



Approved Audit Plan For Fiscal Year 2013

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: December 14, 2012

Subject: Approved Audit Plan for Fiscal Year 2013

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

I am pleased to present the approved Audit Plan for Fiscal Year 2013. 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 audit plan was approved by the Governing Board on December 13, 2012 as required by the 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.

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 2013 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 2013, 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 2013 provides for specific audit projects covering the following major programs:

- Operations and Maintenance of Lands and Works
- District Management & Administration

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

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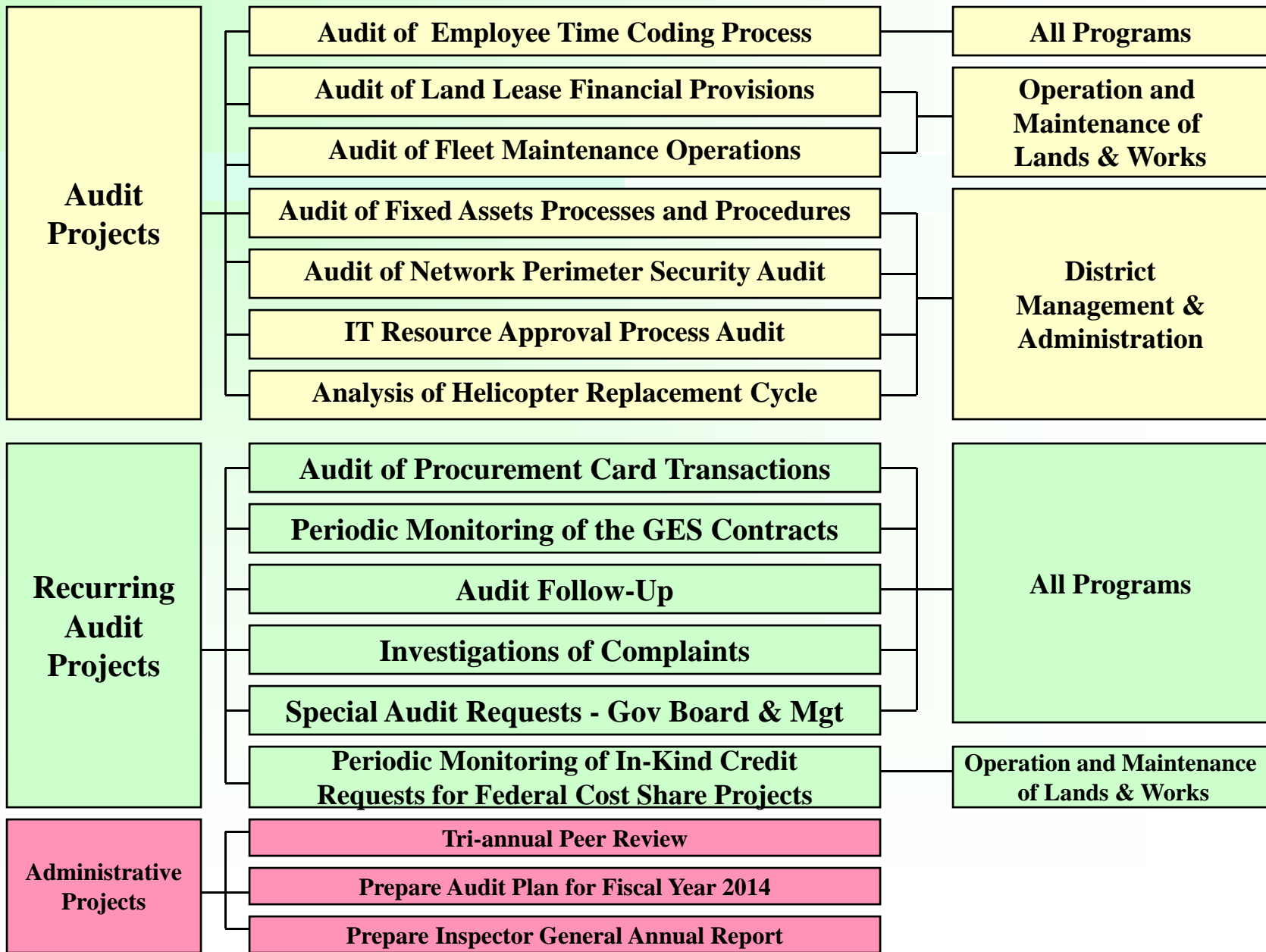
Provision is also made for following up on the status of implementing prior audit recommendations as required by *Government Auditing Standards* and the District's *Internal Audit Charter*. Additionally, the audit plan provides flexibility to investigate Whistle-blower complaints and for special audit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

