Audit Recommendations Follow-Up Report

For the Period July 1, 2016
Through September 30, 2016

Project #17-01

Prepared by
Office of Inspector General

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

sfwmd.gov

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

Memorandum

To:　　　　Governing Board Members

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

Date:　　　November 30, 2016

Subject:　　Audit Recommendations Follow-Up Report -
　　　　　　　For the Period July 1, 2016 through September 30, 2016
　　　　　　　Project No. 17-01

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
　　　　Dorothy Bradshaw
　　　　Stephen Collins
　　　　Jill Creech
　　　　Karen Estock
　　　　Len Lindahl
　　　　Ernest Marks
　　　　John Mitnik
　　　　Duane Piper

TABLE OF CONTENTS

*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.

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, 2016 through September 30, 2016 (the "Reporting Period"). As shown in Exhibit 1, as of July 1, 2016 there were 17 recommendations that were not yet Fully Implemented. During the Reporting Period, three (3) of these recommendations were completed and one (1) was reclassified as No Longer Applicable. (See Exhibit 3, Audit No. 14-07, Recommendation #3). During the Reporting Period, 15 recommendations were added from two (2) newly issued audit reports. Fourteen (14) of these recommendations were either implemented at the time of report issuance or were implemented during the Reporting Period. In total from all reports, 14 recommendations are In-Process of being implemented as of September 30, 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 as of June 30, 2016.

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 September 30, 2016

Prior Period Reports	In Process	Partially Implemented	Total
Status Prior Period (June 30, 2016)	17	-	17
Implemented, Partially Implemented, or Status Changed to No Longer Applicable, During Period	(4)	-	(4)
Remaining Recommendations to be Fully Implemented	13	-	13
Reports Issued During Current Period			
New Recommendations*	15	-	15
Implemented or Partially Implemented	(14)	-	(14)
Remaining Recommendations to be Fully Implemented	1	-	1
Current Status			
Remaining Recommendations to be Fully Implemented	**14**	**-**	**14**

* Initial Status is set as "In-Process"

EXHIBIT 2
Audit Reports With Implementation of Recommendations in Progress
As of September 30, 2016

Audit No.	Audit Title	No. of Recs		In Process	Partially Implemented	No Longer Applicable	Implemented	
	Recommendations - Prior Period Reports							
12-30	Audit of Grant Monitoring	2	Initial Status	1	0	0	1	Complete
			Change in Status	-1	0	0	1	
			Current Period Status	0	0	0	2	
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	
14-07	Audit of Dispersed Water Management Program	15	Initial Status	3	0	0	12	Complete
			Change in Status	-3	0	1	2	
			Current Period Status	0	0	1	14	
13-22	Enterprise Network Perimeter Security Audit	10	Initial Status	9	0	0	0	Open
			Change in Status	0	0	0	1	
			Current Period Status	9	0	0	1	
	Recommendations - Reports Issued During Current Period							
15-06	Audit of Information Technology Resource Approval Process	5	Initial Status	5	0	0	0	Complete
			Change in Status	-5	0	0	5	
			Current Period Status	0	0	0	5	
15-08	Audit of Permit Application Process	10	Initial Status	10	0	0	0	Open
			Change in Status	-9	0	0	9	
			Current Period Status	1	0	0	9	
	Recommendations - All Reports							
	TOTAL	51	Prior/Initial Status	32	0	1	17	
			Change in Status	-18	0	1	18	
			Status Current Period	14	0	2	35	
	Number of Recommendations Remaining to Be Fully Implemented	**14**		**14**	**0**			

Prior Period = As of June 30, 2016

EXHIBIT 3
Detail of In-Process and Partially Implemented Audit Recommendations
As of September 30, 2016

