



Approved Audit Plan For Fiscal Year 2015

**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 17, 2014

A handwritten signature in blue ink, appearing to be "JTB", is written over the "From:" field.

Subject: Approved Audit Plan for Fiscal Year 2015

I am pleased to present our Approved Audit Plan for Fiscal Year 2015. 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 November 13, 2014.

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 2015 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 2015, 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 2015 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.

The attached schedule details the Approved Audit Plan for Fiscal Year 2015.

cc: Blake Guillory
Edward Artau
Terrie Bates
Doug Bergstrom
Dan DeLisi
Karen Estock
Jeff Kivett
Len Lindahl
Thomas Teets
Sharon Trost

Approved Audit Projects 2015

Programs



Audit Projects

- Audit of Permit Application Process
- Audit of Investment Management
- IT Resource Approval Process Audit
- Audit of Procurement Process
- Audit of Cash Receipts Process
- Audit of Procurement Card Transactions

Regulation

District Management & Administration

District Wide

Recurring Audit Projects

- Periodic Monitoring of the GES Contracts
- Audit Follow-Up
- Investigations of Complaints
- Special Audit Requests - Gov Board & Mgt
- Periodic Monitoring of In-Kind Credit Requests for Federal Cost Share Projects

All Programs

Operations, Maintenance, & Construction

Administrative Projects

- Prepare Audit Plan for Fiscal Year 2016
- Prepare Inspector General Annual Report

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Program	Division	Bureau/ Section	Project Title	Background	Objectives	Rational for Audit
	Audit Projects					
Regulation	Regulation	Regulation	Audit of Permit Application Process	The District issues Water Use and Environmental Resource permits pursuant to the District's regulatory mission. Various staff members are involved in the permitting process at various locations throughout the District.	Examine consistency of the application review and approval process among District staff. Also determine that applications fees are assessed in accordance with established statutes, regulations, and guidelines. Also, determine that assessed fees are collected, deposited, and properly recorded in the SAP financial system.	The last audit regarding any permitting functions was performed in 2007.
Regulation & Management & Administration	Administration & Regulation	Finance	Audit of Investment Management	A significant portion of the District's revenues comes from seasonally collected Ad valorem taxes. As a result, cash inflows generally exceed outflows from November through February. The excess cash inflow is invested until needed to cover the negative cash flows that occur during the remainder of the year. Also, significant cash balances were previously accumulated, which are being used for major capital projects.	1) Assess compliance with the District's investment policy and state statutes; 2) verify that investment transactions were properly recorded; and 3) review the process for projecting cash flow and maintaining liquidity.	Cash management is essential to good fiscal management. The last audit of this program was in FY 2000.
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.

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Program	Division	Bureau/ Section	Project Title	Background	Objectives	Rational for Audit
All Programs	District Wide	Multiple	Audit of Procurement 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 policies, procedures and state statutes	Cash management is essential to good fiscal management. The last audit of this program was in FY 2005.
District Management & Administration	Administrative Services	Finance	Audit of Cash Receipts Process	The District's primary source of revenue is received from county tax collectors. The District also receives cash from individuals, business, and governments for items such as permits, lease revenues, grants, state appropriations, etc.	Examine the cash receipt process to determine that adequate internal controls are in place and that such controls are functioning properly.	Cash receipts was a recurring theme with the Auditor General's audit finding.
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.

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Recurring Audit Projects						
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	Audit Plan for Fiscal Year 2016	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