Audit Recommendations
Follow-Up Report
For the Period April 1, 2014
Through June 30, 2014

Project # 14-18

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: August 5, 2014

Subject: Audit Recommendations Follow-Up Report -
For the Period April 1, 2014 through June 30, 2014
Project No. 14-18

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.

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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 April 1, 2014 through June 30, 2014 (the "Reporting Period"). As shown in Exhibit 1, as of April 1, 2014 there were nine (9) recommendations that were not yet Fully Implemented, consisting of eight (8) that were In-Process and one (1) that was Partially Implemented. Since then, three (3) of these recommendations have been Fully Implemented. During the Reporting Period no recommendations were added from newly issued reports. Six (6) recommendations are In-Process of being Implemented or have been Partially Implemented as of June 30, 2014.

No recommendations were 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.

Commencing with the prior quarterly follow-up report, our office also began monitoring the implementation status of the 10 recommendations made in the Operational Audit performed by the State of Florida Auditor General. Seven (7) of these recommendations were fully implemented during the prior quarter and two (2) were implemented during the current Reporting Period. Thus, as of June 30, 2014, nine (9) of the 10 recommendation have been fully implemented, and one (1) is in process of implementation.

Following is a brief description of the attached exhibits:

- **Exhibit 1:** 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:** 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:** 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 4:** Displays detail information regarding the status of each audit recommendation contained in the Operational Audit performed by the State of Florida Auditor General. The comment column provides narrative information regarding implementation progress.

EXHIBIT 1
Summary of Recommendations Status
As of June 30, 2014

Prior Period Reports	In Process	Partially Implemented	Total
Status Prior Period (March 31, 2014)	8	1	9
Implemented or Partially Implemented During Period	(3)	-	(3)
Remaining Recommendations to be Fully Implemented	5	1	6
Reports Issued During Current Period			
New Recommendations*	-	-	-
Implemented or Partially Implemented	-	-	-
Remaining Recommendations to be Fully Implemented	-	-	-
Current Status			
Remaining Recommendations to be Fully Implemented	**5**	**1**	**6**

* Initial Status is set as "In-Process"

EXHIBIT 2

Audit Reports With Implementation of Recommendations in Progress
As of June 30, 2014

Audit No.	Audit Title	No. of Recs		In Process	Partially Implemented	No Longer Applicable	Implemented	
	Recommendations - 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	
11-11	Audit of Surplus Lands	10	Initial Status	1	0	0	9	Complete
			Change in Status	-1	0	0	1	
			Current Period Status	0	0	0	10	
11-14	Audit of CERP Cost Share Status	9	Initial Status	3	0	0	6	Open
			Change in Status	-1	0	0	1	
			Current Period Status	2	0	0	7	
12-29	Audit of Contract Monitoring	9	Initial Status	1	0	0	8	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	8	
12-30	Audit of Grant Monitoring	2	Initial Status	1	0	0	1	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	1	
13-13	Audit of Employee Time Coding Process	6	Initial Status	2	0	0	4	Open
			Change in Status	-1	0	0	1	
			Current Period Status	1	0	0	5	
	Recommedations - All Reports							
	TOTAL	41	Prior/Initial Status	8	1	0	32	
			Change in Status	-3	0	0	3	
			Status Current Period	5	1	0	35	
	Number of Recommendations Remaining to Be Fully Implemented	6		5	1			

Prior Period = As of 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
08-09	2	Review of Internal Controls Over Fuel Inventory	Partially Implemented	Partially Implemented	9/30/2009	9/8/2015	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 6/9/2015 and S129 and S131 is 9/8/2015.
11-11	9	Audit of Surplus Lands	In Process	Implemented	3/31/2013	6/30/2014	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. **3/31/14** Continuing research, analysis and Management approval of options for tower leases. Revised completion date of June 2014. Completed 6/30/2014 Extensive research has been conducted with coordination and analysis from various departments and individuals who are involved in management, maintenance and oversight related to District communication towers. Tower lease programs by FDOT and FDEP were also reviewed. The objective was to determine if there was a viable potential for leasing tower space on existing District towers, and/or on the possibility of leasing District for non-District tower locations. The recommendation to District Management will be that co-location leases on District towers are not a viable option. Additionally, leases of District land for private tower construction is only marginally viable, especially considering the need to commit to long term land leases of thirty years or more, primarily on District fee owned ROW in high population areas.
11-14	4	Audit of the CERP Cost Share Status	In Process	In Process	12/30/2013	9/30/2014	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.	The District continues to submit construction work in kind expenditures for USACE approval. Construction for projects with a signed PPA are eligible for credit. Since January 14, credit letters received from USACE have provided preliminary approval of $6.2 million of construction related expenses for Projects with a PPA.

