

AGENDA  
SUWANNEE RIVER WATER MANAGEMENT DISTRICT  
AUDIT COMMITTEE MEETING

OPEN TO THE PUBLIC

September 25, 2018  
3:00 p.m.

District Headquarters  
Live Oak, FL

**1. Call to Order / Committee Roll Call**

**2. Public Comment**

**3. Discussion Item**

- Law, Redd, Crona & Munroe, P.A. - Inspector General, will present FY2017-18 Annual Report of Activities, Review Risk Assessment and Review Long-term Plan

**4. Announcements**

**5. Adjournment**

**Recommended Additions:**

*A person may not lobby the District until such person has registered as a lobbyist with the Contracts and Procurement Coordinator by filing a registration form.*

*Definitions:*

•*"Lobbies" is defined as seeking to influence a district policy or procurement decision or an attempt to obtain the goodwill of a district official or employee. (112.3261(1)(b), Florida Statutes [F.S.]*

•*"Lobbyist" is a person who is employed and receives payment, or who contracts for economic consideration, for the purpose of lobbying, or a person who is principally employed for governmental affairs by another person or governmental entity to lobby on behalf of that other person or governmental entity. (112.3215(1)(h), F.S.)*

**SUWANNEE RIVER  
WATER MANAGEMENT DISTRICT**

**ANNUAL REPORT  
OF  
DISTRICT INSPECTOR GENERAL ACTIVITIES**

**For the Fiscal Year Ending  
September 30, 2018**

**August 8, 2018**



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

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

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

Pursuant to Section 20.055(8), Florida Statutes, and Section 6 of the agreement with the District to serve as your Inspector General, we are pleased to present this Annual Report of District Inspector General Activities for the fiscal year ending September 30, 2018. Thank you for the opportunity to work with you and management in promoting accountability, integrity, and efficiency at the District.

If you have any questions regarding this Annual Report, please contact Richard Law, C.P.A.

Sincerely,

*Law Redd Crona & Monroe P.A.*  
**LAW, REDD, CRONA & MONROE, P.A.**  
Tallahassee, Florida  
August 8, 2018

**SUWANNEE RIVER WATER MANAGEMENT DISTRICT  
ANNUAL REPORT OF DISTRICT INSPECTOR GENERAL ACTIVITIES  
August 8, 2018**

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**INTRODUCTION**

On December 31, 2012, the Suwannee River Water Management District (District) and Law, Redd, Crona & Munroe, P.A. (LRCM) entered into an agreement for LRCM to provide District Inspector General Services pursuant to Sections 373.079(4)(b)2., and 20.055, Florida Statutes, and serve as a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in the District. In accordance with the contract requirements and Section 373.079(4)(b), Florida Statutes, LRCM proposed that Francis Marvin Doyal, CPA, CIG, be designated by the Governing Board as Inspector General for the District under the contract with LRCM.

LRCM, under the direction of the District Inspector General, is to:

- Conduct financial, compliance, electronic data processing, and performance audits of the District and prepare audit reports of its findings.
- Initiate, conduct, supervise, and coordinate investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses in state government.
- Not later than September 30 of each year, prepare an annual report to the Board summarizing the activities of the Inspector General during the District's immediately preceding fiscal year.
- Provide the Board all written complaints related to the District Inspector General or LRCM that concern inappropriate actions or allegations of misconduct related to the activities at the District.

**SUWANNEE RIVER WATER MANAGEMENT DISTRICT  
ANNUAL REPORT OF DISTRICT INSPECTOR GENERAL ACTIVITIES**

**ASSIGNED STAFF**

During the fiscal year ending September 30, 2018, the following LRCM personnel worked on District Inspector General activities:

<b>Name</b>	<b>Position</b>	<b>Certifications</b>
Francis Marvin Doyal	District Inspector General	Certified Public Accountant Certified Inspector General
Richard Law	Managing Partner	Certified Public Accountant
Jon Ingram	Information Technology Audit Manager	Certified Public Accountant Certified Information Systems Auditor

**INSPECTOR GENERAL ACTIVITIES**

LRCM and the District Inspector General completed the following activities during the year:

- Conducted a risk assessment and, based on the results of the risk assessment, prepared a three-year internal audit plan and an annual internal audit plan for the 2018 fiscal year. The audit plans were presented to the Governing Board on May 10, 2018.
- Performed two internal audits, as described in the following section.

The Inspector General did not receive any complaints during the fiscal year and did not initiate or conduct any investigations.

**INTERNAL AUDITS PERFORMED IN 2017-18**

**Report No. 18-01, Follow-up Report on District Corrective Action Regarding Auditor General Audit Report No. 2017-025**

This follow-up was conducted pursuant to Section 20.055(6)(h), Florida Statutes. Our report noted that the District has resolved Findings 2 through 4 of the Auditor General’s report and has made and continues to make substantial significant progress toward correcting Finding 1. Appendix A of our report provides a detailed schedule of the current status reported by management regarding each of the Auditor General’s findings and recommendations.

**SUWANNEE RIVER WATER MANAGEMENT DISTRICT  
ANNUAL REPORT OF DISTRICT INSPECTOR GENERAL ACTIVITIES**

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**Report No. 18-02, Internal Audit of Performance Measures**

This report focused on the District's performance measures related to the achievement of its mission and the District's compliance with Florida Department of Environmental Protection (DEP) performance reporting requirements. Our audit disclosed that, as required by DEP, the District has systems, policies, and procedures in place to accumulate, measure, and report performance data related to the achievement of its mission. In addition, the District maintains data sources and methodologies to develop the metrics and has a process in place to review performance metrics prior to submission to DEP. Further, the District provided explanations to DEP for variances in some performance metrics with DEP goals as well as variances compared with prior quarters' metrics and other water management districts' metrics.

