



Audit Recommendations Follow-Up Report

**For the Period July 1, 2025
Through September 30, 2025**

Project #26-01

**Prepared by
Office of Inspector General**

J. Timothy Beirnes, CPA, Inspector General



SOUTH FLORIDA WATER MANAGEMENT DISTRICT

Memorandum

To: Governing Board Members

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

Date: November 3, 2025

Subject: Audit Recommendations Follow-Up Report -
For the Period July 1, 2025 through September 30, 2025
Project No. 26-01

A handwritten signature in blue ink, appearing to be "JTB", is written over 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
Jill Creech
Lucine Dadrian
Maricruz Fincher
Candida Heater
SueLynn Kirkland
Ana Carolina Maran
Akintunde Owosina
Jennifer Reynolds
Rich Virgil
Lourdes Woytek

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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, 2025 through September 30, 2025 (the "Reporting Period"). As shown in Exhibit 1, as of June 30, 2025, for previously issued audit reports, three (3) recommendations were not yet Fully Implemented. The progress of implementing these three (3) recommendations continued during the Reporting Period. Also, 11 recommendations were added from one recently issued audit report. Ten (10) of these new recommendations were implemented during the Reporting Period or were implemented at the time of report issuance. In total from all audit reports, four (4) recommendations were In-Process of being implemented as of September 30, 2025.

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, 2025

	In	Partially	
Prior Period Reports	Process	Implemented	Total
Status Prior Period (June 30, 2025)	3	-	3
Implemented, Partially Implemented, or Status Changed to No Longer Applicable, During Period	-	-	-
Remaining Recommendations to be Fully Implemented	3	-	3
Recommendations from New Reports Issued			
New Recommendations*	11	-	11
Implemented or Partially Implemented	(10)	-	(10)
Remaining Recommendations to be Fully Implemented	1	-	1
Current Status			
Remaining Recommendations to be Fully Implemented	4	-	4

* Initial Status is set as "In-Process"

EXHIBIT 2
Audit Reports With Implementation of Recommendations in Progress
As of September 30, 2025

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	1	0	0	18	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	18	
22-24	Audit of Land Sales Proceeds	4	Initial Status	1	0	0	3	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	3	
23-15	Audit of Land Lease Compliance	11	Initial Status	1	0	0	10	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	10	
	Recommendations from New Reports Issued							
23-13	Audit of Investment Management	11	Initial Status	11	0	0	0	
			Change in Status	-10	0	0	10	
			Current Period Status	1	0	0	10	
	Recommendations - All Reports							
	TOTAL	45	Prior/Initial Status	14	0	0	31	
			Change in Status	-10	0	0	10	
			Status Current Period	4	0	0	41	
	Number of Recommendations Remaining to Be Fully Implemented	4		4	0			

EXHIBIT 3
Detail of In-Process and Partially Implemented Audit Recommendations
As of September 30, 2025

