



Audit Recommendations Follow-Up Report

**For the Period July 1, 2023
Through September 30, 2023**

Project #24-01

**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: October 25, 2023

Subject: Audit Recommendations Follow-Up Report -
For the Period July 1, 2023 through September 30, 2023
Project No. 24-01

A handwritten signature in blue ink, appearing to be "JTB", is located to the right of the "From:" field.

This report 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 system as an integral part of monitoring the implementation status of audit recommendations. This system 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: Drew Bartlett
Jennifer Smith
John Mitnik
Sean Cooley
Jill Creech
Maricruz Fincher
Lawrence Glenn
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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, 2023 through September 30, 2023 (the "Reporting Period"). As shown in Exhibit 1, as of September 30, 2023, for previously issued audit reports, 13 recommendations were not yet Fully Implemented. During the Reporting Period seven (7) of these recommendations were implemented. In total from all reports, six (6) recommendations are In-Process of being implemented as of September 30, 2023.

Our office has also monitored the implementation status of the five (5) recommendations made in the Operational Audit performed by the State of Florida Auditor General (Auditor General), issued in January 2021 (Report No. 2021-102). As of June 30, 2023, three (3) of the recommendations have been Fully Implemented, and two (2) have been Partially Implemented. The Auditor General is currently performing another 3-year audit, which will included performing their own follow up on these five (5) recommendations; hence, we are discontinuing any further follow up on these recommendations.

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 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 1
Summary of Recommendations Status
As of September 30, 2023

	In	Partially	
<u>Prior Period Reports</u>	Process	Implemented	Total
Status Prior Period (June 30, 2023)	13	-	13
Implemented, Partially Implemented, or Status Changed to No Longer Applicable, During Period	(7)	-	(7)
Remaining Recommendations to be Fully Implemented	6	-	6
<u>Recommendations from New Reports Issued</u>			
New Recommendations*	-	-	-
Implemented or Partially Implemented	-	-	-
Remaining Recommendations to be Fully Implemented	-	-	-
<u>Current Status</u>			
Remaining Recommendations to be Fully Implemented	6	-	6

* Initial Status is set as "In-Process"

EXHIBIT 2
Audit Reports With Implementation of Recommendations in Progress
As of September 30, 2023

Audit No.	Audit Title	No. of Recs		In Process	Partially Implemented	No Longer Applicable	Implemented	
	Recommendations - Prior Period Reports							
18-08	Audit of Kissimmee River Restoration Project Cost Share for Land Acquisition Expenditures	19	Initial Status	2	0	0	17	Open
			Change in Status	0	0	0	0	
			Current Period Status	2	0	0	17	
20-11	Audit of CERP Cost Share	8	Initial Status	3	0	0	5	Open
			Change in Status	0	0	0	0	
			Current Period Status	3	0	0	5	
21-08	Audit of Private Mitigation Banks	6	Initial Status	3	0	0	3	Complete
			Change in Status	-3	0	0	3	
			Current Period Status	0	0	0	6	
21-10	Audit of Fleet Maintenance Operations	12	Initial Status	5	0	0	7	Open
			Change in Status	-4	0	0	4	
			Current Period Status	1	0	0	11	
	Recommendations from New Reports Issued							
	Recommendations - All Reports							
	TOTAL	45	Prior/Initial Status	13	0	0	32	
Change in Status			-7	0	0	7		
Status Current Period			6	0	0	39		
	Number of Recommendations Remaining to Be Fully Implemented	6		6	0			

EXHIBIT 3
Detail of In-Process and Partially Implemented Audit Recommendations
As of September 30, 2023