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Current	Recommendation	Management Response	Current Period Comments Regarding Status
12-30	1	Audit of Grant Monitoring	In Process	Completed	12/30/2013	9/30/2016	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 revised Grant Procedure, including when the District acts as a grantor, is completed and approved. It is being updated in the Mini Code.
13-16	1	Audit of Fixed Assets Processes and Procedures	In Process	In Process	4/10/2014	11/30/2016	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 submitted to the Office of Counsel for review and approval.
13-16	2	Audit of Fixed Assets Processes and Procedures	In Process	In Process	4/10/2014	11/30/2016	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 submitted to the Office of Counsel for review and approval.
13-16	5	Audit of Fixed Assets Processes and Procedures	In Process	In Process	4/10/2014	11/30/2016	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 submitted to the Office of Counsel for review and approval.
13-16	7	Audit of Fixed Assets Processes and Procedures	In Process	In Process	4/10/2014	11/30/2016	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 submitted to the Office of Counsel for review and approval.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Current	Recommendation	Management Response	Current Period Comments Regarding Status
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	2	Audit of Dispersed Water Management Program	In Process	Completed	9/30/2015	11/30/2016	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.	**11/30/16: As of 2014, the SFWMD has not identified or contracted services on private lands with ad valorem dollars. In 2016, under the guidance of FDEP's Basin Management Action Plan, public/private partnerships were identified and funded by the Florida Legislature. In preparation for the next budget cycle, the draft budget documents do not identify ad valorem funding for projects on private lands. Should board direction change, further evaluations consistent with the IG recommendation may be necessary.**
14-07	3	Audit of Dispersed Water Management Program	In Process	No Longer Applicable	9/30/2016	11/30/2016	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 DMW program will use the results from this effort along with actual project data to evaluate existing contracts.	**11/30/16: As of 2014, the SFWMD has not identified or contracted services on private lands with ad valorem dollars. In 2016, under the guidance of FDEP's Basin Management Action Plan, public/private partnerships were identified and funded by the Florida Legislature. In preparation for the next budget cycle, the draft budget documents do not identify ad valorem funding for projects on private lands. A storage needs assessment would be of useful value only if ad valorem funds are available for future projects. Should board direction change, further evaluations consistent with the IG recommendation may be necessary.**

