Audit Recommendations Follow-Up Report

**For the Period October 1, 2016
Through December 31, 2016**

Project #17-05

**Prepared by
Office of Inspector General**

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

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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: February 20, 2017

Subject: Audit Recommendations Follow-Up Report -
            For the Period October 1, 2016 through December 31, 2016
            Project No. 17-05

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
      Joel Arrieta
      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.

EXECUTIVE SUMMARY

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

This report on the implementation status of audit recommendations is for the period October 1, 2016 through December 31, 2016 (the "Reporting Period"). As shown in Exhibit 1, as of October 1, 2016 there were 14 recommendations that were not yet Fully Implemented. During the Reporting Period, nine (9) of these recommendations were completed. During the Reporting Period, 15 recommendations were added from three (3) newly issued audit reports. Thirteen (13) of these recommendations were either implemented at the time of report issuance or were implemented during the Reporting Period. In total from all reports, seven (7) recommendations are In-Process of being implemented as of December 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 as of December 31, 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 December 31, 2016

	In Process	Partially Implemented	Total
Prior Period Reports			
Status Prior Period (September 30, 2016)	14	-	14
Implemented, Partially Implemented, or Status Changed to No Longer Applicable, During Period	(9)	-	(9)
Remaining Recommendations to be Fully Implemented	5	-	5
Reports Issued During Current Period			
New Recommendations*	15	-	15
Implemented or Partially Implemented	(13)	-	(13)
Remaining Recommendations to be Fully Implemented	2	-	2
Current Status			
Remaining Recommendations to be Fully Implemented	**7**	**-**	**7**

* Initial Status is set as "In-Process"

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

Audit No.	Audit Title	No. of Recs		In Process	Partially Implemented	No Longer Applicable	Implemented	
	Recommedations - Prior Period Reports							
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	
13-22	Enterprise Network Perimeter Security Audit	10	Initial Status	9	0	0	1	Complete
			Change in Status	-9	0	0	9	
			Current Period Status	0	0	0	10	
15-08	Audit of Permit Application Process	5	Initial Status	1	0	0	4	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	4	
	Recommendations - Reports Issued During Current Period							
15-17	Audit of Investment Management	4	Initial Status	4	0	0	0	Open
			Change in Status	-2	0	0	2	
			Current Period Status	2	0	0	2	
16-01	Audit of Procuring Professional and Engineering Services for Restoration Projects	2	Initial Status	2	0	0	0	Complete
			Change in Status	-2	0	0	2	
			Current Period Status	0	0	0	2	
16-03	Audit of Bid Solicitation and Award process	9	Initial Status	9	0	0	0	Complete
			Change in Status	-9	0	0	9	
			Current Period Status	0	0	0	9	
	Recommendations - All Reports							
	TOTAL	39	Prior/Initial Status	29	0	1	9	
			Change in Status	-22	0	0	22	
			Status Current Period	7	0	1	31	
	Number of Recommendations Remaining to Be Fully Implemented	**7**		**7**	**0**			

Prior Period = As of September 30, 2016

EXHIBIT 3
Detail of In-Process and Partially Implemented Audit Recommendations
As of December 31, 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
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.		
15-08	10	Audit of Permit Application Process	In Process	In Process	8/31/2016	3/31/2017	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.
15-17	1	Audit of Investment Management	In Process	In Process	7/31/2016	3/31/2017	Prepare a long and short term cash flow forecast at the start of each fiscal year and update it monthly for changes that may affect near-term cash needs.	PFM will work with the Treasurer to create a long and short term cash flow forecast to aid in the investment of surplus funds.	PFM currently working with Treasurer to create long and short term cash flow forecasts.
15-17	2	Audit of Investment Management	In Process	In Process	7/31/2016	3/31/2017	Update the Investment Policy to eliminate ambiguous provisions related to mortgage backed securities.	PFM will work with the Treasurer to review the current policy and communicate any policy change recommendations to the Audit and Finance Committee.	PFM currently working with Treasurer to review current policy.
15-17	3	Audit of Investment Management	In Process	Implemented	10/31/2016	10/31/2016	Consider re-establishing an Investment Committee to oversee the Treasury function.	The Audit and Finance Committee has been re-established and the first meeting is on October 13, 2016.	Recommendation has been implemented.

