

**SUWANNEE RIVER
WATER MANAGEMENT DISTRICT
SIX-MONTH FOLLOW-UP REPORT ON
DISTRICT CORRECTIVE ACTIONS
REGARDING
AUDITOR GENERAL AUDIT
REPORT NO. 2014-129
REPORT #14-02**

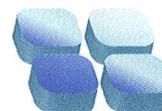
August 28, 2014



Law, Redd, Crona & Munroe, P.A.

TABLE OF CONTENTS

| | |
|--|---|
| Transmittal Letter | 1 |
| Background | 2 |
| Objectives, Scope, and Methodology | 2 |
| Results in Brief | 2 |
| Appendix A – Schedule of District Corrective Actions | 3 |



Law, Redd, Crona & Munroe, P.A.
Certified Public Accountants

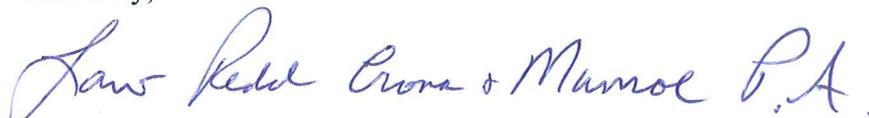
August 28, 2014

Governing Board
Suwannee River Water Management District
9225 CR 49
Live Oak, Florida 32060

Pursuant to Section 20.055(5)(h), Florida Statutes and our 2014 Work Plan, as the District's Inspector General we are reporting on the status of the Suwannee River Water Management District (District) corrective actions taken on the findings and recommendations in the Auditor General's Operational Audit Report No. 2014-129, dated March 2014. A copy of this report is also being filed with the Joint Legislative Auditing Committee.

If you have any questions regarding this report, please contact Richard Law, C.P.A. or Jon Ingram, C.P.A.

Sincerely,


LAW, REDD, CRONA & MUNROE, P.A.

SIX-MONTH FOLLOW-UP ON AG REPORT NO. 2014-129

August 28, 2014

BACKGROUND

In March, 2014, the Auditor General released Audit Report No. 2014-129, Operational Audit of the Suwannee River Water Management District (District). This report focused on District administrative activities and financial-related internal controls and contained 16 findings and recommendations for improvement.

Pursuant to Section 20.055(5)(h), Florida Statutes, the District's Inspector General is required to report to the Executive Director on the status of corrective actions taken on the Auditor General's report.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this follow-up engagement was to determine the status of corrective actions taken by the District to address the findings and recommendations in Auditor General Report No. 2014-129.

The scope of our six-month follow-up activities focused on District actions taken to address findings and recommendations made by the Auditor General in the following categories:

- 1) Organization and General Management Controls
- 2) Budgetary Controls
- 3) Cash Controls and Administration
- 4) Procurement of Goods and Services
- 5) Payroll and Personnel
- 6) Capital Assets
- 7) Motor Vehicles

SIX-MONTH FOLLOW-UP ON AG REPORT NO. 2014-129

August 28, 2014

To achieve our objectives, we conducted the following procedures:

- 1) Examined Auditor General Report No. 2014-129, dated March 2014 to ascertain the findings, recommendations, and original District management responses thereto.
- 2) Made inquiries of and obtained representations from District management regarding the current status of corrective actions taken to address the Auditor General findings and recommendations.
- 3) Examined District policies, procedures, budgetary reports, forms, and other documentation relating to management's corrective actions.

RESULTS IN BRIEF

Our follow-up activities disclosed that District management has addressed most of the recommendations in the Auditor General's report and the remaining recommendations were in the process of being addressed. Please see Attachment A of this report for a detailed schedule of the current status reported by management regarding each of the Auditor General's findings and recommendations.

We wish to take this opportunity to thank District staff for their helpfulness and cooperation in this endeavor. If there are any questions regarding this report, please feel free to contact Richard Law, C.P.A. or Jon Ingram, C.P.A.

LAW, REDD, CRONA & MUNROE, P.A.

