62	\$95,052.72	\$0
Advances requiring a waiver per Chapter 69I-40.120, F.A.C.	6	\$47,065,080.77	\$46,404,343.77	\$38,235,883.28	\$8,168,460.49	\$2,437,096.90
<b>Total:</b>	<b>12</b>	<b>\$57,748,599.63</b>	<b>\$53,939,708.11</b>	<b>\$45,676,194.90</b>	<b>\$8,263,513.21</b>	<b>\$2,437,096.90</b>

<sup>1</sup> MFMP is the state of Florida's eProcurement system.

Review of Department Processes and Controls Over Advance Payments  
Division of Administrative Services

Report: A-2122DEP-001

Of the six advances tracked as *Grants and aids to local governments and nonstate entities-fixed capital outlay*, we verified that the GAA line-item funding for each agreement was under the grants and aids fixed capital outlay category. Payment requests included invoices which matched the amount requested. In subsequent disbursement requests, proof of payment matching the disbursements were provided for each.

Chapter 69I-40.120(2) F.A.C., states, *Agencies wishing to make advance payment under provisions of paragraph 216.181(16)(b), F.S., but in a manner other than that required by that section must request a waiver of the section from the Chief Financial Officer. The request for waiver must include the appropriation line item number, justification for advancing funds in a manner other than as required by paragraph 216.181(16)(b), F.S., and show why such advance payment is in the best interest of the State.* Of the six remaining agreements with advances, the Department had obtained approval from the Chief Financial Officer (CFO) for a waiver of the section as required.

The Division's Advance Payment Procedures states, *For all advance funds, the contract manager is responsible for obtaining documentation of expenditures against the advance from the contractor/recipient and for notifying F&A on a quarterly basis of amounts approved to be applied against the advance and reporting of interest earned.* According to the Advanced Payment Procedures, the Division's accountant will prepare a memorandum to send via email to the contract/grant point-of-contact for each contract/project. The Advance Payment Procedures further states, *Upon receipt the accountant will review the data and update the Quarterly Advance Reconciliation spreadsheet.* We reviewed the 12 sampled Agreements for proper submission of the advance payment memorandum for the quarter ending March 31, 2021. Of the

Review of Department Processes and Controls Over Advance Payments  
Division of Administrative Services

Report: A-2122DEP-001

12 that were sent to contract/grant points of contact, 11 were completed and returned to the Division as required. Despite request from the Division, grant management for Agreement LP50240 had not obtained the completed memorandum from the grantee. Of the 11 returned memorandums, ten had been tracked on the Quarterly Advance Reconciliation spreadsheet by the Division as required. The total amount for one was incorrect on the March 31, 2021, Quarterly Advance Reconciliation spreadsheet but was subsequently corrected on the June 30, 2021, tracking spreadsheet. Of the 11 returned memos, five indicated interest earned. We verified that all five returned the earned interest to the Department. Of the 12 agreements, three had not been included on the previous quarter's spreadsheet as they were not identified by Division staff as agreements with advance disbursements. In discussions with Division management, there is no written process or procedure for the identification of advance payment disbursements.

We reviewed a sample of 18 purchase order advance payments totaling \$487,506.82 (Appendix B) for maintenance agreements, software license agreements, and subscriptions for compliance with Section 215.422(15) F.S. and Chapter 69I-40.120 F.A.C. Chapter 69I-40.120(3)(a) F.A.C. which states, *Advance payment may be made for maintenance agreements, software license agreements, and subscriptions which meet one of the following criteria:*

- 1. Advance payment will result in a savings to the State which is equal to or greater than the amount the State would earn by investing the funds and paying in arrears.*
- 2. The goods or services are essential to the operation of State agency and are available only if advance payment is made.*
- 3. Payments which are equal to or less than the threshold of category two as defined in section 287.017, F.S.<sup>2</sup>, and which meet one of the above criteria do not require prior*

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<sup>2</sup> The threshold listed in Section 287.017 F.S. for category two is \$35,000.

Report: A-2122DEP-001

*approval of the Chief Financial Officer. The voucher requesting payment must document that the payment meets one of the above criteria.*

4. *Prior approval of the Chief Finance Officer is required for advance payment in excess of the threshold of category two as defined in section 287.017, F.S.*

Of the sampled 18 payments, 14 were under \$35,000 and four were over \$35,000. Of the 14 payments under the threshold, 13 had the required criteria listed on the purchase requisition.

