



## **Approved Audit Plan For Fiscal Year 2012**

**Prepared by**  
Office of Inspector General

**J. Timothy Beirnes, CPA, Inspector General**



# SOUTH FLORIDA WATER MANAGEMENT DISTRICT

## MEMORANDUM

**To:** Audit & Finance Committee Members

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

**Date:** January 18, 2012

**Subject:** Approved Audit Plan for Fiscal Year 2012

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

I am pleased to present the Approved Audit Plan for Fiscal Year 2012. 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. A draft of the audit plan was presented to the Audit & Finance Committee on November 9, 2011 and was approved by the full Governing Board on January 12, 2012, as required by the District's Internal Audit Charter.

### **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.

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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 projects. 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 2012 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 planning process for FY 2012 also entailed considering the audit topics identified in the State of Florida's Enterprise Audit Plan issued by the Chief Inspector General for the Office of the Governor. The Enterprise Audit Plan was developed through a coordinated effort of the agency Inspectors General's working together to identify common risk factors among state agencies. The top three projects identified were contract and grant monitoring, mobile technology, and service level agreements with primary data centers. Accordingly, audits of contract and grant monitoring are included in the Approved Audit Plan for FY 2012. Mobile technology was not included since that area was recently audited. Service level agreements with primary data centers was excluded since the District has only one such agreement. However, included in the audit plan is a Survey of Cost Savings and Efficiencies, although this one was not identified as one of the top three projects.

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Our audit plan is designed to provide sufficient coverage over time to reach all significant program areas. During FY 2012, 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 Audit Plan for FY 2012 provides for specific audit projects covering the following major programs:

- District Management & Administration
- Operations and Maintenance of Lands and Works
- Acquisition, Restoration & Public Works

Additionally, some audits address activities that encompass all programs, such as contract monitoring and information technology.

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.

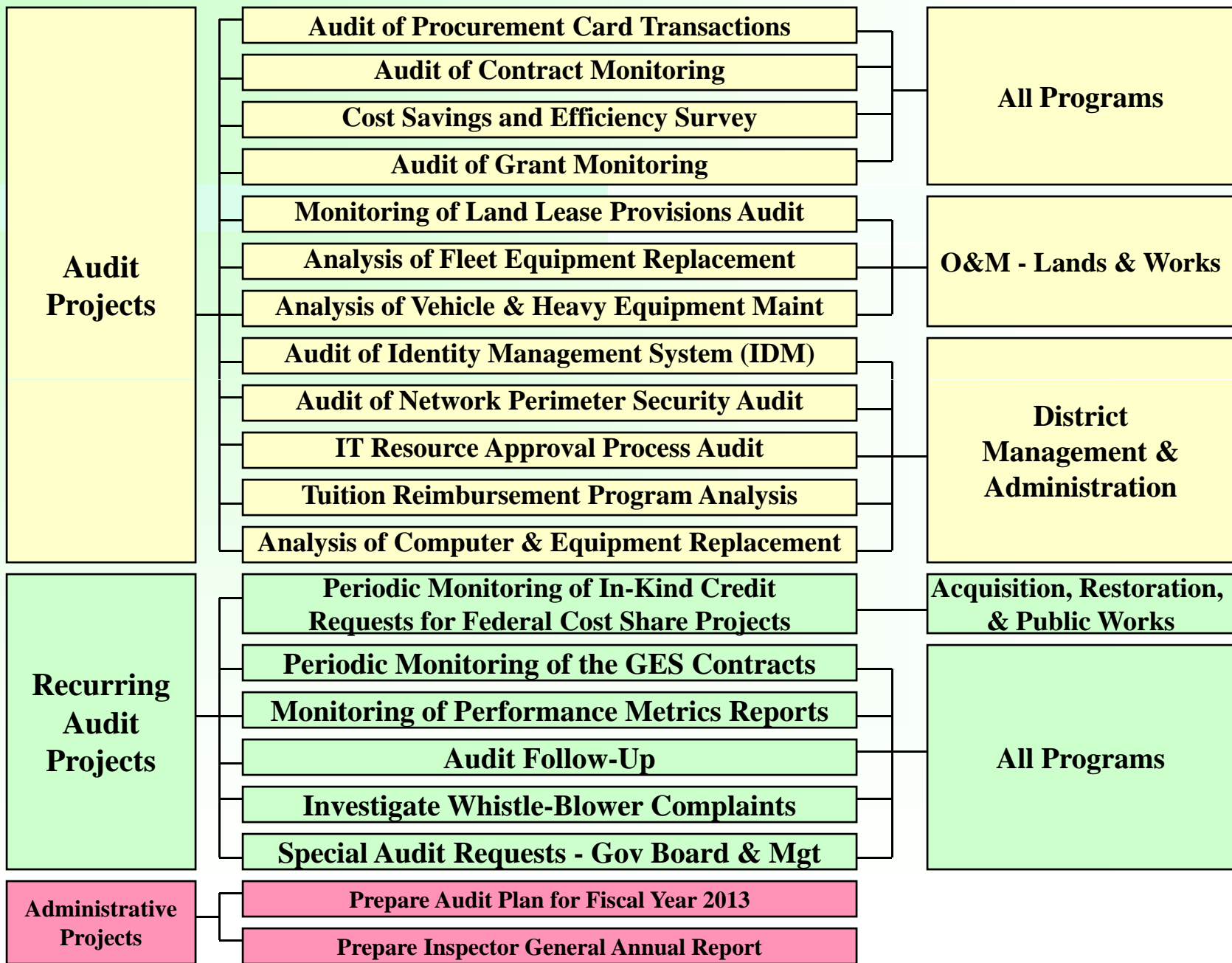
The attached schedule details the Approved Audit Plan for Fiscal Year 2012.