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Current			
18-08	1	Audit of Kissimmee River Restoration Project Cost Share For Land Acquisition Expenditures	In Process	In Process	12/31/2019	12/31/2023	Expedite KRRP claim submittals to the USACE for acquired tracts not yet submitted, donations, and relocation costs.	Agreed. Workload has been shifted to delete 1 FTE full-time and 1 FTE part-time to submit the backing of claims (37 acquired tracts, 350 relocations and 50 donated tracts) within the next calendar year.	In Process. Priority 1 item; Submitted 336 of the 336 relocations through 10/20/2021. Working on donation tracts and will submit even though the Corps was silent on methodology we proposed. Continue to work on acquired tracts and submitted claims with questions from the Corps. 9/2/2022 14 claims submitted 12/7/2022 - 1 claim submitted 3/31/2023 - Working on 8 claims containing 15 tracts (\$19.5 million) 6/30/2023 Submitted 5 claims with 6 tracts (\$2.3M) on 5/20/23; 3 claims with 9 tracts (\$19.5M) ready for submittal; working on 3 claims with 13 tracts 9/30/2023 - Submitted 1 claim with 3 tracts (\$8.4M) on 7/7/2023, working on 3 claims with 6 tracts (\$2.6M)
18-08	13	Audit of Kissimmee River Restoration Project Cost Share For Land Acquisition Expenditures	In Process	In Process	12/31/2019	12/31/2023	Request credit for all unclaimed creditable salary related expenses incurred during October 1, 2006 to present and any subsequent salary related expenses.	Agreed. Priority 3 - Real Estate will request an update of salary expenses from the Finance Bureau to bring salary costs current and submit the salary expenses for credit.	In Progress Priority 2 item; Costs continue to be reflected on the Master Cost Share spreadsheet. Corps has agreed to our method for allocating costs to tracts. The form will be called F05-S and will only include salaries. Staff continue to scrub the data for accuracy before a claim can be submitted. Microsoft Access is being used to create the F05-S. Oct 2022 - No change on this item. 12/31/2022 (continuing to scrub data) 3/31/2023 - No change 6/30/2023 - No change 9/30/2023 - No Change
20-11	4	Audit of CERP Cost Share	In Process	In Process	7/31/2022	3/31/2024	Consult with the USACE to ensure that expenses initially classified as deferred and subsequently approved are reflected as approved on the USACE spreadsheet.	Management concurs with the recommendation. Finance will consult with the USACE and provide documentation to ensure that expenses initially classified as deferred and subsequently approved are reflected as approved on the USACE spreadsheet.	December 2021 Update: No material update at this time. This item will be added to the agenda to discuss with USACE on the next financial meeting. March 2022 Update: No Material update at this time. Staff will continue to work towards accomplishing this recommendation through the transition process of redirecting these duties to a newly hired staff member. June 2022 Update: Newly hired staff will continue to work towards accomplishing this recommendation June 2022 Update: Staff research identified documentation for \$3,052,475.37 to be resubmitted to USACE for approval. For \$531,285.00, staff located a prior approval from USACE. \$130,442.40 will remain uncredited due to duplication or lack of documentation. June 2022 Update -Report for DEP has been finalized and will be delivered to DEP by 9/30/2022. October 2022 Update: Newly hired Finance staff member will research these costs and will re-submit once all support documentation has been gathered and reviewed thoroughly. December 2022 Update: Staff are continuing to work on this. Staff did reach out to USACE to have the cost share updated to reflect interim credits that were submitted and not allocated on the cost share. The older records are still being reviewed. Staff are meeting (Budget and Finance) in March to follow-up on progress and next steps and will coordinate with SFWMD Policy staff if assistance is needed when reaching out to USACE. April 2023 Update: Staff met in April and Finance Section Leader is currently reviewing the details for this item and once completed will send a credit request letter to USACE and IG Office. June 2023: No update was provided for this item. September 2023: Finance staff has made good progress on gathering support for this item but to complete may require some more time and effort researching older reports and letters for additional details. Loss of key staff member in Department who had good understanding of WIK has made progress challenging. Hoping to send request to USACE by December of this year or March of next year.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
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20-11	5	Audit of CERP Cost Share	In Process	In Process	1/31/2022	3/31/2024	Consult with the USACE to determine whether the District can be credited for any of the \$3,714,203 in disallowed/disputed/deferred due to inadequate documentation.	Management concurs with the recommendation. Finance Bureau will meet with the Ecosystem Restoration Planning Bureau to set our strategy and process for this request and will provide the USACE with the necessary documentation to obtain credit.	