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Current	Recommendation	Management Response	Current Period Comments Regarding Status
14-07	9	Audit of Dispersed Water Management Program	In Process	Completed	9/30/2015	11/30/2016	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.	**Updated 11/30/16: A training program is now established.**
15-06	1	Audit of Information Technology Resource Approval Process	In Process	Completed	5/31/2016	5/31/2016	Review the list of users with administrator rights and determine whether there is a legitimate need for them to retain the rights. Rescind the administrator rights as deemed appropriate.	Asset Management, the Solution Center, the Chief Information Security Officer, and the Chief Information Officer reviewed the list of users with administrator rights and removed the rights from all users that did not have a specific requirement for local admin rights (i.e. install software, drivers or connect equipment). The review resulted in 505 reductions. There are software licenses that require local administrator rights such as the newest version of AutoCAD, Rockwell software, and Planar software. Local administrator rights are also needed to connect with specific field or lab equipment, for Engine/Fleet Diagnostics, and to correct a known issue with the Pump Logs at the Pump Stations.	Recommendation implemented at time of report issuance.
15-06	2	Audit of Information Technology Resource Approval Process	In Process	Completed	7/14/2016	7/14/2016	Develop criteria and a process for granting administrator rights in limited situations.	IT developed a new process for the review/approval of requests for administrator rights. All requests are entered through a Remedy Service Request and require approval by the Chief Information Security Officer or Chief Information Officer. Local admin rights are only granted in situations where it is required for the use of software or a device. In addition, IT Asset Management will annually audit desktop software for staff with local admin rights to ensure that they are compliant.	The process is now as follows. Instead of a Remedy request ticket, the request is now routed for approval via SharePoint collaboration, reviewed by the IT Solution Center Section Leader, and subsequently reviewed and approved by the Chief Information Security Officer. Asset Management team updates ALM (Application Lifecycle Management) system and assigns the appropriate access rights as approved. Asset Management will annually audit staff with local admin rights to ensure need is essential to retain.
15-06	3	Audit of Information Technology Resource Approval Process	In Process	Completed	7/14/2016	7/14/2016	Follow-up on the differences noted where discovered software did not match the inventory database.	Of the 25 users audited, 17 matched the software inventory, 2 had minor differences and 6 had significant differences. Asset Management followed up with those users with discrepancies. If the software was justified, it was added to the Asset Management inventory database. If the software was not justified, it was removed from the desktop.	Recommendation implemented at time of report issuance.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Current	Recommendation	Management Response	Current Period Comments Regarding Status
15-06	4	Audit of Information Technology Resource Approval Process	In Process	Completed	7/14/2016	7/14/2016	Consider performing periodic installed software reviews to look for unauthorized software.	At least once per year, Asset Management will run reports on those users with administrator privileges to compare the IT inventory to what is actually on the desktops and follow up on any discrepancies.	Recommendation implemented at time of report issuance.
15-06	5	Audit of Information Technology Resource Approval Process	In Process	Completed	7/14/2016	7/14/2016	Review the utilization of application licenses and evaluate whether the number of licenses which exceed the usage is necessary.	Asset Management will run reports every 6 months, using Express Metrix, to ensure that the number of licenses installed does not exceed the number owned. In cases where the number of installations exceeds the licenses owned, IT will verify approval for the software and purchase sufficient licenses to remain compliant. For those licenses that are not authorized, IT will remove the software immediately.	Recommendation implemented at time of report issuance.
15-08	1	Audit of Permit Application Process	In Process	Completed	7/14/2016	7/14/2016	Ensure that ERP timeframe waivers by applicants reflect current Statutes, Rules, and ERP Applicant's Handbook references.	All reviewers in the ERP Bureau were reminded to use the current waiver forms and were given the correct location on our internal web (library) for the form. The relevant SOPs have been reviewed and reflect this requirement.	Recommendation implemented at time of report issuance.
15-08	2	Audit of Permit Application Process	In Process	Completed	7/14/2016	7/14/2016	Remind permitting staff to ensure that waivers authorized by applicants waiving their rights to have the District approve or deny permit applicant	All reviewers in the ERP Bureau were reminded that all documents, including waivers, must be posted to ePermitting by either posting it themselves or giving it to the Permit Technicians to post it for them. The relevant SOPs have been reviewed and reflect this requirement.	Recommendation implemented at time of report issuance.
15-08	3	Audit of Permit Application Process	In Process	Completed	7/14/2016	7/14/2016	Accurately log permit application types in the Regulation Permitting database to avoid issuing permits via default	As further clarification, permit application types are either manually logged by Regulatory Support or Service Center staff or automatically interfaced to the database via the ePermitting online permit application submittal. Water Use permit review staff (including service center staff) are responsible for verifying the accuracy of the information for water use applications and requesting updates from Regulatory Support staff as applicable. It has always been the expectation that this procedure was to be followed at the Service Centers as well as within the Water Use Bureau in West Palm Beach. While verification of the fee information has always been part of the review process, a Standard Operating Procedure (SOP) more specific to this issue (QA/QC Application Fee Categories and Permit Types) was formally documented, distributed to staff and posted to the internal server on August 12, 2014. The relevant fields in the Fee Table in the Regulatory database have been updated to reflect the 90 day default as per rule.	Recommendation implemented at time of report issuance.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Current	Recommendation	Management Response	Current Period Comments Regarding Status
