



Approved Audit Plan For Fiscal Year 2016

**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 16, 2015

A handwritten signature in blue ink, appearing to be "JTB", is written over the "From" and "Date" lines.

Subject: Approved Audit Plan for Fiscal Year 2016

I am pleased to present the Approved Audit Plan for Fiscal Year 2016. The development of the plan was shaped using a systematic approach to help us decide what audits need to be done. The planning process helps us to develop the theme for our audits and identify an appropriate mix of various types of audits. The audit plan helps us to determine how we can best allocate our resources and capitalize on our individual strengths.

Effective audit planning is crucial to the success of the Inspector General's Office. Our planning process involved understanding our responsibility, recapping where we have been, and identifying the auditable universe and the risks associated with various programs and activities. The Internal Audit Charter requires the Governing Board to approve the final annual audit plan. The proposed plan was approved by the Governing Board on November 12, 2015.

Our Guidance

The first step in our current planning process was to ask ourselves what is the Inspector General Office's mandate. Our mandate to perform audits is clearly specified in Section 20.055 F.S., *Agency Inspectors General*. It states that in carrying out our audit mandate we should:

1. Review and evaluate the internal controls that ensure fiscal accountability.
2. Review post audit sampling of payments and accounts, where appropriate.
3. Advise in the development of performance measures for evaluating District programs.
4. Conduct financial, compliance, electronic data processing and performance audits of the District.

While the scope and assignment of audits is entirely left to the discretion of the Inspector General, the statute provides that the agency head may, at any time, direct the Inspector General to perform an audit of a program function or organizational unit. In the past, we received a number of requests from both the Governing Board and District staff to perform necessary Inspector General project's. Therefore, executing our work plan necessitates flexibility to accommodate special requests and investigations.

Our Planning Approach

Each year the District prepares an annual work plan to guide management and staff in fulfilling the District's mission. The annual work plan is the product of the yearly planning cycle, which is the approach to establishing priorities, allocating resources, implementing projects, and providing accountability. The budget process then allocates resources to accomplish the planned activities.

Our audit planning process began with reviewing the FY 2016 Budget to identify those programs, activities and functions that we consider present potential risk to the District. In addition to specific programs, we also focused on identifying processes that are critical to the planning cycle that affect all programs.

The audit plan reflects a consideration of risk and its relationship to the District's mission and objectives. The most ubiquitous risks to the District's mission revolve around spending, operations, data integrity and reliability, disaster recovery/contingency planning, regulatory compliance, and public perception. Some District programs, such as our many restoration projects, depend on land acquisition and construction processes, which represent high risks due to the mere magnitude of the financial resources to be consumed. Others, such as regulation, have inherent risks that are not necessarily related to program expenditures or dollar magnitude but rather represent high risk due to the nature of the function where consistency, objectivity, integrity, and strict adherence to rules and regulations are essential.

Our audit plan is designed to provide sufficient coverage over time to reach all significant program areas. During FY 2016, we will continue to use our best judgment in prioritizing audit activities so as to be responsive to the most immediate needs of the District's Governing Board and executive management. The approved work plan for FY 2016 provides audit projects for specific District programs, as well as, audits of processes that affect all District programs.

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Provision is also made for following up on the status of implementing prior audit recommendations as required by *Government Auditing Standards* and the District's *Internal Audit Charter*. Additionally, the audit plan provides flexibility to investigate Whistle-blower complaints and for special audit requests from the Governing Board and senior District management.

In FY 2016 we will be due for our tri-annual peer review, covering the period from January 1, 2013 through December 31, 2015. Florida Statutes require us to adhere to Government Auditing Standards established by the U.S. Government Accounting Office, which require a peer review be performed every three years. Our last review was performed through the Association of Local Governmental Auditors (ALGA) peer review program in 2013, which covered the period from January 1, 2010 through December 31, 2012. We plan to also use the ALGA program for the FY 2016 peer review.

