



## **Approved Audit Plan For Fiscal Year 2018**

**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 6, 2017

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 2018**

I am pleased to present the Approved Audit Plan for Fiscal Year 2018. 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 Audit and Finance Committee to approve the final annual audit plan. The proposed plan was approved by the Audit and Finance Committee on October 12, 2017.

### **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 2018 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 2018, 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. Our approved work plan for FY 2018 provides audit projects for specific District programs, as well as, audits of processes that affect all District programs.

**Approved Audit Plan FY 2018**

**November 6, 2017**

**Page 3 of 3**

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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.

The attached schedule details the approved Audit Plan for Fiscal Year 2018.

cc: Ernest Marks  
Brian Accardo  
Joel Arrieta  
Terrie Bates  
Dorothy Bradshaw  
Jill Creech  
Stephen Collins  
John Mitnik  
Duane Piper  
Eva Velez

## Approved Audit Projects FY2018

## Divisions

### **Audit Projects**

**Audit of KRR Cost Share for  
Real Estate Expenditures**

**Audit of CERP Cost Share Status**

**Audit of Limerock Mining Lease Agreement**

**Audit of Python Elimination Program**

**Audit of CERP Cost Share for Operations &  
Maintenance (OMRR&R) Costs**

**Audit of Employee Separation Process**

**Audit of IT Disaster Recovery Plan**

**Audit of Cell Phone Stipend Process**

**Office of  
Everglades Policy  
& Coordination**

**Field Operation &  
Land Management**

**Administrative Services**

**Information Technology**

### **Recurring Audit Projects**

**2018 Audit of Internal Controls Over DMV Data**

**Monitoring of Procurement Card Transactions**

**Monitoring of Negotiated Contract Work Orders**

**Audit Follow-Up**

**Investigations of Complaints**

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

**Information Technology**

**Administrative Services /  
All Divisions**

**All Divisions**

### **Administrative Projects**

**Prepare Audit Plan for Fiscal Year 2019**

**Prepare Inspector General Annual Report**

South Florida Water Management District Office of Inspector General Approved Audit Plan for Fiscal Year 2018					
Division	Bureau/ Section	Project Title	Background	Objectives	Rational for Audit/Project
<b>Audit Projects</b>					
Office of Everglades Policy & Coordination	Office of Federal Policy & Coordination	Audit of Kissimmee River Restoration (KRR) Cost Share for Real Estate Expenditures	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.	Examinee the District's process for preparing In-Kind Credit Requests for Real Estate expenditures 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.
Office of Everglades Policy & Coordination	Office of Federal Policy & Coordination	Audit of Comprehensive Everglades Restoration Program (CERP) Cost Share	The Water Resources Development Act of 2000 (WRDA 2000) established the framework for the Comprehensive Everglades Restoration Plan (CERP). WRDA 2000 required integration of Federal and State projects and activities related to CERP and provides for 50/50 cost sharing between the Federal (USACE) and the non-Federal Local Sponsor (SFWMD). The District is providing most of the land and some of the engineering and construction cost while the USACE will incur a larger portion of the engineering and construction cost. Programmatic costs are also cost shared 50/50.	Examinee the District's process for preparing In-Kind Credit Requests to ensure the District is requesting credit for all eligible costs related to the CERP 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.
Field Operations & Land Management	Land Resources Bureau	Audit of Limerock Mining Lease Agreement	In April 2006, the District executed a lease agreement with a firm to conduct limerock mining on certain District owned land in Miami-Dade county. The lease provides for the District to receive quarterly royalty payments based on the volume of rock extracted. Mining activity commenced in 2015.	Assess the process for verifying the amount of rock extracted and calculating royalty payments to ensure that the District is receiving the proper royalty payments in accordance with the contract terms.	Mining on the District property has commenced. There are some complexities and a number of variables that must be considered in calculating the royalty payment amounts.

**South Florida Water Management District**  
**Office of Inspector General**  
**Approved Audit Plan for Fiscal Year 2018**

Division	Bureau/ Section	Project Title	Background	Objectives	Rational for Audit/Project
Field Operations & Land Management	Land Resources Bureau	Audit of the Python Elimination Program	In FY 2017, the District's Governing Board appropriated \$175,000 for a Python Elimination Pilot Program. Based on the initial success for the pilot project the Governing Board approved continuing with the program. A limited number of hunters were selected from a pool of applicants and are paid an hourly rate for their time spent hunting, plus a bounty for each snake caught, which varies based on the size. Hours hunting are monitored using a phone app and are paid monthly by check. Bounties are paid immediately in cash, using a "petty cash" type process.	(1) Examine the internal controls over payments for hours worked and bounty cash payments.  (2) Provide observations and insights regarding the success drivers of the program.	Audits of new programs can provide insights for strengthening and improving its success.
Field Operations & Land Management	Field Operations; & Accounting	Audit of CERP Cost Share for Operations & Maintenance (OMRR&R) Costs	The CERP Master Agreement with the US Army Corps of Engineers provides for a 50/50 cost share for operations, maintenance, repair, replacement, and rehabilitation (OMRR&R) for CERP projects after they are placed in service.	Examine the District's system for identifying and tracking CERP OMRR&R cost to determine whether the system is effective in capturing all eligible CERP costs.	The first CERP project is now completed and placed in operation.
Administrative Services	Human Resources	Audit of Employee Separation Process	District employees are provided custody of District property, access to District facilities, and access to information systems that are necessary to perform their job responsibilities. This may include things such as vehicles, wireless devices, keys, electronic badges, information system access, etc.	We will examine the internal controls over retracting District property and revoking access to District facilities and information systems when a person separates employment with the District. The scope will also cover contract workers that are provided access to District resources.	Human resources is a mission support function. An effective separation process relies on the ability to capture accurate and timely information from other departments regarding each employee's custody of assets, access to facilities, and information system authorizations.