December 2021 Update: New due date 7/31/22. This item will be added to the agenda to discuss with USACE on the next financial meeting. March 2022 Update: No Material update at this time. Staff will continue to work towards accomplishing this recommendation through the transition process of redirecting these duties to a newly hired staff member. June 2022 Update: Staff research identified documentation for \$3,052,475.37 to be resubmitted to USACE for approval. For \$531,285.00, staff located a prior approval from USACE. \$130,442.40 will remain uncredited due to duplication or lack of documentation. October 2022 Update: Newly hired Finance staff member is reviewing available documentation and will re-submit once all support documentation has been gathered and reviewed thoroughly. December 2022 Update: Staff are reviewing records available. Staff are meeting (Budget and Finance) in March to follow-up on progress and next steps and will coordinate with SFWMD Policy staff if assistance is needed when reaching out to USACE. April 2023 Update: Staff met in April and Finance Section Leader is currently reviewing the details for this item and once completed will send a credit request letter to USACE and IG Office. All items have to be researched and classified properly (CERP Design, Accel8 Design) prior to resubmission letter for request June 2023: No update was provided for this item. September 2023: Finance staff has made good progress on gathering support for this item but to complete may require some more time and effort researching older reports and letters for additional details. Loss of key staff member in Department who had good understanding of WIK has made progress challenging. Hoping to send request to USACE by December of this year or March of next year.
20-11	7	Audit of CERP Cost Share	In Process	In Process	7/31/2021	7/31/2023	Instruct the Budget and Finance Bureaus to research and resolve the understated CERP design and construction related expenses identified by the Budget Bureau as occurring prior to Fiscal Year 2011.	Management concurs with the recommendation. The Budget and Finance Bureaus will work together to research and resolve the understated CERP design and construction expenses that occurred prior to Fiscal Year 2011. Supporting documentation will be provided to the USACE to obtain credit.	December 2021 Update: No Material update at this time. March 2022 Update: No Material update at this time. Staff will continue to work towards accomplishing this recommendation. June 2022 Update: Staff will continue to work towards accomplishing this recommendation. October 2022 Update: Staff will continue to work towards accomplishing this recommendation. December 2022 Update: Staff are reviewing records that are available. Staff are meeting (Budget and Finance) in March to follow-up on progress and next steps, such as obtaining management or PM review and signature (if required) and if partial records obtained can be submitted. April 2023 - A meeting was held in April and Budget Section Leader will review all differences from prior to FY2011 and will concentrate on the most material differences. We determined that researching the immaterial differences did not make sense from a cost / benefit perspective. June 2023: No update was provided for this item. October 2023: The support needed to provide the response has not been completed due to on-going budget development and reporting deadlines along with project requests. Budget Section Leader will review all differences from prior to FY2011 and will concentrate on the most material differences. We determined that researching the immaterial differences did not make sense from a cost / benefit perspective. Our current goal would be to complete review and submit by June, 30, 2024.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
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21-08	1	Audit of Private Mitigation Banks	In Process	Implemented	9/30/2022	9/30/2023	Evaluate the mitigation banks perpetual maintenance funding needs based on the most current cost and other financial information. If inadequate, develop a funding plan with the mitigation banker while the mitigation bank has credits available to sell.	The Environmental Resource Bureau (ERB) has notified all bankers to provide certified, updated cost estimates for the remaining construction and implementation costs and perpetual management costs, and current financial statements for their financial mechanisms from the financial institutions. Moving forward, the cost estimates are to be provided on a biennial basis and the financial statements are to be provided at the interval used by the financial institution. Chapter 62-342.700(14)(c), FAC states, "...If the value of any financial responsibility mechanism is less than the total amount of the current construction and implementation and perpetual management cost estimates, the banker shall, upon Agency approval of the cost adjustment statement, increase the value of the financial mechanism to reflect the new estimate within 60 days." If a necessary adjustment is not made within 60 days, the banker will be deemed in noncompliance and subject to enforcement action.	