Audit Recommendations Follow-Up Report

For the Period July 1, 2015
Through September 30, 2015

Project #16-02

Prepared by
Office of Inspector General

J. Timothy Beirnes, CPA, Inspector General
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SOUTH FLORIDA WATER MANAGEMENT DISTRICT

Memorandum

To: Governing Board Members

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

Date: November 4, 2015

Subject: Audit Recommendations Follow-Up Report -
               For the Period July 1, 2015 through September 30, 2015
               Project No. 16-02

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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       Karen Estock
       Jeff Kivett
       Len Lindahl
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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 July 1, 2015 through September 30, 2015 (the "Reporting Period"). As shown in Exhibit 1, as of July 1, 2015 there were 13 recommendations that were not yet Fully Implemented, consisting of 12 that were In-Process and one (1) that was Partially Implemented. The status of these 13 recommendations remain the same as the prior quarterly reporting period. During the Reporting Period, four (4) recommendations were added from two (2) newly issued reports. In total from all reports, 13 recommendations are In-Process of being Implemented or have been Partially Implemented as of September 30, 2015.

Our office is also monitoring the implementation status of the 10 recommendations made in the Operational Audit performed by the State of Florida Auditor General. Nine (9) of these recommendations were fully implemented during prior quarters and one (1) is in process of implementation by December 30, 2015.

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 September 30, 2015

	In Process	Partially Implemented	Total
Prior Period Reports			
Status Prior Period (June 30, 2015)	12	1	13
Implemented or Partially Implemented During Period	-	-	-
Remaining Recommendations to be Fully Implemented	12	1	13
Reports Issued During Current Period			
New Recommendations*	4	-	4
Implemented or Partially Implemented	(4)	-	(4)
Remaining Recommendations to be Fully Implemented	-	-	-
Current Status			
Remaining Recommendations to be Fully Implemented	**12**	**1**	**13**

* Initial Status is set as "In-Process"

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	
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	
13-16	Audit of Fixed Assets Processes and Procedures	9	Initial Status	4	0	1	4	Open
			Change in Status	0	0	0	0	
			Current Period Status	4	0	1	4	
13-19	Audit of Land Lease Financial Provisions	3	Initial Status	2	0	0	1	Open
			Change in Status	0	0	0	0	
			Current Period Status	2	0	0	1	
14-05	Audit of the EAA Incentive Tax Credits	1	Intitial Status	1	0	0	0	Complete
			Change in Status	-1	0	0	1	
			Current Period Status	0	0	0	1	
14-07	Audit of Dispersed Water Management Program	15	Initial Status	5	0	0	10	Open
			Change in Status	0	0	0	0	
			Current Period Status	5	0	0	10	
15-03	Audit of Procurement Cards	3	Initial Status	3	0	0	0	Complete
			Change in Status	-3	0	0	3	
			Current Period Status	0	0	0	3	
	Recommendations - All Reports							
	TOTAL	38	Prior/Initial Status	16	1	1	20	
			Change in Status	-4	0	0	4	
			Status Current Period	12	1	1	24	
	Number of Recommendations Remaining to Be Fully Implemented	**13**		**12**	**1**			