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Office of Inspector General  
Approved Audit Plan for Fiscal Year 2018**

Division	Bureau/ Section	Project Title	Background	Objectives	Rational for Audit/Project
Information Technology	IT Operations Section	Audit of the Information Technology Disaster Recovery Plan	The District supports 28 different information technology systems. It is imperative that the District have a comprehensive Disaster recovery plan in the event that the equipment housing this data is lost in a disaster.	We will examine the District's disaster recovery plan to determine that, 1) the District has a comprehensive up-to-date disaster recovery plan, 2) has defined locations where the disaster recovery plan could be executed, and 3) that the disaster recovery plan was periodically tested and any necessary adjustments were incorporated into the plan.	Information Technology is a support to all other programs. An audit of the disaster was last performed in FY 2011.
Information Technology	IT Operations Section	Audit of Cell Phone Stipend Process	The District has transitioned from directly providing wireless devices to employees to paying a stipend to those in need of such equipment to perform their job duties. Guidelines have been developed outlining eligibility requirement to receive the stipend as well as the dollar amount.	Determine the effectiveness of the program and the cost efficiency compared to the previous method of providing devices directly. We will also assess whether the established criteria for determining eligibility for the stipend is applied consistently and that employees are compensated for the designated amounts.	The wireless devices stipend is a new District process. No audits have been performed of the process since its inception.



<p style="text-align: center;"><b>South Florida Water Management District</b>  <b>Office of Inspector General</b>  <b>Approved Audit Plan for Fiscal Year 2018</b></p>					
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<b>Recurring Audit Projects</b>					
Information Technology	IT Operations Section	2018 Audit of Internal Controls Over DMV Data	District employee's driving records are received monthly from the Florida Department of Highway Safety and Motor Vehicles (DMV). The data is reviewed by the Occupational Safety manager for current driver license suspensions, and other major infractions, for those employees authorized to drive District vehicles. The data is received pursuant to a Memorandum of Understanding (MOU) with the DMV.	Determine whether District internal controls related to the drivers license information received from the DMV are sufficient to ensure that DMV records are adequately protected from unauthorized access, distribution, use, modification, or disclosure.	Section V.F. of the MOU requires the District to complete an annual audit to ensure proper and authorized use and dissemination of the data.
Administrative Services	Procurement/ All Bureaus	Monitoring of Procurement Card Transactions	The District issues procurement cards to certain District employees to provide an efficient payment method for small purchases. The Procurement Department manages the program.	Periodically examine procurement card transactions to ensure that they are: 1) Appropriate District expenditures. 2) Contain adequate supporting documentation. 3) Properly recorded in the accounting records.	Although procurement cards are used to pay for small purchases, they represent a significant number of transactions annually.
Administrative Services	Procurement/ All Bureaus	Monitoring of Negotiated Contract Work Orders	The District engages firms for various types of services under work order type contracts. Firms are prequalified through a Request for Proposal (RFP) or Request for Qualifications (RFQ) process and work orders are negotiated with the prequalified firms as services are needed.	Periodically select a sample of contracts to ensure that work orders are properly negotiated in a manner that maintains the District's best interest.	The work order contract approach provides significant efficiency to the procurement process; however, it also increases the risk that staff may not represent sufficient diligence in negotiation the best possible cost for the District. Continuous audit oversight of negotiated work orders will assist in mitigate this risk.
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> .

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<b>All Divisions</b>	<b>All Bureaus</b>	<b>Audit Requests from Governing Board and Senior District Staff</b>	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.

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Division	Bureau/ Section	Project Title	Background	Objectives	Rational for Audit/Project
<b>Administrative Projects</b>					
N/A	N/A	Audit Plan for Fiscal Year 2019	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.	District's Internal Audit Charter requires the Inspector General to prepare and submit an annual audit plan to the Audit and Finance Committee for approval.
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.	State Statutes and the District's Internal Audit Charter require the IG to perpare an annual report summarizing the Offices activies for the previous year within 90 days of the fiscal year end.