Audit Recommendations Follow-Up Report

For the Period October 1, 2013
Through December 31, 2013

Project # 14-04

Prepared by
Office of Inspector General

J. Timothy Beirnes, CPA, Inspector General
Ann E. Haga, Executive Assistant

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

Memorandum

To: Governing Board Members

From: J. Timothy Beirnes, CPA, Inspector General
               Office of Inspector General

Date: February 12, 2014

Subject: Audit Recommendations Follow-Up Report -
               For the Period October 1, 2013 through December 31, 2013
               Project No. 14-04

This audit was performed pursuant to the Inspector General's authority set forth in Section 20.055, F.S. Enclosed is the subject report that was conducted to assess the progress made in implementing audit recommendations.

In our efforts to continue to improve the audit process we utilize an audit recommendations tracking database as an integral part of monitoring the implementation status of audit recommendations. This database contains the basic audit information and recommendations. This system provides us with a vehicle to communicate and gather feedback on the status of the audit recommendations with the Governing Board, District management, and the audited organizational units.

Should you have any questions concerning the enclosed report, please feel free to call me at (561) 682-6398.

C: Blake Guillory
       Carolyn Ansay
       Terrie Bates
       Doug Bergstrom
       Dan DeLisi
       Karen Estock
       Jeff Kivett
       Len Lindahl
       Temperince Morgan
       Tommy Strowd
       Sharon Trost

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Audit recommendations target the economy and efficiency of District operations and compliance with our policies and statutory responsibilities. Our recommendations also focus on providing District management with suggestions that facilitate their achievement of program goals and objectives. To be effective, audit recommendations must be implemented. Additionally, *Government Auditing Standards* require following up on audit recommendations in previously issued audit reports. Accordingly, the Office of Inspector General has performed follow-up audit work since the office was established in 1996. Every quarter our office surveys departments to determine the implementation status of recommendations and to encourage their completion. This information is maintained in the Inspector General's audit recommendation tracking system. The system allows each audit staff member to update the recommendation's "status" after reviewing information provided by the departments and offices.

This report on the implementation status of audit recommendations is for the period October 1, 2013 through December 31, 2013 (the "Reporting Period"). As shown in Exhibit 1, as of October 1, 2013 there were 10 recommendations that were not yet Fully Implemented, consisting of eight (8) that were In-Process and two (2) that were Partially Implemented. Since then, one (1) of these recommendations has been Fully Implemented.

During the Reporting Period, eight (8) recommendations were added from two (2) newly issued reports. As of December 31, 2013, five (5) of these recommendations have been Fully Implemented. In total from all reports, 12 recommendations are In-Process of being Implemented or have been Partially Implemented as of December 31, 2013.

There were no recommendations changed to the "No Longer Applicable" status during the current Reporting Period. The "No Longer Applicable" category includes items where conditions have changed subsequent to issuance of the audit report that rendered the recommendation no longer relevant, such as:

- Alternative compensating controls have been put in place.
- A decision was made to implement a new system that will address the issue making it impractical to retrofit the existing system.
- The policy, statute, or rule has changed.

- Change in strategic direction.

No recommendations fell into the "Not Implemented" category for the current and the previous report.

Following is a brief description of the attached exhibits:

- **Exhibit 1:** This Exhibit displays a summary of recommendation statuses for all audit reports with recommendations in process of implementation. Exhibit 1 also shows the changes in the status of recommendations from the beginning of the period to the end of the period.

- **Exhibit 2:** This Exhibit shows a summary of the changes in the status of recommendations by each audit report. Exhibit 2 shows only those audit reports that contained one or more recommendations that had not been fully implemented at the beginning of the reporting period.

- **Exhibit 3:** This exhibit displays detail information regarding the status of each audit recommendation. This includes the status of the recommendation for the prior reporting period and the status at the end of the current period. The comment column provides narrative information regarding implementation progress.