January 13, 2023 - Information has been received from all the mitigation banks permitted by the District. Of the 17 mitigation banks permitted by the District, 14 are in compliance with the financial terms contained in their respective Permits. Two of the remaining three that are not in compliance have received notices of noncompliance and credit sales have been suspended. One is submitting information for a permit modification to change their financial assurance type to achieve compliance. April 5, 2023 - of the 3 remaining banks mentioned in the January 2023 comments, 2 (Shingle Creek Mitigation Bank and Twin Oaks Mitigation Bank) are submitting permit modifications which will bring them into compliance with their Financial Assurance documents. The remaining bank (Collary Mitigation Bank) has not responded to repeated requests for documentation and their credits available for sale remain frozen. Credit Releases for this bank total 9.56 with only 0.02 credits sold to date. July 17, 2023 - Of the 3 remaining banks mentioned in the January 2023 comments, 2 banks (Shingle Creek Mitigation Bank and Twin Oaks Mitigation Bank) have submitted permit modifications which will bring them into compliance with their Financial Assurance documents. The permit modification for Shingle Creek Mitigation Bank will be issued prior to July 31, 2023. On June 30, 2023, Twin Oaks Mitigation Bank was granted a 90-day extension to resolve the outstanding issues associated with their financial assurance mechanism prior to freezing their credit sales. The remaining bank (Collary Mitigation Bank) has not responded to repeated requests for documentation and their credits available for sale remain frozen. Credit Releases for this bank total 9.56 with only 0.02 credits sold to date. September 30, 2023 - Shingle Creek Mitigation Bank has obtained compliance with their financial assurance requirements and Twin Oaks Mitigation Bank is in enforcement with the potential for their credits to be frozen if they do not amend their financial assurance mechanism. Therefore, evaluation and action has been taken on the perpetual management funding for all District permitted mitigation banks.
21-08	4	Audit of Private Mitigation Banks	In Process	Implemented	9/30/2022	9/30/2023	Consider Finance Bureau staff review of the mitigation banker's perpetual maintenance fund financial assurance calculations for reasonableness.	ERB staff will coordinate with the Finance Bureau for initial assistance and training in analyzing the financial statements submitted by the bankers' financial institutions. ERB staff will also coordinate with the Land Resources and Engineering and Construction Bureaus for current unit costs for land management and construction to aid in evaluation of the biennial cost estimates. The results of the analyses will determine the need for adjustments to the principal balances of the financial mechanisms.	January 11, 2023 - The Finance Bureau has been contacted and a request was made for a PowerPoint presentation on understanding and evaluating financial statements as they pertain to mitigation banking. The PowerPoint training will be provided to Regulatory staff responsible for mitigation banking compliance. The Finance Bureau is also analyzing the Perpetual Management Funds based on the bank statements provided by the mitigation bankers and will make further recommendations to strengthen the District's mitigation banking program. A construction and implementation and perpetual management spreadsheet utilized by FDEP was supplied to each mitigation banker and to the District's Land Management Bureau. The spreadsheet is a comprehensive list of activities that may be undertaken to develop and manage the bank. Land Management provided their costs for items that are frequently encumbered on District lands to serve as a basis for determining the accuracy and validity of information received from the mitigation bankers. The cost comparison was completed for each bank as responses were received. No significant discrepancies were noted. April 5, 2023 - Regulation and Budget and Finance staff are meeting every other week to develop a training program for Regulatory staff on reading and understanding the many forms of Financial Assurance statements that are submitted. Completion of the training package is anticipated to be in early May. July 17, 2023 - Budget and Finance staff are continuing to develop PowerPoint training materials for Regulation staff regarding reading and understanding many forms of Financial Assurance statements that are submitted on a monthly basis. Regulation staff are continuing to coordinate with Budget and Finance to see when these materials will be completed. September 30, 2023 - Coordination with the Finance, Land Resources and Engineering and Construction Bureaus have been completed. ERB staff will continue to seek assistance from Finance Bureau staff for review of financial assurance statements as they are received from permittees.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Current			
21-08	5	Audit of Private Mitigation Banks	In Process	Implemented	Unknown	Unknown	Coordinate through relevant staff and District legislative liaison to change the mandated 6% interest earning rate on perpetual maintenance funds to a more reasonable rate that reflects long term market conditions. (i.e. the 10-year US Treasury interest rate).	Changing the rate of return will require legislative ratification and rulemaking at the State level initiated by FDEP. Coordination with FDEP and the District's legislative lobbyist will need to occur at the appropriate time that a bill addressing this topic is proposed or being reviewed in a committee.	