Suwannee River Water Management District
Appendix A - Six-Month Status Schedule of Corrective Actions on Auditor General Report No. 2014-129
August 28, 2014

| AG Finding No. | AG Finding Summary | AG Recommendation(s) | Original Management Response | Six-Month Status Per Management |
|----------------|--|--|--|--|
| 1 | District records did not evidence that the inspector general duties designated to an employee, and then to an accounting firm, were consistent with those required by law. In addition, the District did not use a competitive selection process to acquire inspector general services from the accounting firm. | The District should perform a formal analysis to determine whether the inspector general duties should be conducted by an employee or outsourced. If the analysis determines outsourcing is in the District's best interest, the District should consider using a competitive selection process for the acquisition of inspector general services. In addition, the District should ensure that inspector general duties and responsibilities are performed in accordance with Section 20.055, Florida Statutes. | The District previously determined that due to the fact that the inspector general position is required to directly report to the Board, it was not financially feasible for those duties to be performed by an employee. The District will continue to adhere to Subsection 373.079(4)(b), Florida Statutes and Section 20.055, Florida Statutes in selecting inspector general services. | The District is currently under contract with Law, Redd, Crona & Munroe, P.A., for inspector general services. |
| 2 | The District's record retention policy was not consistent with the Florida Department of State's record retention requirements. | The District should establish procedures to ensure all records, including e-mails, are retained for the minimum timeframes in accordance with Section 119.01, Florida Statutes, and the GS1-SL. | The District has always met the record retention requirements regarding paper documents. Effective August 2013, the Governing Board approved a revised Information Technology policy that corrects the retention requirements for emails. | In accordance with the Information Technology Policy Effective 8/13/13, emails are currently being retained for five years. |
| 3 | The District needed to enhance its procedures for ensuring that expenditures are limited to budgeted amounts. | The District should adopt separate budgets for each special revenue fund as required by law. The District should also ensure that budgets presented in the financial statements are those approved by the Board. Additionally, the District should consider purchasing the budget module for its accounting system and use the accounting system to control and monitor District expenditures. Finally, periodic budget-to-actual expenditure comparisons by fund should be provided to the Board. | Effective October 2013, the District initiated the use of a budget module for the financial accounting system. Effective April 2014, periodic reports will be prepared for both management and the Governing Board that will reflect budget to actual expenditure comparisons by fund. Beginning with Fiscal Year 2014/2015, the District will adopt a budget that will include general and each special revenue fund rather than on the present combined basis. | Since April 2014 and monthly since, reports are generated and emailed directly to Division Directors. Monthly reports broken down by fund are generated for review by the Governing Board at the regularly scheduled Board meetings. Beginning in September 2014, the Governing Board reports will include budget-to-actual expenditure comparisons by fund. The FY 2014-15 Budget will be put into the accounting system using the new Budget Module. |

**Suwannee River Water Management District
Appendix A - Six-Month Status Schedule of Corrective Actions on Auditor General Report No. 2014-129
August 28, 2014**

| AG Finding No. | AG Finding Summary | AG Recommendation(s) | Original Management Response | Six-Month Status Per Management |
|----------------|--|---|--|---|
| 4 | The District had not implemented adequate separation of duties for the cash collections and revenues, accounts payable, and payroll and personnel functions. | The District should, to the extent practical, separate duties so that one employee does not have control of all aspects of a transaction (i.e., both recording responsibility and custody of assets). Alternatively, the District should ensure that appropriate monitoring controls are implemented when it is not practical to separate incompatible duties. | The Governing Board approved the Finance and Accounting Policy in August 2013 which was updated to establish effective cash controls to ensure appropriate custody, control and safeguarding of financial assets. The District will continue to monitor these processes and evaluate information regarding these and other internal controls from Inspector General and financial audit reports. | Effective 8/13/13, the District implemented a Finance and Accounting Policy whereby separation of duties are specifically detailed. The District continues to evaluate and monitor the effectiveness of these controls. |
| 5 | The District's banking agreements did not properly assign authority to adequately protect public funds nor were they updated timely for personnel changes. | The District should revise its bank agreements to require an appropriate individual other than an authorized check signer to approve new accounts and changes to existing accounts, and timely amend bank account agreements for personnel changes. | Consistent with the updated Finance and Accounting Policy adopted by the Governing Board in August 2013, banking agreements have been appropriately revised to remove all individual permissions to open new accounts or make changes to existing bank accounts as provided in Section 373.553(1), Florida Statutes. | In accordance with the Finance and Accounting Policy effective 8/13/13, banking agreements and relationships are current with existing authorized staff providing appropriate protection of public funds. |
| 6 | The District needed to enhance its controls over electronic funds transfers. | The District should establish written policies and procedures for authorization and processing of EFTs pursuant to Section 668.006, Florida Statutes, including providing for an adequate separation of duties over access to the District's assets and the related accounting records, and documenting prior independent approval of EFTs. In addition, the District should revise its bank agreement to address the deficiencies noted above. | The updated Finance and Accounting Policy adopted by the Governing Board in August 2013 states EFT files and wire transfers require the approval of the Finance Officer prior to processing to ensure the adequate separation of duties and in compliance with Section 668.006, Florida Statutes. | Implementation and continued compliance of the Finance and Accounting Policy effective 8/13/13 allows for appropriate control and approval of EFT files and wire transfers prior to processing. |