EXHIBIT 1
Summary of Recommendations Status
As of December 31, 2013

	In Process	Partially Implemented	Total
Prior Period Reports			
Status Prior Period (September 30, 2013)	8	2	10
Implemented or Partially Implemented During Period	-	(1)	(1)
Remaining Recommendations to be Fully Implemented	8	1	9
Reports Issued During Current Period			
New Recommendations*	8	-	8
Implemented or Partially Implemented	(5)	-	(5)
Remaining Recommendations to be Fully Implemented	3	-	3
Current Status			
Remaining Recommendations to be Fully Implemented	**11**	**1**	**12**

* Initial Status is set as "In-Process"

EXHIBIT 2
Audit Reports With Implementation of Recommendations in Progress
As of December 31, 2013

Audit No.	Audit Title	No. of Recs		In Process	Partially Implemented	No Longer Applicable	Implemented	
Recommedations - Prior Period Reports								
08-09	Review of Internal Controls Over Fuel Inventory	5	Initial Status	0	1	0	4	Open
			Change in Status	0	0	0	0	
			Current Period Status	0	1	0	4	
10-07	Audit of the RECOVER Program	4	Initial Status	0	1	0	3	Complete
			Change in Status	0	-1	0	1	
			Current Period Status	0	0	0	4	
11-11	Audit of Surplus Lands	10	Initial Status	1	0	0	9	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	9	
11-14	Audit of CERP Cost Share Status	9	Initial Status	5	0	0	4	Open
			Change in Status	0	0	0	0	
			Current Period Status	5	0	0	4	
12-29	Audit of Contract Monitoring	9	Initial Status	2	0	0	7	Open
			Change in Status	0	0	0	0	
			Current Period Status	2	0	0	7	
Recommendations - Report Issued								
12-30	Audit of Grant Monitoring	2	Initial Status	2	0	0	0	Open
			Change in Status	-1	0	0	1	
			Current Period Status	1	0	0	1	
13-13	Audit of Employee Time Coding Process	6	Initial Status	6	0	0	0	Open
			Change in Status	-4	0	0	4	
			Current Period Status	2	0	0	4	
Recommendations - All Reports								
	TOTAL	45	Prior/Initial Status	16	2	0	27	
			Change in Status	-5	-1	0	6	
			Status Current Period	11	1	0	33	
	Number of Recommendations Remaining to Be Fully Implemented	12		11	1			

