



St. Johns River

Water Management District

Ann B. Shortelle, Ph.D., Executive Director

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June 17, 2019

Fred N. Roberts Jr., Chairman
St. Johns River Water Management District
4049 Reid Street
Palatka, Florida 32178-1429

Chairman Roberts,

The Auditor General's report number 2019-079 released December 17, 2018 included four findings from which the District provided a detailed written response to these findings on December 13, 2018. The purpose of this letter is to provide a written response on the status of corrective actions.

Finding 1: District records did not always evidence that the District inspector general complied with applicable statutory requirements.

Recommendation: The District should establish Board policies that require and ensure that the IG performs statutorily required duties and that District IG records document the performance of these duties in accordance with State law and applicable IIA Standards and, where appropriate, GAGAS. Such policies should address:

- The preparation and maintenance of records demonstrating the effective utilization of the IG role. Such records should evidence that the IG maintained an appropriate balance between audit and other accountability activities.
- The receipt of an external quality assurance review within the prescribed timeframe established by the applicable standards.
- The development of long-term audit plans based on the results of appropriate risk assessments.

Corrective Action: The current Inspector General joined in October of 2017 and has developed a work plan to implement these recommendations. The Inspector General long-term five-year strategic and annual audit plans were approved by the Governing Board on October 9th, 2018. An IG semi-annual update was provided to the Governing Board on April 9, 2019. A peer review will be scheduled after completion of the current fiscal year audit plan.

Finding 2: District management should ensure that State law and District rules and procedures are followed when selecting and contracting with design-build firms, including procedures that require the preparation of a design criteria package upon which design-build firms may prepare proposals or upon which negotiations may be based. In addition, District management should also ensure that a competitive selection process is utilized to procure project subcontractors or document, of record, the Board's

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determination that direct negotiations with contractors for both contractor and subcontractor services is in the District's best interests.

Recommendation: The District should continue efforts to ensure that the procurement process details the manner, justification, and requirements involving design-build contracts.

Corrective Action: The District is following applicable statutes and policies.

Finding 3: As similarly noted in our report No. 2014-019, contrary to State law, the District did not competitively award construction projects individually estimated to cost more than \$300,000.

Recommendation: District management should comply with State law and competitively award each construction project estimated to cost more than \$300,000 or document an allowable exemption for not competitively awarding such projects.

Corrective Action: On 11-7-2018 the District updated Administrative Directive 411 with the addition of Section 5(3)(c) to include the requirement that "Work orders may not be used for construction projects described in Section 255.20, F.S., and estimated to cost more than \$300,000, which require a competitive solicitation."

The Inspector General found that from 12/2018 to 5/2019 there have been three occurrences of projects with estimated costs exceeding \$300,000 and all were competitively bid according to policy and applicable statutes.

Finding 4: The Board acquired land for conservation purposes with a purchase price of \$11.4 million. Board records indicated that the acquisition would be funded from various resources, including private third-party entity resources totaling \$916,850; however, those resources contributed only \$488,000 without Board authorization for departing from the Board's original intent.

Recommendation: The District should ensure that Board approval is obtained and documented for all real property acquisitions and any changes to the conditions of an acquisition, including any changes to the funding resources used to acquire the property. In addition, for the December 9, 2015, property acquisition, the Board should document in the public records its intent to waive the assignment agreements' closing contingency provisions.

Corrective Action: District staff will continue to return to the board for any necessary additional approvals due to unbudgeted cost increases, negative due diligence results, or other material factors. The Board documented its intent to waive the closing contingency during the monthly board meeting on December 11, 2018.

Sincerely,

Daniel K. Fanger, CIG
Inspector General

cc: Sherill Norman, Auditor General
Legislative Auditing Committee
Ann B. Shortelle, Executive Director