15-08	4	Audit of Permit Application Process	In Process	Completed	7/14/2016	7/14/2016	Ensure that all hold for concurrency letters are entered in the Regulation Permitting database's Permitting Application Tracking System (PATS)	Concur with recommendation. It is the existing procedure (existing SOP) to enter concurrency letters in the database at the time of distribution. It has always been the expectations that this procedure was to be followed at the Service Centers as well as within the Water Use Bureau in West Palm Beach. This is a currently established SOP (Concurrency Letter Distribution Process). Water Use and Service Center staff were reminded to follow the SOP. All reviewers in the ERP Bureau have been instructed to notify their counterparts in the Water Use Bureau as to concurrency.	Recommendation implemented at time of report issuance.
15-08	5	Audit of Permit Application Process	In Process	Completed	7/14/2016	7/14/2016	Require permitting staff working on concurrent permits to increase communication in order to avoid issuing permits before both are deemed legally completed.	Concurrent applications are discussed at each weekly Water Use Project Review meeting in West Palm Beach. Service Center staff conference into these meetings and ERP Bureau sends a representative. The Orlando Service Center also holds bi-weekly meetings where concurrent application status is discussed. Staff are reminded regularly of the importance of coordinating with their ERP counterparts. In addition, all reviewers in the ERP Bureau were instructed to notify their counterparts in the affected Bureau as to the concurrency. The relevant SOPs have been reviewed and reflect this requirement.	Recommendation implemented at time of report issuance.
15-08	6	Audit of Permit Application Process	In Process	Completed	7/14/2016	7/14/2016	Revise the default date in the Regulation Permitting database for ERP variances to reflect that decisions must be made within 90 days once applications are deemed legally completed	All reviewers were reminded that variances must be entered into the Regulatory database in the proper fields to ensure that all dates reflect the proper time for every application. The relevant SOPs have been reviewed and reflect this requirement.	Recommendation implemented at time of report issuance.
15-08	7	Audit of Permit Application Process	In Process	Completed	7/14/2016	7/14/2016	Require reviewers and supervisors to ensure that correct fees are assessed and any fee refunds are processed in a timely manner.	All supervisors and reviewers were reminded that all fees must be verified at the issuance of the permitting action and that any refund due to the applicant must be processed per the refund SOPs. The relevant SOPs have been reviewed and reflect this requirement. In addition, the three refunds that were due that were identified in the audit have been processed.	Recommendation implemented at time of report issuance.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Current	Recommendation	Management Response	Current Period Comments Regarding Status
15-08	8	Audit of Permit Application Process	In Process	Completed	7/29/2016	7/29/2016	Consider reviewing completed ERP applications processed by Lower West Coast permitting staff over the past year to ensure correct fees were assessed. However, of significant issues are found consider expanding the review to include prior years.	As agreed by the Regulation Division and the Office of the Inspector General, an analysis will be conducted to review the past one year of applications processed by the Lower West Coast and if any significant number of issues are found concerning refunds the analysis will go back further.	As recommended in the audit report, an analysis of all applications processed for the Lower West Coast (LCW) was conducted covering a one year period from May 2016 to April 2015. As a result, 25 additional issues (refunds) were identified totaling $39.933 for the LWC office. As agreed to in a memorandum from Jill Creech to Tim Beirnes dated May 4, 2016, if a significant number of issues were found concerning refunds, the analysis would go back further. The second analysis was expanded to cover all the SFWMD Regulatory offices for Fiscal 2016, 2015 and 2014. In total, 132 issues were found totaling $157,099. **As of August 23, 2016,** all of the identified refunds were issued to the applicants of record. To prevent this issue from reoccurring, the processes around refunds have been enhanced requiring reviewers and supervisors to verify payment information at time of Final Action and periodic reporting is run to look for outstanding refunds that are due.
15-08	9	Audit of Permit Application Process	In Process	Completed	7/14/2016	7/14/2016	Implement additional controls to ensure that a Notice of Rights is attached to all permit application decisions.	All supervisors and reviewers in the Orlando Service Center were reminded that all permitting actions need to be accompanied by a Notice of Rights. The relevant SOPs have been reviewed and reflect this requirement.	Recommendation implemented at time of report issuance.
15-08	10	Audit of Permit Application Process	In Process	In Process	8/31/2016	12/31/2016	Revise the District's Delegation of Authority and Designation of Responsibilities memorandum to authorize the Bureau Chief of Environmental Resource Permitting and Service Center Regulatory Administrators to approve modifications of conceptual permits that are consistent with the assumptions made in the original conceptual permit	The Regulation Division will work with the Office of Counsel and the Executive office to update the District's Delegation of Authority and Designation of Responsibilities memorandum as reflected in the audit recommendations.	The Delegations and Designations of SFWMD Policies, draft update dated 8/13/2016, includes this delegation. The draft is under review and pending approval.

EXHIBIT 4
Auditor General Recommendations
As of September 30, 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.	**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, 2016.**