Prior Period = As of September 30, 2013

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Revised	Recommendation	Management Response	Current Period Comments Regarding Status
08-09	2	Review of Internal Controls Over Fuel Inventory	Partially Implemented	Partially Implemented	9/30/2009	3/15/2015	Implement physical security measures that were identified by Emergency/Security Management.	Fencing repairs will be done in FY2010. New fences will be deferred to future years due to FY2010 budget constraints. For security systems, we will coordinate with Security Management to have them budget for these systems in future years.	The fencing for the north shore pump station (i.e. 127, 129, 131, 133, and 193) has been added to the trash rake projects at each of the sites. Due to funding constraints, estimated completion dates for S133 and S135 is 3/11/2015 and S129 and S131 is 9/8/2015.
10-07	1	Audit of the RECOVER Program	Partially Implemented	Implemented	10/31/2011	9/30/2013	Develop jointly with the USACE an updated RECOVER Program Management Plan as required by the CERP Master Program	Agree. A draft PMP update has been submitted and circulated with the expectation that the Design Coordination Team (a partnership with the Corps) will review in May. Following comments, it is expected that the PMP will be finalized by October 2011.	The Adaptive Management and Assessment Program Management Plan, under RECOVER, has been updated and is in revision with the U.S. Army Corps of Engineers. **1/22/2014** The RECOVER Program Management Plan has been completed and signed off by the USACE and SFWMD staff.
11-11	9	Audit of Surplus Lands	In Process	In Process	3/31/2013	12/1/2013	Explore the potential of leasing additional lands for communications towers or tower space to businesses in the telecommunication industry.	Management agrees.	A review process is on schedule to identify potential sites for tower and communication system leases. Due date change due to shortage of staff.
11-14	3	Audit of the CERP Cost Share Status	In Process	In Process	9/30/2013	4/30/2014	Research and resubmit credit request to the Corps, and follow up to insure all eligible credit is received.	The Finance Bureau's immediate priority is to review and submit fiscal year 2012 and 2013 work in-kind costs for CERP and the Kissimmee River Restoration Project to the Corps. When this is completed Finance Bureau staff will resubmit expenditures identified in the audit, along with supporting documentation that were previously disallowed.	In Process - The Finance Bureau just completed and submitted the final 2012 work-in-kind reports and is working on the FY 2013 cost crediting reports. It is anticipated that the costs identified in the audit will be resubmitted no later than January 31, 2014. **12/30/2013** Due to unforeseen new requests being made by the ACOE Finance will not able to complete this task by the January 31 estimated completion date. The revised completion date is April 30, 2014.
11-14	4	Audit of the CERP Cost Share Status	In Process	In Process	12/30/2013	6/30/2014	Follow up with the Corps to insure all eligible construction credit is received particularly those authorized, eligible expenditures for projects with a PPA.	Everglades Policy & Coordination will meet on a quarterly basis with Corps staff to review the status of open construction credit submissions and expected timing of construction credit approval. Based on these meetings we will provide any additional expenditure support needed for the Corps to approve expenditures for construction credit.	Discussions between District and USACE staff are on-going. The District continues to submit construction work in kind expenditures for USACE approval. Construction for projects with a signed PPA are eligible for credit. A letter received from USACE on January 29,2014 provided preliminary approval of a portion of CERP construction costs submitted for the second quarter of 2013.
11-14	5	Audit of the CERP Cost Share Status	In Process	In Process	12/31/2013	3/31/2014	Follow up with the Corps to establish a CERP Guidance Memorandum which specifies the procedures to be followed for certifying construction and Acceler8 expenditures for cost share credit.	Everglades Policy & Coordination will work with the Corps staff to develop a draft construction CERP Guidance memorandum for review and approval by September 30, 2013 and finalize the CGM by December 31, 2013. This process should not delay receiving construction credit on projects with an approved PPA.	Discussions with the CORPs have been initiated, but drafting of CGM has not been initiated. **2/4/14** CGM 43 is drafted and a meeting is set to review with USACE with a progress update set for the DCT meeting in February. The CGM should be finalized by March 31, 2014.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Revised	Recommendation	Management Response	Current Period Comments Regarding Status
11-14	6	Audit of the CERP Cost Share Status	In Process	In Process	9/30/2014	9/30/2014	Review and complete staff costs allocations on the tract sheets to reflect actual staff and associated costs incurred to acquire CERP lands and revise all relevant spreadsheets to reflect the updated costs.	Recent staff reductions within the Real Estate unit in conjunction with the additional responsibilities associated with the District-wide land assessment has resulted in a backlog in the cost allocation spreadsheets for District staff and associated costs. The Real Estate unit will coordinate staff workload in order to update the staff cost allocation spreadsheets.	Real Estate staff is coordinating with the Finance Department to document staff cost allocations using all data resources. The planned completion remains on schedule.