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	12/31/2025	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.	Sept 30, 2024: 18 donation tracts remain to be submitted. Appraisals complete on 9 tracts and staff is compiling claim requests for submittal; remaining 9 tracts are being appraised June 30, 2024: Submitted 1 relocation claim and 1 acquired tract. Appraisal complete for 1st donated tract containing 620 acres and claim is being prepared. Working on the appraisal for 7 donated tracts; claim to follow. The only claims remaining are on donated tracts, which require historical appraisals that are extremely time consuming. Dec. 30, 2024: Claim submitted for 1 tract (620 acres). Appraisals complete on 12 tracts and staff is working on claims; appraisals on 5 tracts are in progress. (17 donation tracts remain to be submitted) March 31, 2025 update: Claims submitted for 6 donation tracts; staff working on claims for 6 tracts with completed appraisals; appraisals on 4 tracts are in progress; 10 donation tracts remain to be submitted. June 30, 2025 update: Claims for 3 donation tracts were prepared; staff working on remaining 7 tracts. Completion date has been extended to the end of 2025, since the U.S. Army Corps of Engineers is not currently accepting any claims until their new program called "Smartsheets" is adopted within the next few months. All prepared claims will be held until the Corps' new system is complete. September 30, 2025 update: On track for 12/31/2025 completion. Donation tract preparation and review (10 tracts) will be completed and forwarded to USACE by end of year ahead of final development of their Smartsheets software which is still in progress and may take longer than expected.
22-24	2	Audit of Land Sales Proceeds	In Process	In Process	9/30/2024	6/30/2025	Determine whether the \$173,544 remitted to DEP as part of unspent surplus funds in the Water Management Land, Preservation 2000, and Florida Forever Trust Funds was remitted erroneously. If so, determine the appropriate action to resolve this issue.	Management concurs. February 26, 2024, this was discussed with DEP, and they requested a copy of the audit. Staff will work with DEP to try and resolve.	October 2024 Update - A copy of the Audit was provided and staff are still working with DEP. DEP is to discuss with Division of State Lands. December 2024 Update - There has been no change in the status of this finding. March 31, 2025 Update - There has been no change in the status of this finding. June 30, 2025 Update - There has been no change in the status of this finding. September 30, 2025 Update: Completion remains on track for 12/31/2025.
23-15	1	Audit of Land Lease Compliance	In Process	In Process	7/31/2025	12/31/2025	Implement a process to ensure land managers follow-up with lessees to determine whether inspections deficiencies are resolved. Consider requiring land managers to document communications and resolutions.	Management concurs with recommendation. 1) Request IT amend inspection report to include date violations are to be rectified. 2) Staff will request IT provide a violation report from the Survey 123 software.	On target. Meeting with IT in February to start revisions. March 31, 2025 Update: In progress. Planned due date for completion remains on target. June 30, 2025 - Update: The needed revisions to the Survey 123 software had been delayed while the IT-GIS Section reviews alternatives to the current software capabilities. Therefore, the projected completion date has been extended to the end of this calendar year to allow time for a software solution to be developed by the IT-GIS Section. September 30, 2025 Update: Completion targeted for 12/31/2025.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Current			
23-13	1	Audit of Investment Management	In Process	Implemented	9/30/2025	9/30/2025	Ensure that all securities purchased are within the boundaries of the District's Investment and Banking Policy.	Management agrees with the recommendation and will confirm all securities purchased going forward are in compliance with the District's Investment and Banking Policy and are laddered between short-term and long-term investments. The Accounting, Cash Management, and Treasury team will continue investing daily to maximize liquidity and earnings in overnight Money Market Funds, which has been in practice since 2022. This strategy maintains liquidity and reduces the extension risk exposure for current cash available for investing. The Accounting, Cash Management, and Treasury team will continue to evaluate the appropriate time for restructuring existing Mortgage-Backed Securities (MBS) in order to shorten the maturity window and sell at a breakeven threshold. This will ultimately eliminate the extension risk exposure driven by the current high-interest rate environment. The existing MBS investments were purchased in a low-interest rate environment with maturity date ranges within the Investment Policy parameters at that time. Exposure risk scenarios did not include basis point fluctuations of 500 basis points at the time of investment which is what the District experienced.	Recommendation implemented at time of report issuance.
23-13	2	Audit of Investment Management	In Process	In Process	9/30/2025	3/31/2026	The District should reconsider revising the Investment and Banking Policy regarding Agency Mortgage-Backed Securities (MBS) to explicitly address extension risk associated with such securities. This may include: • Lower the 50% maximum portfolio limit that can be invested in MBS. • Establishing enhanced guidelines for managing the potential impact of rising interest rates and lower prepayment speeds on MBS investments. • Setting more stringent average life maturity limits for MBS investments to mitigate the risk of holding extended-duration bonds during adverse market conditions.	Management agrees with the recommendation to revise the Investment and Banking Policy addressing investment options and portfolio diversification. By reducing the MBS proportion in support of a more conservative investment strategy, the District will protect against extension risk. Staff will evaluate current industry standards for the public sector. Additionally, the Accounting, Cash Management, and Treasury team will review quarterly scenario analysis on a bond-by-bond basis provided by brokers to determine changes to the impact of rising rates and lower prepayment speeds on cash flow for each MBS bond.	September 30, 2025 Update: Draft Policy and Procedure updates are being compiled for review, discussion, and feedback from the Audit and Finance Committee . The next scheduled committee meeting is in December, 2025. Upon review and input from the Audit and Finance Committee, staff will coordinate with Legal to implement revisions to Policy and Procedures in Municode.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Current			
