

Review of Department Processes for Refunds

Division of Administrative Services

Report: A-1920DEP-023

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

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

<https://floridadep.gov/>





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The Office of Inspector General (OIG) conducted a review of the Department of Environmental Protection's (Department) processes regarding refunds. This review was initiated as a result of the Fiscal Year (FY) 2019-2020 Annual Audit Plan.

Scope and Objectives

The scope of this review included the Department refund activity beginning July 1, 2019.

The objectives were to:

- determine whether Department refunds are processed in compliance with Section 215.26, Florida Statutes (F.S.), Chapter 69I-44.020, Florida Administrative Code, (F.A.C), and the Department's Revenue Collection Procedures
- evaluate Department controls and oversight regarding refunds

Methodology

This review was conducted under the authority of Section 20.055, F.S., and in conformance with *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Our procedures included review of statutory and Department procedures, as well as correspondence with the Division of Administrative Services (DAS) Bureau of Finance and Accounting (Finance and Accounting) staff, Office of Technology and Information Services (OTIS) staff, and Department Division/District/Office staff.

Background

According to Section 215.26, F.S., the Chief Financial Officer (CFO) may refund any moneys paid into the State Treasury which constitute an overpayment, payment that is not due, or payment made in error. If any such payments have been credited to an appropriation, the appropriation is to be charged with the refund. Authority to accept refund applications for revenues collected by the Department is delegated to the Department under Chapter 69I-44.020,

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F.A.C. Between July 1, 2019 and June 30, 2020, the Department issued 1,073 refunds totaling \$9,415,023.58. The refunds were issued by Department Divisions, Districts, and Offices as follows:

Refunds Issued between July 1, 2019 and June 30, 2020		
Program Area	Number of Refunds	Amount
Office of the Secretary	1	\$477.50
Division of State Lands	93	\$50,687.01
Division of Water Restoration Assistance	4	\$38,226.47
Division of Water Resource Management	156	\$56,569.00
Division of Waste Management	23	\$2,150.00
Division of Recreation and Parks	97	\$9,030,701.01 ¹
Division of Air Resource Management	18	\$40,997.80
Central District	83	\$25,484.00
Northeast District	52	\$36,674.00
Northwest District	75	\$17,712.00
Southeast District	100	\$25,575.00
South District	258	\$52,881.79
Southwest District	113	\$36,888.00
Total:	1,073	\$9,415,023.58

Results

We reviewed the following sample of 12 Department refunds issued between October 2019 and April 2020 for compliance with Section 215.26, F.S., and Chapter 69I-44.020, F.A.C.

Program Area	Refund Amount	Date	Documented Reason
Division of State Lands	\$2,808.99	2/19/2020	Overpayment
Water Restoration Assistance	\$2,315.86	2/12/2020	Duplicate Payment (Payment in error)
Division of Water Resource Management	\$250.00	2/11/2020	Withdrew Application (Payment not due)
Division of Waste Management	\$70.00	2/18/2020	Withdrew Application (Payment not due)
Division of Recreation and Parks	\$5,000.00	11/21/2019	Other
Division of Air Resources	\$100.00	2/6/2020	Withdrew Application (Payment not due)
Central District	\$4,750.00	12/20/2019	Overpayment
Northeast District	\$650.00	2/5/2020	Withdrew Application (Payment not due)
Northwest District	\$250.00	3/10/2020	Environmental Fee Waiver (Payment not due)
Southeast District	\$420.00	2/5/2020	Withdrew Application (Payment not due)
South District	\$100.00	1/27/2020	No Fee Due
Southwest District	\$150.00	11/8/2019	Other

¹ The large number of refunds issued by the Division of Recreation and Parks during FY 2019-2020 was attributed to Park closures resulting from COVID-19.

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For refund approval, the Department's Revenue Collection Procedures state that, *The Division/District Director, Bureau Chief, Section Head, or delegated designee must authorize claims for payment.* Applications for Refund forms must be signed by the applicant for requests greater than \$650.00. All of the sampled refunds were documented on an Application for Refund form submitted to the Finance and Accounting Revenue Section. We verified that each Application for Refund form was signed by the authorized personnel from each program area. Of the 12 sampled refunds, four were greater than \$650.00. We verified that the applicants signed the Applications for Refund form for all four.

According to Section 215.26, F.S., the CFO may refund any moneys paid into the State Treasury which constitute *an overpayment of any tax, license, or account due; a payment where no tax, license, or account is due; and any payment made into the State Treasury in error.* We verified the reasons for the 12 sampled refunds were consistent with this statute.

Chapter 69I-44.020, F.A.C., directs that when an application is received, the Department *shall proceed to review the same and to promptly make a determination, as provided by section 215.26(2), F.S., of the amount due, if any, under the applicable laws and in accordance with the rules of that agency [Department].* If the Department approves an application for refund, it shall voucher a request for warrant to the CFO with appropriate supporting documentation required or necessary for proper audit and payment. Of the 12 sampled refunds, Application for Refund forms for ten were not supported by documentation which would provide support for the request. These refunds included an internal Refund Request form with varying information regarding the refund, and some included related e-mails. However, documentation supporting requests made on the form were not included.