Prior Period = As of June 30, 2015

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	2/29/2016	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. Projected completion date for 133/135 is December 2015 and for 129/131 is February 2016.
12-30	1	Audit of Grant Monitoring	In Process	In Process	12/30/2013	12/30/2015	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 final approval.
13-16	1	Audit of Fixed Assets Processes and Procedures	In Process	In Process	4/10/2014	12/30/2015	Update the written policies and procedures to properly reflect the assignment of fixed asset responsibilities.	Management concurs with the recommendation. The fixed asset policies and procedures are in the process of being updated for changes in responsibilities, changes in the organization, and changes in processes.	The fixed asset policy and procedures have been updated and are awaiting final approval.
13-16	2	Audit of Fixed Assets Processes and Procedures	In Process	In Process	4/10/2014	12/30/2015	Update the written policies and procedures to reference and cite the applicability of Chapter 69I-73 F.A.C. and document compliance with the code requirements	Management concurs with the recommendation. The District's Fixed Assets Policy, Sec. 110-61 through Sec. 110-66, is in the process of being updated to include the District's responsibilities under Chapter 69I-73 F.A.C.	The fixed asset policy and procedures have been updated and are awaiting final 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
13-16	5	Audit of Fixed Assets Processes and Procedures	In Process	In Process	4/10/2014	12/30/2015	Adopt procedures to document the research of missing inventory items, identify causes for the missing items, and take immediate corrective action.	Management concurs with the recommendation. The Fixed Asset procedures are being amended to require that the following steps be taken and documented when an asset is deemed missing: **-** Continue to search for the asset **-** Make inquiries to determine where it was last seen and who had possession of it **-** Contact all known users to see if anyone has knowledge of its whereabouts **-** Speculate as to what may have happened to the asset in order to determine if internal controls need to be strengthened **-** If there was evidence that the asset was stolen contact District Security Management and the appropriate law enforcement agency. **-** Indicate in the fixed asset records that the asset is in missing status **-** If the asset isn't found after two subsequent inventory counts then propose writing it off.	The fixed asset policy and procedures have been updated and are awaiting final approval.
13-16	7	Audit of Fixed Assets Processes and Procedures	In Process	In Process	4/10/2014	12/30/2015	Establish procedures to perform an inventory whenever there is a change in custodian or custodian's delegate.	Management concurs with the recommendation and will work with Human Resources to determine how Finance will be notified when there are changes in asset custodians.	The fixed asset policy and procedures have been updated and are awaiting final approval.
13-19	1	Audit of Land Lease Financial Provisions	In Process	In Process	4/10/2014	12/31/2015	Update IRIS database functionality to include lessee compliance with financial provisions and establish a single point record of lessee compliance with all lease provisions.	Management concurs with the recommendation that using one software program to administer the District is preferred as it would streamline the number of processes necessary to administer real estate lease agreements. Acknowledging that the use of multiple software programs is less efficient in the management of the real estate leasing program, staff submitted to the Information Technology (IT) Bureau in August of 2012, a Project Charter for the inclusion of the leasing administration procedures into the IRIS (Integrated Real Estate Information Systems) database. The purpose was to enhance the application features or functions in IRIS to support the Section's additional tracking needs. However, the additional work by IT to modify the IRIS application fell below the current prioritized list of District software modifications that IT has the staffing capability to complete. In concurrence with the audit recommendation Information Technology and Leasing will work together to map the lessee compliance process to identify potential efficiencies gained by updating the IRIS application. When completed, a new work request will be prepared and presented to management for approval. If funded, IT will schedule resources according to management guidance.	**Updated 10/29/15** - Real Estate staff met with IT staff on 7/22/15 to discuss the status of IRIS modifications and updates. IT has many requests for software updates. The IRIS updates are still pending.

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
13-19	2	Audit of Land Lease Financial Provisions	In Process	In Process	4/10/2014	12/31/2015	Amend the District leasing policy to allow the District staff to use lessee deposited funds for property damage, land clean-up and other mitigation purposes. Further, the policy should also be amended to authorize staff to increase staff to increase lessee required deposits on a case by case basis to mitigate land use risk.	Management concurs with the audit recommendation and will direct staff to begin preparation of a Governing Board resolution to amend the leasing policy as proposed.	**Updated 10/24/15 -**The Projects and Land Committee will be convening in the next few months. The leasing policy modifications will be presented at that time.
14-05	1	Audit of the EAA Incentive Tax Credits	In Process	Implemented	1/10/2014	9/30/2015	Finalize EAA tax role procedures	Management agrees with the recommendation to update the procedures. The Agricultural Privilege Tax (APT) Procedure Document has been revised and updated; the procedure is being presented to management for review and approval.	**Completed 9/30/2015**
14-07	1	Audit of Dispersed Water Management Program	In Process	In Process	12/31/2017	12/31/2017	Ensure the storage needs assessment for north of Lake Okeechobee (LO) is completed in a timely manner.	The Storage Needs North of the Lake project is a comprehensive, long term effort to reassess total storage needed north and south of LO to maintain the lake within the established stage envelope and minimize damaging discharges to the estuaries; identify the best combination of storage by sub-watershed to meet the total storage goal; perform a water storage technology suitability analysis specific to north of LO; and determine the best tools to accomplish storage needs. Storage features being considered are deep and shallow storage, Aquifer Storage and Recovery and Dispersed Water Management (DWM). Completion of this effort will require the commitment of resources from multiple resource areas across the District as well as external contractor support.	**Updated 10/27/15:** Draft of Northern Everglades Water Storage (NEWS) report addressing suitability of sites north of Lake Okeechobee for Dispersed Water Management projects is complete, and internal review is nearing completion.
14-07	2	Audit of Dispersed Water Management Program	In Process	In Process	9/30/2015	12/30/2015	If the suitability analysis for north of Lake Okeechobee concludes that certain operational DWM projects in specific sub-watersheds are not in the preferred mix of projects to meet storage goals, then consider terminating the contracts.	One component of the suitability analysis for the Storage Needs North of the Lake Project is to identify the primary criteria needed to successfully implement DWM projects and limitations of DWM, which will in turn be used to locate areas north of LO where DWM would be most feasible and necessary. Development of suitability criteria will consider key cost and feasibility drivers such as hydrology, engineering constraints, topography, soils, and land use. The purpose of the knowledge gained with this analysis is to assist with prioritizing areas of focus for future DWM expansion. The suitability analysis will not provide information at the individual project level; it will provide information at the sub- watershed level. The DWM program will use the results from this effort along with the actual project data to evaluate existing contracts.	**Updated 10/27/15:** Internal review of the draft section described needs to be completed prior to analyzing existing operational projects. However, initial review indicates that no operational projects would be recommended for termination based on this criteria.

