



## **Audit Recommendations Follow-Up Report**

**For the Period January 1, 2016  
Through March 31, 2016**

**Project #16-08**

**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:** May 18, 2016

**Subject:** Audit Recommendations Follow-Up Report -  
For the Period January 1, 2016 through March 31, 2016  
Project No. 16-08

A handwritten signature in blue ink, likely belonging to J. Timothy Beirnes, the Inspector General.

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: Peter Antonacci  
Brian Accardo  
Terrie Bates  
Richard Bassell  
Dorothy Bradshaw  
Jill Creech  
Karen Estock  
Len Lindahl  
Ernest Marks  
John Mitnik  
Duane Piper

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**\*NOTE: Due to the nature of the subject matter contained in the Enterprise Network Security Audit, the report is exempt from public disclosure, pursuant to Chapter 119.071(3), Florida Statutes. Thus, the status of the recommendations for this audit are included in a separate Exhibit 5, which will be excluded from the publically available version of this follow-up report.**

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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 January 1, 2016 through March 31, 2016 (the "Reporting Period"). As shown in Exhibit 1, as of January 1, 2016 there were 21 recommendations that were not yet Fully Implemented, consisting of 20 that were In-Process and one (1) that was Partially Implemented. Implementation of two (2) of these recommendations were completed during the Reporting Period. In total from all reports, 19 recommendations are In-Process of being Implemented as of March 31, 2016.

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 March 31, 2016.

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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 5:** Displays detail information regarding the status of each audit recommendation contained in the Enterprise Network Perimeter Security Audit. These recommendations were included in a separate exhibit due to the nature of the subject matter contained in the report, which is exempt from public disclosure. Therefore, Exhibit 5 will be excluded from publically available versions of this follow-up report.

**EXHIBIT 1**  
**Summary of Recommendations Status**  
As of March 31, 2016

	In	Partially	
<b>Prior Period Reports</b>	<b>Process</b>	<b>Implemented</b>	<b>Total</b>
Status Prior Period (December 31, 2015)	20	1	21
Implemented, Partially Implemented, or Status Changed to No Longer Applicable, During Period	(1)	(1)	(2)
Remaining Recommendations to be Fully Implemented	19	-	19
<b>Reports Issued During Current Period</b>			
New Recommendations*	-	-	-
Implemented or Partially Implemented	-	-	-
Remaining Recommendations to be Fully Implemented	-	-	-
<b>Current Status</b>			
<b>Remaining Recommendations to be Fully Implemented</b>	<b>19</b>	<b>-</b>	<b>19</b>

\* Initial Status is set as "In-Process"

**EXHIBIT 2**  
**Audit Reports With Implementation of Recommendations in Progress**  
**As of March 31, 2016**

Audit No.	Audit Title	No. of Recs		In Process	Partially Implemented	No Longer Applicable	Implemented	
	<b>Recommendations - Prior Period Reports</b>							
08-09	Review of Internal Controls Over Fuel Inventory	5	Initial Status	0	1	0	4	Complete
			Change in Status	0	-1	0	1	
			Current Period Status	0	0	0	5	
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	1	0	0	1	Complete
			Change in Status	-1	0	1	1	
			Current Period Status	0	0	1	2	
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	
13-22	Enterprise Network Perimeter Security Audit	10	Initial Status	10	0	0	0	Open
			Change in Status	-1	0	0	1	
			Current Period Status	9	0	0	1	
	<b>Recommendations - All Reports</b>							
	<b>TOTAL</b>	44	Prior/Initial Status	21	1	1	20	
			Change in Status	-2	-1	1	3	
			Status Current Period	19	0	2	23	
	<b>Number of Recommendations Remaining to Be Fully Implemented</b>	<b>19</b>		<b>19</b>	<b>0</b>			

Prior Period = As of December 31, 2015

**EXHIBIT 3**  
**Detail of In-Process and Partially Implemented Audit Recommendations**  
As of March 31, 2016

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
08-09	2	Review of Internal Controls Over Fuel Inventory	Partially Implemented	Implemented	9/30/2009	5/27/2016	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.	4/22/16 All of the fencing for the fuel farms are completed.
12-30	1	Audit of Grant Monitoring	In Process	In Process	12/30/2013	6/30/2016	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	6/30/2016	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	6/30/2016	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.
13-16	5	Audit of Fixed Assets Processes and Procedures	In Process	In Process	4/10/2014	6/30/2016	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.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
13-16	7	Audit of Fixed Assets Processes and Procedures	In Process	In Process	4/10/2014	6/30/2016	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	2	Audit of Land Lease Financial Provisions	In Process	Implemented	4/10/2014	6/30/2016	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.	5/13/16 This item is now complete with the April Governing Board approval of a consolidated Real Estate policy including a revised land lease policy (Chapter 140, Article VI).
13-22	1	Enterprise Network Perimeter Security Audit					Due to the nature of the subject matter contained in the Enterprise Network Security Audit, the report is exempt from public disclosure; thus, the status of the recommendations for this audit are included in a separate Exhibit 5. Therefore, Exhibit 5 will be excluded from the publically available version of this follow-up report.		
14-07	1	Audit of Dispersed Water Management Program	In Process	In Process	12/31/2017	4/30/2016	Ensure the storage needs assessment for north of Lake Okeechobee (LO) is completed in a timely manner.	Shared responsibilities: All District users, in enjoying the benefits of Information Technology, should take reasonable steps to secure their own system(s), become aware and follow District Policy, as well as exercise due care in the communication and storage of sensitive information	Updated 01/27/16: Draft of Northern Everglades Water Storage (NEWS) report addressing suitability of sites north of Lake Okeechobee for Dispersed Water Management projects is complete, and is awaiting Executive Office review. Updated 3/21/16: Under review by Executive Office
14-07	2	Audit of Dispersed Water Management Program	In Process	In Process	9/30/2015	6/30/2016	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.	The Storage Needs 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 01/27/16: Executive Office 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. Updated 3/21/16: Will undertake activities to determine if consistent with report. On track despite Recommendation 1 delay.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
14-07	3	Audit of Dispersed Water Management Program	In Process	In Process	9/30/2016	12/31/2016	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 DMW program will use the results from this effort along with actual project data to evaluate existing contracts.	<b>Updated 01/27/16:</b> 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. <b>Updated 3/21/2016: Complete Recommendation's 1 &amp; 2 then apply against estuary storage. On track.</b>
14-07	8	Audit of Dispersed Water Management Program	In Process	In Process	6/30/2015	4/30/2016	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.	<b>Updated 01/27/16:</b> 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. <b>Updated 3/21/2016: Model demo in February, feedback provided to the modeling group. Model structure was being tweaked to adjust user interface. Model refinements include the ability to compare/contrast large and small areas and fix issues with incorporation of pumping activities.</b>
14-07	9	Audit of Dispersed Water Management Program	In Process	In Process	9/30/2015	6/30/2016	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.	<b>Updated 01/27/16:</b> 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. <b>Updated 3/21/2016: Two months for staff training consistent with original proposed timeframe.</b>

**EXHIBIT 4**  
**Auditor General Recommendations**  
As of March 31, 2016

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.	<b>Accounts Receivable</b> - The District concurs with the recommendation and will be evaluating the accounts receivable process and procedures and make the appropriate changes. <b>Key Permit Access Refunds</b> - 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.	<b>Accounts Receivable:</b> In Process Estimated Completion Date - <b>June 30, 2016</b>