



Approved Audit Plan For Fiscal Year 2019

**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 13, 2018

A handwritten signature in blue ink, likely of J. Timothy Beirnes, is written over the "From:" field.

Subject: Approved Audit Plan for Fiscal Year 2019

I am pleased to present the Approved Audit Plan for Fiscal Year 2019. 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 November 7, 2018.

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 2019 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 2019, 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 2019 provides audit projects for specific District programs, as well as, audits of processes that affect all District programs.

Approved Audit Plan FY 2019

November 13, 2018

Page 3 of 3

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 2019.

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

Approved Audit Projects FY2019**Divisions**

Audit Projects	Audit of CERP Cost Share Status	Office of Everglades Policy & Coordination
	Audit of District Cost Match for State Everglades Restoration Funding	
	Audit of RECOVER Program	
	Audit of Tuition Reimbursement Program	Administrative Services
	Audit of Software Licenses	Information Technology
	Audit of IT Help Desk Function	
	Audit of Outsourced Functions	Multiple/ All Divisions
	Audit of Contract Workers	
	Audit of Grant Monitoring	
	Audit of Employee Time Coding Process	
Recurring Audit Projects	2019 Audit of Internal Controls Over DMV Data	Information Technology
	Monitoring of Procurement Card Transactions	Administrative Services / All Divisions
	Monitoring of Negotiated Contract Work Orders	
	Audit Follow-Up	All Divisions
	Investigations of Complaints	
	Special Audit Requests Gov Brd & Management	
Administrative Projects	Office of Inspector General Peer Review	
	RFP for Annual Independent Financial Audit Services	
	Prepare Audit Plan for Fiscal Year 2020	
	Prepare Inspector General Annual Report	

<p style="text-align: center;">South Florida Water Management District Office of Inspector General Approved Audit Plan for Fiscal Year 2019</p>					
Division	Bureau/ Section	Project Title	Background	Objectives	Rational for Audit
Audit Projects					
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. The audit will also assess whether 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 District Cost Match for State Everglades Restoration Funding	The District receives significant annual State funding for Everglades restoration from the Save our Everglades Trust Fund (SOETF) and the Land Acquisition Trust Fund (LATF). These funds generally require 50% District matching.	The audit will examinee the District's process for identifying and tracking District expenditures to ensure that the District is meeting its 50% matching requirements and that all eligible expenditures have been identified. The Audit will also assess whether adequate supporting documentation is maintained for such expenditures.	The Executive Director requested our Office examine this program to ensure that the District is claiming all eligible expenditures and that the matching requirement is being met. This will be the first time these matching requirements will be audited.
Office of Everglades Policy & Coordination	Office of Federal Policy & Coordination	Audit of RECOVER Program	RECOVER is an arm of the Comprehensive Plan (CERP) responsible for linking science and the tools of science to a set of system-wide planning, evaluation and assessment tasks. RECOVERS' objectives are to (1) Evaluate and assess Comprehensive Plan performance, (2) Refine and improve the plan during the implementation period, and (3) Ensure that a system-wide perspective is maintained throughout the restoration program.	We will review the original agreement for RECOVER and determine where the District and U.S. Army Corps of Engineers' are today in terms of expenditures and expected deliverables and the future course for the program.	RECOVER is a function of Everglades Restoration, the District's largest program.

South Florida Water Management District
Office of Inspector General
Approved Audit Plan for Fiscal Year 2019

Division	Bureau/ Section	Project Title	Background	Objectives	Rational for Audit
Administrative Services	Human Resources	Audit of Tuition Reimbursement Program	The District provides tuition reimbursement benefits to employees desiring to advance their education. Benefits are available for both undergraduate and graduate programs.	The audit will determine whether tuition reimbursements are made in accordance with the District's policy & procedures. The audit will also include assessing the value the program provides in preparing district employees to take on higher job responsibilities.	This program has not been audited in over 20 years.
Information Technology	IT Security & Asset	Audit of Software Licenses	The District purchases a number of software licenses needed to operate its numerous computer applications; such as, the SAP financial system, various databases, and desktop computing.	The audit will examine the process for negotiating and executing software license agreements. The Audit will also determine whether all software used within the District is purchased from legitimate vendors, properly accounted for, and properly licensed.	The audit will assess whether District software is purchased in the most cost efficient manner. Also, it is imperative that the District holds valid and current licenses for all software used by the District. Using unlicensed software can result in significant fines and penalties.
Information Technology	Solution Center	Audit of the IT Help Desk Function	The District's IT Department operates a help desk function to assist employees with technical difficulties and other technology related issues.	The audit will assess the efficiency and effectiveness of the IT Help Desk function in responding to employee's needs.	The audit will determine that IT technological assistance to employees are performed in an efficient and effective manner. The function has not been previously audited.
Multiple	Multiple	Audit of Outsourced Functions	The District outsources various functions throughout the District, including various maintenance functions.	Audit objectives will entail analyzing the cost of outsourced functions compared to what these functions would cost if performed using in-house resources.	The audit will provide a comprehensive assessment of all the District's outsourced functions to ensure that outsourcing provides the most cost efficient means of providing such services.
Multiple	Multiple	Audit of Contract Workers	contract workers are procured to perform certain job functions throughout the District. Contract workers are typically used due to circumstances such as: 1) work is of a temporary nature, 2) specific expertise is need for a one-time project, 3) to fill in for an employee that is on temporary leave of absence.	The audit will assess whether contract workers are used for a extended period of time to perform job functions that appear to be recurring on-going type job activities, and if so, whether such usage of contract workers is the most cost efficient method.	The audit will help ensure that contract workers are used in a cost efficient manner.

South Florida Water Management District
Office of Inspector General
Approved Audit Plan for Fiscal Year 2019

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Multiple	Multiple	Audit of Grant Monitoring	The District provides significant funds to outside organizations such as other governments, private businesses, and land owners, for the purpose of implementing District programs that advance the District's mission.	Objectives of this audit will include: 1) Determining if grant monitoring policies and procedures are sufficient, 2) Assessing the effectiveness of the monitoring process, 3) Identifying potential best practices by evaluating grant monitoring processes.	Proper controls in monitoring grants are imperative to ensure that funds are used for the intended purpose and that expenditures and any cost sharing requirements are in accordance with the grant agreements.
All Divisions	All Bureaus	Audit of Employee Time Coding Process	Staff time is recorded into SAP bi-weekly. The time imputing process includes allocating each staff members time to account codes that reflect the employee's work activities (i.e., projects, programs, etc.). Proper time reporting is essential for proper resource planning, budgeting, and evaluation. It is also essential to properly report expenses for cost sharing programs and expenditures pursuant to grant agreements.	Examine employee time reporting process to determine whether hours are charged to the proper account codes in order to ensure that time recorded adequately reflects the employees actual work activities.	As more of the strategic projects and programs are now including salary expenditures as part of performance expenditures measurements, it is very important to plan and implement use of staff resources as best as possible. Also, some District staff time is spent working on cost-sharing projects, such as the Kissimmee River Restoration Program (KRRP) and CERP. If time spent working on cost-share programs is not properly coded, eligible cost-share expenditures may not get captured for in-kind credit.

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Recurring Audit Projects					
Information Technology	IT Operations Section	2019 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	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> .
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.

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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 2016. 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	RFP for Annual Independent Financial Audit Services	The District engages an accounting firm to perform annual audit of its financial statements. The current five year contract with RSM will expire June 30, 2019. The Office of Inspector General manages this contract.	Solicit proposals for Annual Independent Financial Audit Services.	N/A
N/A	N/A	Audit Plan for Fiscal Year 2020	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