Suwannee River Water Management District
Appendix A - Six-Month Status Schedule of Corrective Actions on Auditor General Report No. 2014-129
August 28, 2014

| AG Finding No. | AG Finding Summary | AG Recommendation(s) | Original Management Response | Six-Month Status Per Management |
|----------------|--|--|---|--|
| 7 | Interest earnings on pooled accounts were not properly allocated to the fund that produced the earnings. | The District should enhance its procedures to ensure that interest earnings are properly calculated and allocated to the specific fund that produced the earnings. | The updated Finance and Accounting Policy approved by the Governing Board in August 2013 requires allocation of interest earnings by fund. | In addition to the implementation of the Finance and Accounting Policy effective 8/13/13, the District has contracted with an external accounting firm to assist with compliance of this Audit Finding #7. Remaining District corrective actions are expected to be complete as of September 2014. |
| 8 | The District did not properly account for a deposit held in escrow for a land exchange transaction and, consequently, did not ensure the timely return of the deposit when the transaction was canceled. | The District should strengthen financial accounting and monitoring procedures to ensure that moneys deposited in escrow for future purchases are appropriately accounted for in the District's records in accordance with GAAP, and to ensure the timely return of those funds if applicable. | Effective February 2014, procedural controls have been implemented in accordance with GAAP. | Effective February 2014 and continuing since, procedural controls have been implemented to properly account for such transactions. |
| 9 | Policies and procedures for purchasing cards needed to be enhanced to ensure that purchases were in accordance with District policies and procedures and served an authorized public purpose. | The District should strengthen its p-card policies and procedures to ensure that an adequate independent review and approval is documented for all p-card purchases, and that all p-card purchases are supported by receipts or other applicable documentation, and are for expenses and within transaction limits authorized by District policies and procedures. | The District Governing Board approved the District's updated Procurement Policy in August 2013 that strengthened the procedure for use, documentation and monitoring of purchasing cards. | The Procurement Policy effective 8/13/13 directs the use of purchasing cards. Review, approval, and documentation of appropriately using the purchasing cards are detailed in the Procurement Policy |

Suwannee River Water Management District
Appendix A - Six-Month Status Schedule of Corrective Actions on Auditor General Report No. 2014-129
August 28, 2014

| AG Finding No. | AG Finding Summary | AG Recommendation(s) | Original Management Response | Six-Month Status Per Management |
|----------------|--|--|--|---|
| 10 | The District needed to establish policies and procedures to ensure that land acquisition agreements are consistent with the District's statutorily defined responsibilities to protect and conserve the State's water resources. | The District should establish policies and procedures to ensure the District evaluates potential costs before entering into future land agreements to ensure that costs do not exceed the benefits derived and do not divert public funds from the District's core mission of protecting and conserving the State's water resources. | In accordance with State law the District's acquisition of lands is guided by the Florida Forever Work Plan (Plan), which is amended and approved by the Governing Board on an annual basis. The Plan establishes four major water resource objectives to consider in the acquisition of lands. Effective February 2014, the District revised its land acquisition procedure to include an evaluation to ensure that potential costs do not exceed the benefits derived. | Procedures have been implemented to evaluate and determine potential costs associated with possible land acquisitions. In compliance with these procedures, the Governing Board is notified and informed when property is being considered for acquisition. |
| 11 | The District made payments for accumulated unused annual leave to terminated employees that were not in compliance with Florida Statutes. | The District should establish procedures to ensure that terminal annual leave payments do not exceed the maximums established by the Board-approved Policy Manual and State law. | The District's policy has been clarified to ensure that employees will not receive lump sum annual leave payments in excess of the maximum total allowed by Governing Board policy and Florida Statutes. The clarified policy was approved by the Governing Board in June 2013. | The District is in compliance with the updated and clarified policy to ensure that employees will not receive lump sum annual leave payments in excess of the maximum total allowed. |
| 12 | The District provided enhanced separation benefits totaling \$53,260 to several former employees that appeared to be contrary to Section 215.425, Florida Statutes. | The District should ensure that future severance payment arrangements are in accordance with Section 215.425, Florida Statutes. | The District will continue to comply with Section 215.425, Florida Statutes. | The District is continuing to comply with Florida Statutes Section 215.425. No enhanced separation benefits have been paid to former employees since the payments mentioned in the Auditor General's report. |