The attached schedule details the Approved Audit Plan for Fiscal Year 2013.

cc: Melissa Meeker
Robert Brown
Carolyn Ansay

Approved Audit Projects 2013

Programs



**South Florida Water Management District
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Program	Division	Bureau/ Section	Project Title	Background	Objectives	Rational for Audit
	Audit Projects					
All Programs	District Wide	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 employees time report process to determine whether hours are charged to the proper account codes to ensure the time recorded adequately reflects the employees actual work activities. Also, we will determine how actual resource charges can be brought more in line with planned resources.	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.
Operation and Maintenance of Lands & Works	Operations, Maintenance & Construction	Vegetation & Land	Audit of Land Lease Financial Provisions	The District has a number of leases for land parcels that generally require annual lease payments. Leases also usually contain other financial provisions such as insurance requirements.	Determine whether lease revenues are collected in accordance with lease terms and conditions and whether leasees have adhered to other lease financial provisions.	The audit will provide an independent assessment of how well lease financial provisions are enforced.
Operation and Maintenance of Lands & Works	Operations, Maintenance & Construction	Field Operations North & Field Operations South	Audit of Fleet Maintenance Operations	The District operates and maintains a fleet of over 1,000 vehicles and heavy equipment units. District field station staff perform a significant portion of the fleet maintenance and repairs, with support from vendors for certain types of repairs (e.g., body work).	Assess the effectiveness and efficiency of the vehicle maintenance function. The scope will also address the necessity of ancillary equipment attached to vehicles.	The last audit regarding fleet operations was performed in 2004; however, our office has never performed an audit specifically focused just on the fleet maintenance function.
District Management & Administration	Administrative Services	Finance	Audit of Fixed Assets Processes and Procedures	The District has established policies, procedures, and process for acquiring, safeguarding, transferring, and disposing of fixed assets. The policies incorporate requirements specified in Florida Statutes. Assets are recorded in the SAP system and periodic physical inventories are performed.	Provide an independent review of the District's asset management processes and procedures for fixed assets; including a comparison of the District's procedures to industry best practices in order to identify potential improvements.	The fixed asset field staff and fixed asset accounting staff were consolidated into a single organizational unit. The audit will identify best practices for potential improvements to incorporate into District practices.

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Program	Division	Bureau/ Section	Project Title	Background	Objectives	Rational for 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. 4) Reviewing the Identity Management System to ensure that it is fulfilling its intended purpose and that administrative controls are sufficient.	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.	Review the process for information technology resource approval and determine how well District departments are complying with this requirement. Some of the procedures for this audit will be performed 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	General Services	Analysis of Helicopter Replacement Cycle	The District owns and operates three helicopters that staff use in carrying out the District's mission.	Provide an independent review/business case of the District's helicopters prior to replacement in a future fiscal year.	Management desires an independent review of the District's helicopters prior to requesting approval for any future replacements.

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Program	Division	Bureau/ Section	Project Title	Background	Objectives	Rational for Audit
Recurring Audit Projects						
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.	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.
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.	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	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.	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 Programs	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 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.
Operation and Maintenance of Lands & 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).	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	N/A	Office of Inspector General Peer Review	The Office of Inspector General's last Peer Review was performed in FY 2010. 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	N/A	Audit Plan for Fiscal Year 2014	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	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