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
14-07	3	Audit of Dispersed Water Management Program	In Process	In Process	9/30/2016	9/30/2016	Consider performing the same storage needs assessment for the St. Lucie and the Caloosahatchee River Watersheds.	One component of the suitability analysis for the Storage Needs North of the Lake Project is to identify the primary criteria needed to successfully implement DWM projects and limitations of DWM, which will in turn be used to locate areas north of LO where DWM would be most feasible and necessary. Development of suitability criteria will consider key cost and feasibility drivers such as hydrology, engineering constraints, topography, soils, and land use. The purpose of the knowledge gained with this analysis is to assist with prioritizing areas of focus for future DWM expansion. The suitability analysis will not provide information at the individual project level; it will provide information at the sub- watershed level. The DWM program will use the results from this effort along with the actual project data to evaluate existing contracts.	**Updated 10/27/15:** Storage needs assessments for the St. Lucie and Caloosahatchee River Watersheds will be initiated upon completion of the North of the Lake assessment, utilizing lessons learned in that process.
14-07	8	Audit of Dispersed Water Management Program	In Process	In Process	6/30/2015	11/30/2015	Consider revising the water retention model used to estimate water retention capacities for the NE-PES projects by taking into account cascading basins, actual data, and stakeholder concerns.	The District has created a project to analyze if the Potential Water Retention Model (PWRM), developed specifically for the NE-PES projects, will be used to evaluate future private projects on ranchlands or whether another methodology is more appropriate. In addition, this effort will look at the appropriate model to use to evaluate other DWM projects, such as water farming and storage on public lands. If the PWRM tool is chosen for future use, the model will be refined as appropriate.	**Updated 10/27/15:** A replacement model has been developed by District modeling staff, and is currently under an internal review/iterative testing process as well as developing a graphic user interface (GUI). Testing and GUI development should be completed within one to two months.
14-07	9	Audit of Dispersed Water Management Program	In Process	In Process	9/30/2015	2/28/2016	Train staff to use the model so that water retention capacities can be closely monitored.	Staff training will take place on the selected model developed in response to Recommendation #8 above.	**Updated 10/27/15:** Staff training will take place on the selected model developed in response to Recommendation #8 above. Completion date updated to reflect schedule drag on Recommendation #8.
15-03	1	Audit of Procurement Cards	In Process	Implemented	4/22/2015	7/16/2015	Reeducate cardholders regarding the importance of signing the P-Card statements and obtaining required supervisory and resource manager approvals.	Concur	**Completed**

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
15-03	2	Audit of Procurement Cards	In Process	Implemented	4/22/2015	7/30/2015	Amend P-Card procedures and requirements to authorize Section Leaders, Section Administrators and other appropriate supervisors to review and sign off on P-Card statements.	Concur	**Completed**
15-03	3	Audit of Procurement Cards	In Process	Implemented	4/22/2015	6/9/2015	Amend the *Separation of Employment Checklist* to ensure that all support for P-Card purchases is obtained prior to employee separation from the District and making any final payments.	Concur	**Completed**

EXHIBIT 4
Auditor General Recommendations
As of September 30, 2015

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	Partially Implemented	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 30, 2015** **Key Permit Access Refunds**: **Complete -** A new process has been documented and implemented.