Attachments

cc: Melissa Meeker  
Robert Brown  
Deena Reppen  
Carolyn Ansay

# Approved Audit Projects 2012

## Programs



**South Florida Water Management District  
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Program	Division	Bureau	Project Title	Background	Objectives	Rational for Proposing Audit
	<b>Audit Projects - 2012</b>					
All Programs	District Wide	Multiple	Audit 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.	We will 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.
All Programs	District Wide	Multiple	Audit of Contract Monitoring	A significant portion of the District's activities are provided through vendors for construction, supplies, and services. The contracts are monitored by numerous project managers throughout the District.	Objectives of this audit will include: 1) Determining if contract monitoring policies and procedures are adequate and in compliance with regulatory requirements, 2) Assessing the adequacy of contract manager training and development, 3) Identifying potential best practices by evaluating contract monitoring processes.	Proper controls in monitoring contracts is imperative in ensuring that the District receives specified goods and services and that payments are made as contractually agreed.
All Programs	District Wide	Multiple	Cost Savings and Efficiency Survey	The Enterprise Audit Plan issued by the Chief Inspector General for the Office of the Governor proposed that Inspector Generals throughout the State perform an employee survey to generate ideas and suggestions that would improve economy and efficiency of operations.	This project will survey District employees for ideas and suggestions related to economy and efficiency.	The survey approach provides a method for the District to draw on employee's creativity in identifying potential cost saving ideas for management's consideration.
All Programs	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.

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Program	Division	Bureau	Project Title	Background	Objectives	Rational for Proposing Audit
Operation and Maintenance of Lands & Works	Operations, Maintenance & Construction	Vegetation & Land	Monitoring of Land Lease Provisions Audit	The District has a number of leases for land parcels that often contain certain lessee limitations or responsibilities. For example; grazing leases may limit the number of heads of cattle per acre. Some leases may require the lessee to control exotic vegetation.	We will assess the effectiveness of the monitoring process in ensuring that lessees adhere to lease provisions.	Lease agreements generally contain certain compliance requirements to which the lessee must adhere. Monitoring of lease provisions ensure that lessees comply with these requirements.
Operation and Maintenance of Lands & Works	Operations, Maintenance & Construction	Field Operations North & Field Operations South	Analysis of Fleet Equipment Replacement Cycle Benchmarks	The District operates an extensive fleet of equipment that is used to maintain its infrastructure. An annual process is conducted to determine which equipment items should be replaced.	We will compare the District's equipment replacement criteria and practices to current industry standards and practices.	The analysis will provide District management with information to assist with determining the most cost efficient replacement point for District equipment.
Operation and Maintenance of Lands & Works	Operations, Maintenance & Construction	Field Operations North & Field Operations South	Analysis of Vehicle and Heavy Equipment Maintenance Practices	The District has established criteria for vehicle and heavy equipment maintenance. A significant portion of the maintenance is performed at the District's field stations.	We will provide an independent assessment of current vehicle/equipment maintenance practices, including how they compare to those of other organizations.	The assessment will provide District management with information to determine if vehicle equipment is maintained in the most cost efficient manner.
District Management & Administration	Administrative Services	Information Technology	Audit of Identity Management System (IDM)	Information Technology recently implemented a new Identity Management System (a/k/a, "single sign-on"). The new system also addresses recommendations made in a previous audit report.	We will review the new Identity Management System to ensure that it is fulfilling its intended purpose and that administrative controls are sufficient.	The Identity Management System improves user functionality by providing access to multiple system with a single user ID and password. However, this functionality compounds the risk of unauthorized access. This is imperative that strong controls are in place.