The attached schedule details the approved Audit Plan for Fiscal Year 2016.

cc: Peter Antonacci
Terrie Bates
Kirk Burns
Doug Bergstrom
Karen Estock
Jeff Kivett
Len Lindahl
Tom Teets
Sharon Trost
Ben Ward

Approved Audit Projects FY2016

Programs

Audit Projects

Audit of Bid Solicitation and Award Process

**Audit of Procurement of Professional Engineering
Services for Restoration Projects**

Audit of Kissimmee River Restoration Cost Share

IT Software License Compliance

Audit of the Payroll Process

**Follow-Up on Implementation of Recommendations
in Gartner's IT Bureau Review**

**Acquisition, Restoration
and Public Works/
Operation & Maintenance
of Lands and Works**

**Acquisition, Restoration
and Public Works**

**District Management
and Administration**

Recurring Audit Projects

Audit Follow-Up

Investigations of Complaints

**Special Audit Requests -
Governing Board & Management**

**Periodic Monitoring of In-Kind Credit
Requests for Federal Cost Share Projects**

All Programs

**Acquisition, Restoration
and Public Works**

Administrative Projects

Office of Inspector General Peer Review

Prepare Audit Plan for Fiscal Year 2017

Prepare Inspector General Annual Report

South Florida Water Management District
Office of Inspector General
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Division	Bureau/ Section	Project Title	Background	Objectives	Rational for Audit
Audit Projects					
District Wide	Procurement / All Departments & Bureaus	Audit of Bid Solicitation and Award Process	The District's Procurement Bureau is responsible for acquiring goods and services, and establishing other contractual relationships in support of District programs, projects and operations within the parameters of applicable laws, rules, policies and procedures.	Assess compliance with the District's Procurement Request for Bids Solicitation to Award Process.	Most of the District's contracts for construction projects are procured using a fixed bid solicitation process. Seventy-five (75) contracts have been awarded through the bid solicitation process from FY2013 through FY 2015 and encompass a substantial amount of the District's expenditures.
Operations, Engineering & Construction / Administrative Services	Engineering & Construction/ & Procurement	Audit of Procurement of Professional Engineering Services for Restoration Projects	The District solicited firms through an RFP to provide Professional Engineering Services for Restoration projects using the CCNA process, which resulted in 13 price agreements. Up to \$150 million in expenditures are anticipated under these pricing agreements, subject to funding availability. Work orders are assigned as engineering services are needed and work is distributed to the consultants as evenly as practical.	Determine whether GEPS work orders are awarded in an equitable manner to prime contractors; whether prime contractors are utilizing Small Business Enterprise subcontractors; whether adequate documentation is maintained to substantiate the level of effort/hours negotiated for executed work orders; and whether project managers are evaluating contractors' performances as required.	Significant expenditures are incurred under these pricing agreements for Professional Engineering Services for Restoration Projects. Through August 31, 2015, executed work orders, and pending work orders under these pricing agreements total \$59 million.
Office of Everglades Policy & Coordination	Office of Federal Policy & Coordination	Audit of Kissimmee River Restoration (KRR) Cost Share	In 1992, the U.S. Congress authorized the Kissimmee River Restoration and the Headwaters Revitalization Projects (the "KRR"). The KRR project is a \$578 million partnership between the U.S. Army Corps of Engineers (USACE) and the SFWMD (Local sponsor). A large portion of the projects expenditures will be cost shared 50/50 between the SFWMD and USACE. The District will provide most of the land and the USACE will incur most of the engineering and construction cost. The District is also incurring some non-land cost, which must also be submitted to the USACE in order to receive credit towards the non-federal 50% share of the project cost.	Examine the District's process for preparing In-Kind Credit Requests to ensure the District is requesting credit for all eligible costs related to the KRR project. Also determine that adequate supporting documentation is maintained for such expenditures.	Failure to claim credit for eligible expenditures that may have been overlooked would result in additional cost to the District.