23-13	3	Audit of Investment Management	In Process	Implemented	4/10/2025	4/10/2025	Consider using a laddered maturity strategy using fixed maturity U.S. Agency securities to reduce liquidity risk and provide for more predictable cash flows. The District should implement more robust liquidity stress testing to assess the portfolio's ability to meet cash flow needs under various market conditions. This analysis should include: - Scenario testing to evaluate the impact of rising interest rates on liquidity and market value. - A regular review of cash flow projections and their alignment with the duration of investments to ensure adequate liquidity.	Management agrees with the recommendation to revise the investment strategy to support lower liquidity risk and a more predictable cash flow performance. Management agrees with performing scenario testing to evaluate the impact of rising interest rates on liquidity and market value. Management agrees with a regular review of cash flow projections and their alignment with the duration of investments to ensure adequate liquidity. Moving forward, the Accounting, Cash Management, and Treasury team will continue to invest available current cash in short-term securities such as Money Market Funds, CD's, Commercial Paper, Inter-Governmental Pools and The Florida Prime (SBA). The Accounting, Cash Management, and Treasury team will not invest current available cash in long-term securities such as Agency MBS, which currently have cash flows that are less predictable than Callable Bonds (US Agency Bonds). Cash flows from US Agency Bonds are more predictable than MBS and have a definitive end date without the extension risk exposure which is directly impacted by lending rates and creates a changing maturity date.	Recommendation implemented at time of report issuance.
23-13	4	Audit of Investment Management	In Process	Implemented	4/10/2025	4/10/2025	Establish a standardized documentation requirement for all vendors, regardless of their program participation, to include either an original voided check or a signed bank letter.	Management agrees with the recommendation and implemented the revision to the procedure with the updated ACH Registration Form 1410 revised January, 2025.	Recommendation implemented at time of report issuance.
23-13	5	Audit of Investment Management	In Process	Implemented	4/10/2025	4/10/2025	Revise the vendor onboarding packet/form to clearly outline the documentation required for ACH set-up to allow for consistency in documentation.	Management agrees with the recommendation and implemented the revision to the procedure with the updated ACH Registration Form 1410 revised January 2025.	Recommendation implemented at time of report issuance.
23-13	6	Audit of Investment Management	In Process	Implemented	4/10/2025	4/10/2025	Work with project/program managers to notify all vendors that are part of the Python Removal Program about the updated requirements for ACH set-up documentation.	Management agrees with the recommendation and has been in contact with the District liaison to the Python vendors to acquire the master list of vendors and coordinate new/revised accounts directly with Python vendors utilizing the updated form.	Recommendation implemented at time of report issuance.
23-13	7	Audit of Investment Management	In Process	Implemented	4/10/2025	4/10/2025	Offer detailed guidance and support to help vendors transition to the new requirements, including templates and examples of acceptable documentation.	Management agrees with the recommendation and has been working with individual vendors providing additional support to clarify the requirements including providing examples of acceptable documentation as needed.	Recommendation implemented 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
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23-13	8	Audit of Investment Management	In Process	Implemented	4/10/2025	4/10/2025	Develop a timeline for converting all Python Removal Program vendors to the new ACH set-up procedure by a specific date.	Management agrees with the recommendation and has confirmed all Python Vendors currently in the ACH program have access to the new ACH form for any future changes to payment information.	Recommendation implemented at time of report issuance.
23-13	9	Audit of Investment Management	In Process	Implemented	4/10/2025	4/10/2025	Implement a process to review and verify all ACH documentation submitted by vendors to ensure it meets the standardized requirements.	Management agrees with the recommendation and has implemented updated procedures to include the latest Form 1410 Automated Clearinghouse (ACH) Direct Deposit revision and a "How To" for processing ACH packets. The updated Form 1410 provides clear instructions to the vendor of the documentation and information required. The updated procedures provide instructions to staff on how to verify the information on the form, verify the documentation provided (W-9, voided check, or bank letter) is consistent with the information on the form, proper signatures included, and the vetting of the ACH packets by the Finance Bureau and Procurement before approval and activation.	Recommendation implemented at time of report issuance.
23-13	10	Audit of Investment Management	In Process	Implemented	4/10/2025	4/10/2025	Log in to the IRS e-Services platform, access the TIN Matching Program, and enter the vendor's Tax Identification Number (TIN) and name to receive immediate feedback on the match status.	Management agrees with the recommendation. CMDM team completes this step for every vendor activation, not only ACH payment applications.	Recommendation implemented at time of report issuance.
23-13	11	Audit of Investment Management	In Process	Implemented	4/10/2025	4/10/2025	Ensure that all ACH documentation, including voided checks and bank letters, W-9 certifications, and Interactive Tax Identification Number (TIN) Matching results are stored in the vendor file within the Vault.	Management agrees with the recommendation. Finance Bureau has acquired a fire rated file cabinet for the storage of all ACH payment application packages within the vault which has limited security access.	Recommendation implemented at time of report issuance.