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On July 10, 2020, the OIG issued a separate review of Storage Tank Registration Fee Collections (Report A-1920DEP-018) which included a recommendation that the Division of Waste Management ensure refund requests submitted to Finance and Accounting contain sufficient documentation of justification for the request. DAS also responded that Finance and Accounting would ensure that the supporting documentation submitted is sufficient for proper audit and substantiates the request. Given this updated direction, we reviewed an additional sample of seven refunds issued subsequent to July 30, 2020. Of the seven, five Application for Refund forms were submitted without specific documentation which would provide support for the requested refund.

According to the Department's Revenue Collection Procedures, *Cash Receiving Application [CRA] users should also run an outstanding refund report at least monthly and follow up with customers as necessary. If refund requests have been generated in error, the Revenue Section should be notified in writing to delete it. The refund number, amount and the reason should be included with the request.* We obtained the detailed outstanding refund report as of July 9, 2020, which contained 127 outstanding refunds totaling \$595,324.23². Based on discussions with staff from 12 program areas, two indicated that they obtain outstanding refund reports and follow up on outstanding refunds as required.

Conclusions

Based on our review, Department refunds were documented on an Application for Refund form submitted to the Finance and Accounting Revenue Section and were signed by the

² The outstanding refund report included a \$500,000.00 refund processed on November 2, 2018 by the DAS for Division of Recreation and Parks cancellations due to Hurricane Michael. Based on our inquiry, the refund was subsequently marked as complete in CRA.

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authorized personnel from each program area. However, most of the approved refunds reviewed did not include documentation which would support the requested refund. In addition, most program area CRA users indicated they did not follow up on outstanding refunds consistent with direction contained in the Department's Revenue Collection Procedures.

Findings and Recommendations

Finding 1: Application for Refund Support Documentation

According to Chapter 69I-44.020(1)(a), F.A.C., if the Department approves an application for refund, it shall voucher a request for warrant to the CFO with appropriate supporting documentation required or necessary for proper audit and payment. Of the 19 approved refunds included in our review, Application for Refund forms for 15 did not include program documentation supporting the request. While DAS has acknowledged the need to ensure applications for refunds include sufficient support for the request, refunds have continued to be processed with minimal support.

Recommendation:

We recommend DAS work with Finance and Accounting as well as program area staff to ensure submitted refund applications contain program specific documentation which supports the validity of the request.

Finding 2: Outstanding Refund Report

According to the Department's Revenue Collection Procedures, *CRA users should also run an outstanding refund report at least monthly and follow up with customers as necessary. If refund requests have been generated in error, the Revenue Section should be notified in writing to delete it. The refund number, amount and the reason should be included with the request. We*

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obtained the Department's outstanding refund report as of July 9, 2020, which contained 127 outstanding refunds totaling \$595,324.23. Based on discussions with staff from 12 program areas, only two indicated that they obtain outstanding refund reports and follow up on outstanding refunds. Without this review, the Department lacks assurance of the accuracy of pending refunds documented in CRA.

Recommendation:

We recommend DAS work with Finance and Accounting as well as program CRA users to ensure processes are in place to review outstanding refunds on a monthly basis in accordance with the Department's Revenue Collection Procedures.

Management Comment

Management Comment: Permit Fee Requirements

One Application for Refund included in our review, which was submitted by the Northwest District, documented the reason for the refund as *Environmental Fee Waiver*. Based on discussions with District staff, the refund was issued because the applicant applied for the permit on behalf of the United States (U.S.) Air Force. According to Chapter 62-330.071(4), F.A.C., *A processing fee shall not be assessed for applications and notices under this chapter submitted by the Army, Navy, Air Force, Coast Guard, Marine Corps, or National Guard branches of the U.S. Department of Defense*. According to District staff, the Department's Enterprise Self Service Authorization system (ESSA) online Business Portal requires fee payment for submittal of Environmental Resource Permit applications. OTIS staff indicated that development of Environmental Resource Permitting in ESSA was designed in conjunction District staff. We verified documentation demonstrating that the applicant represented a military

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base under the U.S. Air Force including documentation supporting that the refund was valid.

Going forward, to avoid the necessity of refunds for Environmental Resource Permit applications submitted on behalf of a branch of the military, Districts and OTIS staff would benefit from a review of Environmental Resource Permit application requirements in ESSA for consistency with Chapter 62-330, F.A.C.

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 LeAnne Landrum 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,
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*Candie M. Fuller,
Inspector General*



FLORIDA DEPARTMENT OF Environmental Protection

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Jeanette Nuñez
Lt. Governor

Noah Valenstein
Secretary

Memorandum

TO: Valerie Peacock, Audit Director
Office of the Inspector General

FROM: Darinda McLaughlin, Director
Division of Administrative Services

SUBJECT: Report A-1920DEP-023
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DATE: November 17, 2020

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

Finding 1: Application for Refund Support Documentation

- *Recommendation: We recommend DAS work with Finance and Accounting as well as program area staff to ensure submitted refund applications contain program specific documentation which supports the validity of the request.*

Response: The Bureau of Finance and Accounting agrees with the recommendation and will coordinate with Bureau and Program Staff to enforce the requirement of supporting documentation to substantiate the validity of the request.

Finding 2: Outstanding Refund Report

- *Recommendation: We recommend DAS work with Finance and Accounting as well as program CRA users to ensure processes are in place to review outstanding refunds on a monthly basis in accordance with the Department's Revenue Collection Procedures.*

Response: The Bureau of Finance and Accounting agrees with the recommendation. We will coordinate with program CRA users to ensure a review of the outstanding refund report on a monthly basis in accordance with the Department's Revenue Collection Procedures.