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Division	Bureau/ Section	Project Title	Background	Objectives	Rational for Audit
Administrative Services	Information Technology	IT Software License Compliance	The District procures licenses for various computer software programs. Software licenses are generally sold on a per user pricing structure. The District's IT Department maintains an inventory of software licenses agreements to ensure compliance with license agreements.	Ensure that the District maintains proper licenses for all software used by District staff.	Laws provide for significant fines and penalties for using unlicensed software.
Administrative Services	Human Resources & Finance	Audit of the Payroll Process	Approximately \$150 Million is disbursed annually for salaries and benefits to approximately 1,500 employees. Payroll is processed through the Human Resources system, which a component of SAP and interfaces with the various SAP modules.	Determine that the payroll process provides for adequate segregation of duties and that established internal controls over the payroll process are functioning as designed.	Approximately 20% of the District's annual expenditures are disbursed through the District's Human Resources system.
Administrative Services	Information Technology	Follow-Up on Implementation of Recommendations in Gartner's IT Bureau Review	The District engaged Gartner to perform a comprehensive review of the District's information technology resources. The review resulted in a number of recommendations regarding how the District can deliver IT services more efficiently, effectively, and improve business value of it's technological resources.	Assess the implementation status of recommendations made in the Gartner report.	The follow-up assessment will provided a status report to help ensure that the District is realizing the benefits of Gartner's recommendations.

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Division	Bureau/ Section	Project Title	Background	Objectives	Rational for Audit
Recurring Audit Projects					
All Divisions	All Bureaus	Audit Follow-Up	Generally Accepted Government Audit Standards require follow-up regarding the implementation status of pervious audit findings and recommendations.	Verify that recommendations in prior audit reports have been appropriately implemented in a timely manner and provide a written report to the Executive Management team and the Governing Board.	Follow-up on previous audit recommendations is required by Government Auditing Standards and the District's Internal Audit Charter.
All Divisions	All Bureaus	Investigate Whistle-Blower and Other Complaints	The Office of Inspector General periodically receives Whistle-Blower complaints. Our office has a statutory responsibility to investigate these complaints and issue a report of our findings and conclusions.	Review each complaint to assess its validity. Whistle-blower complaints are received intermittently during the year.	The IG is responsible for performing investigations per Section 20.055, F. S., and the District's <i>Internal Audit Charter</i> .
All Divisions	All Bureaus	Audit Requests from Governing Board and Senior District Staff	The Inspector General's Office will entertain requests for audit and investigations from Governing Board and Senior District Staff on an as needed basis.	As specified in the Inspector General Act & District Policy (Internal Audit Charter)	Provides flexibility in the audit plan to accommodate special requests for audits and investigations from the Governing Board and senior management that arise throughout the year.
Operations, Maintenance & Construction	Engineering & Construction	Periodic Monitoring of In-Kind Credit Requests for Federal Cost Share Projects	The District has several major cost share programs with the U.S. Army Corps of Engineers, including: The Kissimmee River Restoration, Critical Restoration Projects, and the Comprehensive Everglades Restoration Project (CERP).	Periodically examine In-Kind credit requests for the various cost-share projects to ensure that the established process is effectively capturing all eligible costs.	Restoration is among the District's largest program expenditures. Ensuring that staff is claiming credit for all eligible expenditures towards the District's 50% cost share will help minimize any future cash contributions.

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Administrative Projects					
N/A	N/A	Office of Inspector General Peer Review	The Office of Inspector General's last Peer Review was performed in FY 2013. Florida Statutes require Inspector General's to adhere to Government Auditing Standards established by the U.S. Government Accounting Office (GAO). Such standards require a peer review be performed every three years.	Arrange for a peer review of the Inspector General Office, which will provide an evaluation of adherence to the professional standards. We plan to have the peer review performed through the Association of Local Governmental Auditors (ALGA) peer review program.	N/A
N/A	N/A	Audit Plan for Fiscal Year 2017	The Audit and Finance Committee Charter requires the Inspector General to submit an annual work plan to the committee for approval	Prepare an annual work plan and submit it to the Audit and Finance Committee for approval in accordance with the Audit and Finance Committee Charter.	N/A
N/A	N/A	Office of Inspector General Annual Report	State Statutes, Section 20.055(7) requires the Inspector General to submit an annual report to the agency head.	Prepare an annual report summarizing each audit and investigation completed during the year.	N/A