Suwannee River Water Management District
Appendix A - Six-Month Status Schedule of Corrective Actions on Auditor General Report No. 2014-129
August 28, 2014

| AG Finding No. | AG Finding Summary | AG Recommendation(s) | Original Management Response | Six-Month Status Per Management |
|----------------|---|--|--|---|
| 13 | The District did not maintain subsidiary records for land, land improvements, and easements totaling \$212,164,511. | The District should establish and maintain complete subsidiary records for all capital asset classes, regularly reconcile subsidiary records to general ledger control accounts, and demonstrate that capital asset disposals are properly recorded and recognized in the District's records. | The District Governing Board approved a revised Finance and Accounting Policy in August 2013 that includes a requirement to maintain a subsidiary system to account for the fixed assets, including lands and associated improvements. In conjunction with its annual financial audit, District staff has developed a subsidiary ledger to reflect land assets as of September 30, 2013. District staff will regularly reconcile subsidiary records to general ledger control accounts and assure that capital asset disposals are properly recorded and recognized in the District's records. | In addition to the implementation of the Finance and Accounting Policy effective 8/13/13, the District is continuing to establish appropriate reconciliation procedures to regularly reconcile subsidiary records for capital assets. Additionally, the District has contracted with an external accounting firm to assist with compliance of this Audit Finding #13. Remaining District corrective actions are expected to be complete as of September 2014. |
| 14 | The District needed to enhance its controls over tangible personal property. | The District should ensure that a complete physical inventory of all tangible personal property is taken annually, including all information required by DFS Rules, and the results are promptly reconciled to the District's property records. The District should also ensure that tangible personal property records are complete and include all information necessary to properly identify property items. Further, the District should ensure that property disposals are recorded to the property records in a timely manner. | The updated Finance and Accounting Policy adopted by the Governing Board in August 2013 requires staff to conduct annual tangible property audits, ensure the inventory is documented (including location and condition of property), and proper disposal is timely documented. The results will be reconciled with the subsidiary property records and general ledger control accounts upon completion of the annual audit. | The District has developed procedures for annual inventory analysis. After the inventory has been completed, the results are reconciled according to the Finance and Accounting Policy effective 8/13/13. |

**Suwannee River Water Management District
Appendix A - Six-Month Status Schedule of Corrective Actions on Auditor General Report No. 2014-129
August 28, 2014**

| AG Finding No. | AG Finding Summary | AG Recommendation(s) | Original Management Response | Six-Month Status Per Management |
|----------------|---|---|---|--|
| 15 | The District needed to strengthen controls over the use of District-owned vehicles. | The District should enhance its procedures to ensure that vehicle usage is documented in accordance with District policy using the required forms, and that the forms are reviewed for accuracy and completeness by supervisory personnel. In addition, the District should ensure that appropriate authorization forms are completed in all instances in which District employees are allowed to drive vehicles to and from their residences. | Effective September 2013, the District enhanced its procedure to ensure that vehicle usage is documented in accordance with District policy using the required forms, and that the forms are reviewed for accuracy and completeness by supervisory personnel. | The Travel Policy effective 6/11/13, directs the traveler to obtain supervisory authorization for any travel for District purposes. Additionally, procedures are in place and being followed for District staff to travel on District business from the staff residence or from the District headquarters. |
| 16 | The District did not document the public purpose and benefit for two leased vehicles. | The District should ensure that vehicle leases that exceed the contract threshold are Board-approved and clearly document that the related expenditure serves a valid public purpose. The District should also strengthen controls to ensure that the use of District vehicles on a 24-hour basis is approved and documented in accordance with Board policy. Additionally, the District should ensure that the taxable value of personal use of vehicles is reported to the Internal Revenue Service and contact the Internal Revenue Service to determine what corrective action should be taken regarding the unreported value of personal use of vehicles for the former Executive Director and former Assistant Executive Director. Finally, the District should ensure that the proper license plates are used for leased vehicles. | The District ceased to provide leased vehicles as of April 2012 for employee use on a 24 hour basis. The former Executive Director and Assistant Executive Director who participated in the 24 hour vehicle usage have been provided the lease value of the vehicles for each calendar year of use and have been advised that this information be used to complete or amend their personal income tax returns as necessary to comply with applicable IRS regulations. | The District does not have any lease vehicles in Inventory as of this date. Lease vehicles are no longer provided for employee use on a 24-hour basis. |