11-14	9	Audit of the CERP Cost Share Status	In Process	In Process	12/31/2013	3/31/2014	Follow up with the Corps to ensure the District receives official credit for all eligible land.	Real Estate unit staff will coordinate with the USACE Real Estate unit in Jacksonville to ensure the District receives all eligible credit for land acquisitions.	Real Estate staff is reviewing District records and coordinating with USACE staff in Jacksonville to ensure all submitted credit requests are accurate. Workload and coordination timing with the USACE has resulted in a completion date delay of approximately three months.
12-29	3	Audit of Contract Monitoring	In Process	In Process	7/11/2013	3/31/2014	Ensure that all project managers are aware of the District's responsibilities relating to sales and other types of taxes.	Management agrees. Procurement will update PM training documentation; PM training will be scheduled for all District PMs.	As of November 7, 2013, training documentation and materials have been completed. Training classes will be held quarterly beginning in January of 2014. **12/30/2013** Training on these and other topics will be conducted bi-annually with the first session scheduled for March 2014.
12-29	7	Audit of Contract Monitoring	In Process	In Process	7/11/2013	4/30/2014	Consider requiring the Procurement Bureau to review non-construction contract invoices particularly those that are time and material based to ensure payment rates are accurate and in compliance with contract terms/deliverables.	While the responsibility for reviewing and approving invoices has resided in the line organization, Procurement Bureau has begun reviewing construction invoices for compliance with contract terms. We plan to start review of non-construction contract invoices in order to ensure compliance with contract terms.	In Process - Procurement will begin reviewing non-construction contracts on November 30, 2013. **12/30/2013** Procurement is still working out some logistical issues pertaining to this recommendation.
12-30	1	Audit of Grant Monitoring	In Process	In Process	12/30/2013	4/30/2014	Update the District's grant procedures and add a section for when the District is, or acts, as a grantor. The State of Florida's Contract and Grant User Guide is a good reference for updating the procedures.	Management agrees with the recommendation. Finance will revise the District grant procedures to include a section for when the District acts as a grantor.	A working draft of a revised Grant Procedure, including when the District acts as a grantor, has been completed and is being circulated internally for comment.
12-30	2	Audit of Grant Monitoring	In Process	Implemented	12/30/2013	11/4/2013	In situations where physical observation is an impractical method by which to verify completion of the required deliverables, we recommend using an alternative contract method, such as cost reimbursement instead of deliverable based.	Management agrees with the recommendation and will fashion grant agreements so that progress towards the completion of the purpose of the grant can be easily verified.	Recommendation implemented at time of report issuance.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Revised	Recommendation	Management Response	Current Period Comments Regarding Status
13-13	1	Audit of Employee Time Coding Process	In Process	In Process	11/21/2013	2/28/2014	Ensure that District employees understand the importance of charging time worked to the correct cost centers, work/internal orders, and network/activity codes.	An "All Groups" email will be created and distributed District-wide, explaining the need to charge correctly and the negative consequences that can occur as a result of not properly capturing time spent on projects. Once the All Groups email goes out, all Section Leaders (or Section Administrators where no Section Leader is present) will review the email and how it relates to their group specifically, with each of their employees. We will also use other internal communication mechanisms to reinforce the message about why coding time correctly is so important.	An all-groups email has been drafted and is being circulated for comment. It is expected to go out sometime in February.
13-13	2	Audit of Employee Time Coding Process	In Process	Implemented	11/30/2013	11/30/2013	Require managers (time approvers) to closely review their staff's timesheets to ensure that time charges reflect the correct cost centers, work/internal orders, and network/activity codes.	Metrics Section will work on incorporating either a project description field or a comment field that can be utilized by time approvers to discern what hours are being charged to what projects, as the timesheets are being reviewed. Given that information, each time the approver will be instructed to review the data, identify instances of incorrect time coding, and address the issue with their employee(s) as needed, for each pay period. During the time period when this additional field is being worked on, or if it cannot be completed due to software limitations, approvers will need to review the next available issue of Metrics Section's *Project System Time Sheet Charge Tracking Spreadsheet,* address any issues with their employees, and make any adjustments to timesheets retroactively.	The Metrics Section has published a guide in the Friday Morning Report that instructs managers and time sheet administrators on how to determine what the various cost object numbers actually represent. This guide was published in the Friday Morning Report from the Hot Topics section for a month.