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	5	Audit of the CERP Cost Share Status	In Process	In Process	12/31/2013	9/30/2014	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.	CGM 43 is drafted and under review by AUSACE and District staff with a progress update set for the DCT meeting in July. The CGM should be finalized by September 30, 2014.
11-14	6	Audit of the CERP Cost Share Status	In Process	Implemented	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. **3/31/14** The planned completion remains on schedule. Completed 6/30/2014 Staff and associated cost allocations will now use SAP data provided by the District Finance Section for ongoing crediting requests. This will avoid the need for continued updates of the Real Estate Section spreadsheets previously used. Existing spreadsheet data will be retained for data verification, if needed.
12-29	3	Audit of Contract Monitoring	In Process	In Process	7/11/2013	10/30/2014	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.	Training on PM and other topics is in progress.
12-30	1	Audit of Grant Monitoring	In Process	In Process	12/30/2013	9/30/2014	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 draft of a revised Grant Procedure, including when the District acts as a grantor, is completed and awaiting Executive Director approval.

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	8/31/2014	8/31/2014	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 August.
13-13	4	Audit of Employee Time Coding Process	In Process	Implemented	7/31/2014	7/31/2014	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.	Completed - Implementation of the one employee/one PS network activity template is completed for all activities for which it is possible to set up the naming convention. Those network activity networkss to which expenditures had already been charged cannot be changed due to system constraints. The Salary Utilization Dashboard is complete and has been reviewed by senior management. It became a part of the Monday Morning Report on July 18.

EXHIBIT 4
Auditor General Recommendations
As of June 30, 2014

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Recommendation	Management Response	Current Period Comments Regarding Status
	2	Auditor General Operational Audit	In- Process	In-Process	The District should develop or enhance written procedures for Accounts Receivable and Key Permit Access Refunds and ensure that these procedures are continuously updated for changes in key controls or personnel.	**Accounts Receivable** - The Districts concurs with the recommendation and will be evaluating the accounts receivable process and procedures and make the appropriate changes. **Key Permit Access Refunds** - The District has assembled a team to re-evaluate and document the key deposit process. The goal is to design a process that is efficient and which contains internal controls to ensure that District stakeholder assets are properly safeguarded. Once completed, this process will become the basis for a procedure that will be included in the District Policies and Procedures Manual.	**Accounts Receivable**: In Process Estimated Completion Date - December 31, 2014 **Key Permit Access Refunds**: In Progress. A new process has been mapped and implemented but it has not yet been incorporated in the District's procedures. Estimated Completion Date - December 31, 2014
	3	Auditor General Operational Audit	In- Process	Implemented	The District should ensure that all District records are maintained as required by Chapter 119, Florida Statutes. The District should also revise its record retention procedures to be consistent with the State's record retention schedule.	**Personnel Records** - The District strives to follow State record retention guidelines. In addition, personnel records are scanned and stored electronically on a bi-weekly basis coinciding with payroll processing. Further, as a result of the audit of the audit the District will now maintain the *Authorization for Direct Deposit* forms with the scanned Personnel files as opposed to the maintaining them with the payroll records as was previously done. **Vehicle Usage Logs** - The District will be implementing an electronic storage system for *Vehicle Usage Logs*. This documentation will be stored on one of the District's data servers for a period of time no less than that specified by the State in Item #224 of the General Record's Schedule GS1-SL for State and local Government Agencies.	**Personnel Records**: Personnel Records - Completed. All personnel records, including direct deposit authorizations are scanned and stored electronically on a bi-weekly basis coinciding with the payroll run. **Vehicle Usage Logs** - Completed. Fleet Management took the iniative and came up with an on-line solution to the problem of divisions losing and not being accountable for vehicle and equipment trip logs. We developed new procedures for monitoring trips each month by vehicle and by division.
	6	Auditor General Operational Audit	Partially Implemented	Implemented	The District should establish procedures that require issuance of receipts, a recording of all collections at the initial point of collection, restrictive endorsement of all checks upon receipt, dated evidence of transfers among employees, and a detailed listing of well permits that are reconciled to well permit fees collected. The District should also ensure that District policies and procedures are followed when securing collections until deposited and ensure that collections are deposited in a timely manner. In addition, the District should separate duties for well permit applications to ensure that one employee does not have access to all phases of a transaction or implement appropriate compensating controls.	As a result of the audit the District has taken certain steps to enhance controls over the cash receipt process including: - Restrictively endorsing all checks received at the point of collection, - date stamping checks received directly by the cashier, - recording, either on a transfer document or on the face of the check, the date of original receipt for checks not directly received by the Cashier, - maintaining checks and cash in a secure location until deposited with the bank, and - limiting the amount of checks and cash on hand to no more than $125,000. We will continue to evaluate cash receipts processes in light of risks identified by the audit and will make the appropriate changes to mitigate those risks. Further, in light of concerns expressed in the audit about controls over the well permitting process, including reconciliations and segregation of duties, the District will reevaluate that process and make the appropriate cost effective changes to mitigate those risks.	Completed - As a result of the audit the District has taken steps to enhance controls over the cash receipt process including: -restrictively endorsing all checks received at the point of collection, -date stamping checks received directly by the Cashier, - Recording, either on a transfer document or on the face of the check, the date of original receipt for checks not directly received by the Cashier, - maintaining checks and cash in a secure location until deposited with the bank, and -limiting the amount of checks and cash on hand to no more than $125,000. Redesigning the well permitting process to ensure adequate segregation of duties.