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
15-17	4	Audit of Investment Management	In Process	Implemented	10/31/2016	10/31/2016	Consider engaging a financial advisor to determine the best asset allocation and maximize interest earning.	In process of hiring PFM as our Financial Advisor.	PFM has been engaged to provide Financial Advisory services.
16-01	1	Audit of Procuring Professional Engineering Services for Restoration Projects	In Process	Implemented	11/10/2016	11/10/2016	Compete larger projects with several engineering firms that are approved under the Professional Engineering Services for Restoration Projects.	Agree. That this is and continues to be the process that has always been used for larger projects.	Recommendation completed at time of report issuance.
16-01	2	Audit of Procuring Professional Engineering Services for Restoration Projects	In Process	Implemented	11/10/2016	11/10/2016	Consider developing additional follow-up procedures to ensure timely completion of interim and final performance evaluations.	Agree. A tracking system to prompt the Project Managers for interim and final evaluations has been implemented.	Recommendation completed at time of report issuance.
16-03	1	Audit of Bid Solicitation and Award Process	In Process	Implemented	11/10/2016	11/10/2016	Ensure that bid amounts are closely reviewed for discrepancies and any discrepancies are resolved in compliance with the requirements outlined in the RFB Solicitation.	Agree. The Bid Form has been revised to eliminate discrepancies between the numbers and the written amount. The section that required a written amount has been eliminated from the Bid Form.	Recommendation completed at time of report issuance.
16-03	2	Audit of Bid Solicitation and Award Process	In Process	Implemented	11/10/2016	11/10/2016	Consider requiring Contract Specialists to better document the verification results of the following lists: State of Florida's Convicted Vendor List, State of Florida Discriminatory Vendors List, State of Florida Scrutinized List of Prohibited Companies, and the District Suspension List.	Agree. A Contract Specialist will write in the date that the lists are reviewed. The date will appear next to the checkmark or note already included on the responsive and responsible checklist.	Recommendation completed 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
16-03	3	Audit of Bid Solicitation and Award Process	In Process	Implemented	11/10/2016	11/10/2016	Require Project Managers to ensure that the similarities between prior District projects and the solicited project are adequately documented in instances where District Contractor Performance Evaluations are used as references.	Agree. Procurement has revised the Contractor Performance Evaluation form to include a description of the work performed. This, in addition to the response for Recommendation No. 4 below, will ensure the similarities are more visible to compare solicited work.	Recommendation completed at time of report issuance.
16-03	4	Audit of Bid Solicitation and Award Process	In Process	Implemented	11/10/2016	11/10/2016	Consider requiring Project Managers to complete reference checklists by contacting the prior Project Managers or other District staff, in instances where District Contractor Performance Evaluations are used as references, if necessary.	Agree. Project Managers are required to include a reference questionnaire for any District Contractor Performance Evaluations they rely on as part of the award package.	Recommendation completed at time of report issuance.
16-03	5	Audit of Bid Solicitation and Award Process	In Process	Implemented	11/10/2016	11/10/2016	Require Project Managers to provide detailed documentation describing why prospective contractors' prior project experiences satisfy solicitation requirements.	Agree. The template used for recommendation to award memo has been revised to include the experience requirement language and a listing of the projects that meet experience requirements.	Recommendation completed at time of report issuance.
16-03	6	Audit of Bid Solicitation and Award Process	In Process	Implemented	11/10/2016	11/10/2016	Require Project Managers to confirm and document project dollar amounts and completion dates when conducting reference checks.	Agree. The reference questionnaire that is used when contacting references has been revised to include a question regarding total contract dollar amount and completion date.	Recommendation completed at time of report issuance.
16-03	7	Audit of Bid Solicitation and Award Process	In Process	Implemented	11/10/2016	11/10/2016	Ensure that award recommendation memos accurately reflect the results of reference verifications.	Agree. See response to Recommendation No. 5. Adding the specific experience requirement language and specific projects in the memo will ensure all requirements are addressed.	Recommendation completed at time of report issuance.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Current			
16-03	8	Audit of Bid Solicitation and Award Process	In Process	Implemented	11/10/2016	11/10/2016	Require reviewers to carefully review award recommendation memos and supporting documentation to ensure that responsiveness and responsibility conclusions are accurate.	Agree. All reviewers shall be more diligent in their review of the recommendation memo. In addition, backup paperwork will be reviewed to confirm the projects meet the experience requirements. This will ensure the memos contain proper documentation of responsiveness responsibility.	Recommendation completed at time of report issuance.
16-03	9	Audit of Bid Solicitation and Award Process	In Process	Implemented	11/10/2016	11/10/2016	Ensure that Procurement's contract specialists understand all insurance requirements and are able to determine whether all contract requirements are contained in contractors' insurance policies.	Agree. The contract specialist will consult with the District's Risk Administrator regarding all insurance matters. In addition, review and approval will be requested of any low bidders' insurance information and certificate of insurance. This will ensure any endorsements or deviation from the standard requirements are acceptable and meet the minimum requirements.	Recommendation completed at time of report issuance.

EXHIBIT 4
Auditor General Recommendations
As of December 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.	**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.**