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Program	Division	Bureau	Project Title	Background	Objectives	Rational for Proposing Audit
District Management & Administration	Administrative Services	Information Technology	Network Perimeter Security Audit	Network perimeter security is a proactive process to ensure the protection of the enterprise's data, assets, and information that are stored on computer equipment residing on a network, and the information flowing through the network. Security is built on the concept that layers of security components and processes, when aggregated, provide the necessary protection from unauthorized access to the network. Examples of such component and processes generally include: firewalls, intrusion detection, penetration testing, etc. Network security begins with a strong security policy.	Objectives of this audit will include: 1) Providing an independent assessment relating to the effectiveness of the network perimeter security and its alignment with the IT security architecture and policy 2) Providing an evaluation of the IT function's preparedness in the event of an intrusion 3) Identifying issues that affect the security of the enterprise's network.	Technology has significantly changed since our last IT security audit about 10 years ago.
District Management & Administration	Administrative Services	Information Technology	Information Technology Resource Approval Process Audit	Prior to District divisions/bureaus purchasing information technology products (i.e., equipment software, etc.) they are required to obtain resource approval from the Information Technology Bureau. This requirement is to ensure that the IT Bureau's staff can support the proposed product subsequent to its purchase.	We will review the process for information technology resource approval and determine how well District departments are complying with this requirement. We will perform some of the procedures for this audit in conjunction with the Audit of Procurement Card Transactions.	Information Technology is a support to all other programs. The information technology resource approval process was established to ensure that the Information Technology Bureau possesses the expertise to support technology products subsequent to their purchase.
District Management & Administration	Administrative Services	Human Resources	Tuition Reimbursement Program Analysis	The District provides tuition reimbursement benefits to employees desiring to advance their education. Benefits are available for both undergraduate and graduate programs.	We will review how other water management districts and other public sector entities' tuition reimbursement programs compare to the District's.	This project will assist District management in assessing how education benefits compare to other water management districts and other public sector entities.
District Management & Administration	Administrative Services	Information Technology	Analysis of Computer and Other Equipment Replacement Cycles	The District currently leases computers on a three year cycle. Other equipment that needs periodic replace includes items such as copiers, printer, plotters, etc.	We will determine whether the current replacement cycle for computers and other equipment is comparable to current industry practices.	The analysis will provide District management with information to help determine the most cost efficient replacement point for District computers and other equipment.



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Program	Division	Bureau	Project Title	Background	Objectives	Rational for Proposing Audit
<b>Recurring Audit Projects</b>						
Acquisition, Restoration & Public Works	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).	We will 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% of the cost will help minimize any future cash contributions.
District Management & Administration	Administrative Services	Procurement	Periodic Monitoring of Professional Services Contract (GEPS, STS, & ITS)	General Engineering & Professional Services, (GEPS), Science & Technology Services (STS), and Information Technology Services (ITS), entail a District procurement strategy to expedite the process for acquiring engineering and other professional services while also maintaining competitiveness.	We will examine the General Engineering & Professional Services (GEPS), Science & Technology Services (STS), and Information Technology Services (ITS), contracts to determine that: (1) Negotiated prices appear fair and reasonable (2) The negotiation process is adequately documented.	The professional services contracts approach provide a methodology to expedite procurement of services; however, it increases the risk for circumventing the District procurement philosophy and policies.
All Programs	District-Wide  Administrative Services	All Divisions & Bureaus  Budget Bureau	Periodic Monitoring of Performance Metrics Reporting	The District's Strategic Plan and Annual Work Plans contain performance metrics to monitor the progress of projects. Periodic performance reports will be submitted to the Governing Board.	We will examine substantive evidence to verify the representations made regarding the reported data. We will select one or two reports during FY12 to audit but we will not announce in advance which report(s) will be selected. We will focus on verifying those elements for which the Budget Bureau relies on project managers to provide the data.	Performance measurements need independent verification to ensure that reported information is objective. This significantly enhances the credibility of reported information.
All Programs	All Divisions	All Bureaus	Audit Follow-Up	Generally Accepted Government Audit Standards require follow-up regarding the implementation status of previous audit findings and recommendations.	We will verify that recommendations in prior audit reports have been appropriately implemented in a timely manner and provide a written report at each quarterly Audit and Finance Committee meeting	Follow-up on previous audit recommendations is required by Government Auditing Standards and the District's Internal Audit Charter.
All Programs	All Divisions	All Bureaus	Whistle-Blower Act Complaints	The Office of Inspector General periodically receives Whistle-Blower complaints. We have a statutory responsibility to investigate these complaints and issue a report of our findings and conclusions.	Whistle-blower complaints are received intermittently during the year. We will review each complaint to assess its validity.	The IG is responsible for performing investigations per Section 20.055, F. S., and the District's <i>Internal Audit Charter</i> .
All Programs	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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Program	Division	Bureau	Project Title	Background	Objectives	Rational for Proposing Audit
	<b>Administrative Projects</b>					
N/A	N/A	N/A	Audit Plan for Fiscal Year 2013	The Audit and Finance Committee Charter requires the Inspector General to submit an annual work plan to the committee for approval	We will 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	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.	We will prepare an annual report summarizing each audit and investigation completed during the year.	N/A