BFA added the criteria for one that did not include justification criteria after our inquiry. We verified that BFA had obtained advance approval from the CFO for all four advanced payments over the category two threshold as required.

## **Conclusions**

Based on our review, Department advance disbursements are generally being issued in compliance with Section 216.181(16)(b), F.S., Section 215.422(15) F.S., and Chapter 69I-40.120 F.A.C. However, we noted weaknesses in the consistent tracking and identification of advance disbursements.

## **Finding and Recommendation**

### **Finding 1: Documented Procedures**

The Department's Advanced Payment Procedures includes statutory, rule, and procedural direction for Department program areas requesting advance payment. It also includes direction for submitting necessary documentation for expenditures and interest for the Department's Quarterly Advance Payment Status Report. Based on discussions with Division management, once the Department obtains approval from the CFO for advance payment or if the agreement is eligible for advance under Section 216.011, F.S., BFA staff record the advance authorization in FACTS. BFA staff also record advance disbursements, expenditures, and interest information on



Report: A-2122DEP-001

the Quarterly Advance Reconciliation spreadsheet. If there are any discrepancies or failure to report, BFA staff follow up with grant management or points of contact. However, there are no written procedures for the process or process oversight.

During our review, we noted the following discrepancies regarding tracking entries related to advances included in our sample.

- Despite multiple requests from BFA, one grant manager did not submit a completed Advance Interest Reporting Memo for BFA's March 31, 2021, quarterly tracking.
- The total amount for one was incorrect on the March 31, 2021, Quarterly Advance Reconciliation spreadsheet but was subsequently corrected on the June 30, 2021, spreadsheet.
- Of the 12 agreements included in our sample, three had not been included on the previous quarter's spreadsheet as they were not identified by BFA staff as agreements with advance disbursements.
- Of the 18 purchase order advance payments made in accordance with Chapter 69I-40.120(3)(a) F.A.C., one (B8D915) did not list the justification criteria for the advance. This justification was subsequently added after our inquiry.

The Division's process for tracking advanced payments adds a valuable level of Department-wide oversight and accountability for tracking advanced disbursements and interest due to the Department. However, without a documented procedure of this process, the Division lacks assurance that advance payments and the associated interest are being documented and tracked accurately and consistently.

**Recommendation:**

We recommend the Division establish a written procedure to document the process of identifying advanced payments and tracking the associated information in the Quarterly Advance Reconciliation spreadsheet. This procedure should incorporate supervisory review in the process to ensure consistent and accurate tracking.

Review of Department Processes and Controls Over Advance Payments  
Division of Administrative Services

Report: A-2122DEP-001

*To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our review was conducted under the authority of Section 20.055, F.S., and in conformance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. The review was conducted by Lawrence Pickle and supervised by Valerie J. Peacock.*

*Please address inquiries regarding this report to the OIG's Audit Director by telephone at (850) 245-3151. Copies of final reports may be viewed and downloaded via the internet at <https://floridadep.gov/oig/internal-audit/content/final-audit-reports>. Copies may also be obtained by telephone (850) 245-3151, by fax (850)245-2994, in person or by mail at Department of Environmental Protection, Office of Inspector General, 3900 Commonwealth Boulevard, Mail Station #41, Tallahassee, FL 32399.*

*Valerie J. Peacock,  
Director of Auditing*

*Candie M. Fuller,  
Inspector General*

Review of Department Processes and Controls Over Advance Payments  
Division of Administrative Services