13-13	3	Audit of Employee Time Coding Process	In Process	Implemented	11/8/2014	11/8/2014	Require project managers to review bi-weekly internal labor charges in Project System to determine whether employees working on their projects are charging time to the projects.	Project managers will be instructed by their Section Leaders or Administrators to conduct reviews, at the beginning of each month, of the latest version of Metrics Section's *Project System Time Sheet Charge Tracking Spreadsheet*. Each Project Manager will provide a list of employees not charging to their projects to their Section Leader or Administrator. The Section Leader or Administrator will then provide that information to his/her direct counterpart supervising the employee(s) in question for follow-up.	The *Project System Time Sheet Charge Tracking Spreadsheet* is operational and is published for District use each week in the Friday Morning Report. Additionally, Metrics conducts a project control status review with project managers each month. During that review, a report is given to the project manager to determine whether salary charges are negatively impacting their project's earned value performance. Information is provided to project managers as to corrective measures necessary to align earned value performance to original planned labor.
13-13	4	Audit of Employee Time Coding Process	In Process	In Process	7/30/2014	7/30/2014	Implement a process to ensure that managers are notified when their staff do not charge time to project related activities and that managers take appropriate corrective action.	The District will develop an automated information tool driven by resource demand and schedules within SAP Project Systems. Two weeks prior to time sheet approval week an email will be sent from Project System to each Project Manager and each Organizational Manager listing those activities that should be receiving work effort. This will inform managers and projects managers who have been assigned to accomplish work items by that time in the project schedule. The District will adopt and enforce a one employee/one PS network activity template and naming convention that includes the First Initial and Last Name of the employee charging to the activity. This will help quantify and allow low level resource management.	A coding system is being developed that can be integrated into Project Systems that allows production of an automated MS Access report that can be electronically delivered to managers and project managers detailing the time charging status of all projects. This project is on track and expected to be completed by the July 31, 2014 estimated completion date.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Revised	Recommendation	Management Response	Current Period Comments Regarding Status
13-13	5	Audit of Employee Time Coding Process	In Process	Implemented	12/31/2013	12/31/2013	Encourage relevant staff to utilize the Metric Section's *Project System Time Sheet Tracking Spreadsheet* to determine which employees are assigned to project activities and as a reference for project network and activity codes for timesheet completion purposes.	*Project System Time Sheet Charge Tracking Spreadsheet* will continue to be updated and delivered each week in the Friday Morning Report in the Volume III, Capital Projects Project Management. All division managers should ensure that their staff knows how to use the tools available. If not, they should sign up for the "How to Read the Friday Morning Report" class that is given every month to learn how to utilize the metrics, control charts and management tools that are delivered each week.	The *Project System Time Sheet Charge Tracking Spreadsheet* is operational and is published for District use each week in the Friday Morning Report. Two classes on "How to Read the Friday Morning Report" have been conducted with the spreadsheet as one of the highlighted topics. Monthly classes have been scheduled for the remainder of the calendar year to ensure the topic is covered as often as possible.
13-13	6	Audit of Employee Time Coding Process	In Process	Implemented	12/31/2013	12/31/2013	Ensure that the change control process for Project System is implemented by the beginning of Fiscal Year 2014.	The earned value Baseline Pilot Test has been underway during the fourth quarter of Fiscal Year 13 in order to test all the new SAP PS tools that were developed to handle the technical end of project schedule baseline creation and storage, earned value comparison calculations and report development. Project 100706, A-1 FEB is the pilot project and it has all the components integrated into it for system testing. Pilot project is scheduled to be concluded September 30, 2013. District will implement project level change control to supplement the existing Annual Work Plan change control by the end of the first quarter of Fiscal Year 14. Project Level Change Control Protocol discussion paper has been produced and is being finalized with OMC for the specific execution components of the preliminary proposed methodology. Technical components have been developed in SAP this past summer and testing has been successful in showing that we now have the capability to track both an Operative and Target (baseline + Change Control approved schedule adjustments).	Project Level Change Control has been completely implemented and automated with MS Access. Management has received desk-side briefings on the Project Level Change Control process. To date six requests have been successfully processed confirming the usability and functionality of the system.