January 11, 2023 - The Florida Association of Mitigation Bankers and the Florida Department of Environmental Protection are working on revising the Mitigation Banking Rules including the interest earnings related to perpetual management. Regulation receives quarterly updates from FDEP on progress made on revisions and will continue to provide input as this process unfolds. Regulation staff will coordinate with the District's Legislative Regional Representative who tracks legislation being considered at the State level regarding changes to the Mitigation Banking Rules. The USACE has already implemented changes to newly issued permits and permit modifications using a 3% rate of return and it is anticipated that the State will implement similar changes for consistency. April 5, 2023 - FDEP and the Florida Association of Mitigation Bankers are meeting to revise Mitigation Banking Rules which will require legislative approval. This will include revising the 3% rate of return. No determination has been made as to what financial market index will be used to establish perpetual funding. July 17, 2023 - Updated Mitigation Banking Rule language has been drafted and will be shared with the public and the Florida Association of Mitigation Bankers in September. Updates to the rule will require legislative approval. This update will revise the 6% rate of return that is currently required. The draft rule language proposes that the amount of financial responsibility is calculated to include a principal amount that, when managed and invested, is sufficient to be reasonably expected to generate a gross annual return that, after inflation and applicable administrative fees, is equal to the annual cost of perpetual management September 30, 2023 - Rulemaking is ongoing and being led by DEP. The District has completed their role in the process.
21-10	1	Audit of Fleet Maintenance Operations	In Process	Implemented	9/30/2023	9/30/2023	Develop written policies and procedures regarding the completion timeframe for preventative maintenance and inspection work orders (PMPL work orders)	Fleet Maintenance to work with Fleet STAN to develop written processes which will be stored on the STAN Team's SharePoint site.	June 30, 2023 - Fleet Analyst 2 has taken the lead and is working with the Fleet STAN team in development and finalization of the written policy. June 30, 2023 - Fleet Analyst 2 has taken the lead and is working with the Fleet STAN team in development and finalization of the written policy. September 30, 2023 - Written policies and procedures for completion timeframes has been finalized and placed on the SharePoint website reference.
21-10	2	Audit of Fleet Maintenance Operations	In Process	Implemented	6/30/2023	9/30/2023	Ensure that all field station fleet staff responsible for closing fleet work orders accurately reflect the work order completion date in SAP Plant Maintenance	Fleet management will ensure responsible staff are educated on the need to change the default date to the actual date the work was completed when closing the work order in SAP. This will become a recurring reminder with the team being established as part of item 9 below.	June 30, 2023 - Fleet STAN team members from Okeechobee and St. Cloud are working on a step-by-step process for proper close out procedures. September 30th, 2023 - Step by step process instruction document has been completed and placed on sharepoint for reference.
21-10	4	Audit of Fleet Maintenance Operations	In Process	Implemented	6/30/2023	9/30/2023	The West Palm Beach Field Station should consider whether it would be beneficial to stagger PMPL work order planned dates throughout the month rather than having planned dates at the beginning of the month.	West Palm Beach Field Station to stagger start dates to 50% at the first of the month and 50% at the end of the month.	June 30, 2023 - WPB shop supervisor is working with SAP master data staff to equalize the number of PM's each month and to stagger the start dates within each month. September 30, 2023 - All changes in SAP are complete.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Current			
21-10	6	Audit of Fleet Maintenance Operations	In Process	Implemented	6/30/2023	9/30/2023	Ensure that fleet maintenance staff responsible for scheduling PMPL work orders schedule maintenance and inspection work orders for the same vehicle/equipment based on the planned dates per the SAP Plant Maintenance module and not delay work orders to perform both tasks at the same time.	Fleet Management will direct staff responsible for this task to not delay any scheduled work orders. Also, Fleet management will work with those same staff to arrive at a reasonable timeframe in which to perform scheduled tasks early if the vehicle is already in the shop for work.	June 30, 2023 - Fleet maintenance staff have been directed to perform any work due within the next 30 days anytime a vehicle is in the shop. Fleet Analyst 2 is developing written policy. June 30, 2023 - Fleet maintenance staff have been directed to perform any work due within the next 30 days anytime a vehicle is in the shop. Fleet Analyst 2 is developing written policy. September 30, 2023 - Business rule has been developed and placed on fleet SharePoint site for reference.
21-10	7	Audit of Fleet Maintenance Operations	In Process	In Process	12/31/2023	12/31/2023	Consider addressing fleet maintenance staff's concerns about the level of service and quality of filters procured from the current contracted vendor via the MRP ordering system.	Fleet management has had initial conversations with the fleet STAN Team to gather more information. Changes are needed to move away for the current Vendor and move towards OEM (Original Equipment Manufacturer) and/or limited aftermarket manufacturers that provide quality filters. Fleet management will work with procurement to explore the possibility of the changes through the MRP system, if quality filters will have to be ordered outside of the MRP process. The fleet STAN will work on establishing a list of acceptable aftermarket manufacturers.	June 30, 2023 - Fleet STAN team has determined which brands are acceptable and is developing written guidance. September 30, 2023 - The Fleet STAN Team has developed an acceptable list of aftermarket filters. Next step is implementation with the storerooms.