Report: A-2122DEP-001

## Appendix A

Agreement Number	Recipient	Advance Approval Amount	Advance Disbursement Amount	Advance Amount Expended	Advance Balance Remaining	Interest Earned Through March 31, 2021
NS029	Town of Seawalls Point	396,637.46	396,637.46	(396,637.46)	0.00	0.00
LP50240	Snook and Gamefish Foundation	887,926.67	887,926.67	(792,873.95)	<b>95,052.72</b>	0.00
DW250250	City of Bowling Green	1,296,453.00	1,296,453.00	(1,296,453.00)	0.00	0.00
DW530910	City of Eagle Lake	15,525.00	15,525.00	(15,525.00)	0.00	0.00
DW530701	City of Davenport	4,075,516.73	4,075,516.73	(4,075,516.73)	0.00	0.00
WW020502	City of MacClenny	4,011,460.00	863,305.48	(863,305.48)	0.00	0.00
DW360800	Town of Fort Myers Beach	6,690,317.00	6,029,580.00	0.00	6,029,580.00	0.00
NWF71	Northwest Florida Water Management District	7,450,000.00	7,450,000.00	(7,359,825.90)	<b>90,174.10</b>	597,671.35
SWW51-367	Southwest Florida Water Management District	13,540,000.00	13,540,000.00	(13,425,979.92)	<b>114,020.08</b>	1,648,161.26
S0675	Suwanee River Water Management District	5,448,000.00	5,448,000.00	(5,179,510.88)	268,489.12	190,081.53
LP09112	Save Crystal River, Inc	13,866,263.77	13,866,263.77	(12,200,066.58)	1,666,197.19	1,170.12
SWI21	Southern Waste Information Exchange	70,500.00	70,500.00	(70,500.00)	0.00	12.64
	Total	57,748,599.63	53,939,708.11	(45,676,194.90)	8,263,513.21	2,437,096.90

## Appendix B

Purchase Order	Division/District/Office	Vendor Name	Advance Payment Amount
B8E909	Administrative Services	Presidio Networked Solutions LLC	\$1,746.10
B90AE2	Environmental Assessment Restoration	Everbridge, Inc.	\$36,279.06
B870FF	Recreation and Parks	RNW Energy Systems Corp	\$6,109.68
B87FE5	Recreation and Parks	Lithionics Battery, LLC	\$17,499.50
B8DE0A	Recreation and Parks	Gregory Pest Control, LLC	\$85.63
B73325	Resilience and Coastal Protection	Pitney Bowes Reserve Account	\$200.00
B8D915	Secretary	HP Computing and Printing Inc.	\$2,481.40
B8C25D	South District	National Notary Association	\$132.00
B8B832	Southwest District	SHI International Corp.	\$40.35
B89C5C	State Lands	Florida Level & Transit Co.	\$3,674.00
B8AA1F	State Lands	DLT Solutions, LLC	\$9,385.20
B886E5	Technology Information Services	Presidio Networked Solutions LLC	\$12,870.00
PO2434031	Technology Information Services	Emergent, LLC	\$25,172.00
B93721	Technology Information Services	Mythics, Incorporated	\$121,268.00
B9380C	Technology Information Services	Gartner, Inc.	\$67,585.92
PO2424094	Waste Management	Insight Public Sector, Inc.	\$936.19
B94E2D	Water Resource Management	GHA TECHNOLOGIES, INC.	\$257.74
PO2407229	Water Restoration Assistance	Carahsoft Technology Corp.	\$181,784.05
		Total	\$487,506.82



# FLORIDA DEPARTMENT OF Environmental Protection

Marjory Stoneman Douglas Building  
3900 Commonwealth Boulevard  
Tallahassee, FL 32399

**Ron DeSantis**  
Governor

**Jeanette Nuñez**  
Lt. Governor

**Shawn Hamilton**  
Secretary

## Memorandum

**TO:** Candie Fuller, Inspector General  
Office of Inspector General

**FROM:** Darinda McLaughlin, Deputy Chief of Staff of Operations  
Division of Administrative Services

**SUBJECT:** Report A-2122DEP-001  
Review of Department Processes and Controls over Advance Payments

**DATE:** November 4, 2021

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This memorandum will serve as the Division's response to the subject audit findings and recommendations.

### **Finding 1: Documented Procedures**

- *Recommendation: We recommend the Division establish a written procedure to document the process of identifying advanced payments and tracking the associated information in the Quarterly Advance Reconciliation spreadsheet. This procedure should incorporate supervisory review in the process to ensure consistent and accurate tracking.*

**Response: The Division agrees with the recommendation and has updated the Advance Payment and Reconciliation procedures. The staff will utilize additional resources to identify advance payments to be tracked and the quarterly reconciliation will incorporate supervisory reviews. All changes will be implemented with the December 2021 reconciliation.**