**Suwannee River Water Management District  
Internal Audit Risk Assessment Form  
For the Fiscal Year Ending September 30, 2019**

**Instructions:** This form is designed to assist in (1) gathering information necessary to understand the entity and its environment, (2) identifying potential risks to the achievement of management’s objectives for each major activity and program, (3) determining priorities for the internal audit activity, and (4) developing a risk-based internal audit plan. Use Part I of this form to identify and document the key elements of your understanding and the potential risks to key business objectives. Document sufficient information about the entity and its environment to enable you to identify auditable activities and relevant risk factors, assess the relevant risks, and determine the priority and frequency with which entity functions should be audited.

Consider the information gathered during other engagements performed for the District, your client acceptance or continuance procedures, preliminary analytical procedures, engagement team discussion, and fraud risk inquiries when completing this form.

Use Part II of this form to document the sources of information and procedures performed. Procedures that may need to be performed to obtain or update an understanding of the entity and its environment include inquiries of management, external audit personnel (if applicable), and others, observation of entity activities and operations, and inspection of documents and reports.

Based on the results of the risk assessment procedures performed in connection with completing this form, develop annual and three year internal audit plans.

**Part I—Understanding the Entity and Its Environment**

1. General Information

District’s address: 9225 CR 49, Live Oak, FL 32060

District’s website(s): [www.mysuwanneeriver.com](http://www.mysuwanneeriver.com)

Primary client contact: Pam Shaw, Chief Financial Officer

Email address: Pam.Shaw@srwmd.com

Telephone number: (386) 362-1001

Fax number: (386) 362-1056

**Structure, Governance, and Related Parties**

2. Describe the overall structure of the District. (If possible, obtain a copy of the enabling legislation, etc., for retention in the client’s permanent file. Review new documents or changes in documents for matters affecting the entity’s accounting, business objectives, or the audit.)

a. District’s legal name: The Suwannee River Water Management District

b. Type of unit (city, county, school district, special district, etc.): Special District

c. Date of creation or formation: 1972

3. What are the District’s primary activities, programs, and services? Identify changes that would affect the audit.

Section 373.036, F.S., sets forth four interrelated areas of responsibility for the water management districts in cooperation with DEP. The District’s 2018-19 tentative budget and 2018-2022 Strategic Plan describe the four areas of responsibility:

**Water Supply** – Ensuring a sustainable supply of water for people and the environment.

**Water Quality** – Preserving and restoring the foundation of North Florida’s economy.

**Flood Protection and Floodplain Management** – Harnessing peak flows of water to protect our communities and augment our aquifer.

**Natural Systems** – Maintaining the ecosystem services provided by the natural resources of the District.

District programs and key activities per the 2018-19 tentative budget include the following:

Water Resources Planning and Monitoring – water supply planning, minimum flows and minimum water levels (MFLs)

Acquisition, Restoration, and Public Works – land acquisition projects, mitigation, restoration and retrofit projects, etc.

Operation and Maintenance of Lands and Works

Regulation – consumptive use permitting, environmental resource permitting, well construction permitting, and contractor licensing

Outreach – water resource education, public information, etc.

District Management and Administration

4. List the members of the group charged with governance (the Governing Board) and identify the chair. Identify changes that would affect the audit.

<b>Name</b>	<b>City</b>	<b>Basin Represented</b>	<b>Term Expires</b>
Virginia Johns, Chair	Alachua	At-Large	March 2021
Alphonas Alexander, Vice-Chair	Madison	Upper Suwannee River	March 2022
Richard Schwab, Secretary/Treasurer	Perry	Coastal Rivers	March 2019
Kevin Brown	Alachua	Santa Fe, Waccasassa	March 2019
Gary Jones	Old Town	At-Large	March 2020
Virginia Sanchez	Old Town	At-Large	March 2021
Donald Quincey, Jr.	Chiefland	Lower Suwannee River	March 2020
Bradley Williams	Monticello	Aucilla River	March 2019

Charles Keith	Lake City	At-Large	March 2022
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5. List the principal members of District management including the executive director, director of administration/business manager or equivalent, chief accounting officer, and information technology director/manager) (Designate the principal audit contact with an \*.) Identify changes that would affect the audit.

Name	Title
Hugh Thomas	Executive Director
Darrell Smith	Assistant Executive Director
Steve Minnis	Deputy Executive Director, Business & Community Services
Tom Mirti	Deputy Executive Director, Water and Land Resources
Pam Shaw *	Chief Financial Officer
Jon Wood	Chief Information Officer

6. Describe the relative division of authority and responsibilities between the governing board and responsible officials (the executive director) and between the executive director and other key managers (division directors, etc.).

The Governing Board, appointed by the Governor and confirmed by the Florida Senate, oversees District Activities by setting policy and administrating the District’s budget, as set forth in Section 373.073, Florida Statutes. The Board, pursuant to Section 373.079, Florida Statutes, appoints an Executive Director (ED) to manage the day-to-day operations of the District. The District has an Assistant Executive Director who reports to the ED and two Deputy Executive Directors over Water and Land Resources and Business and Community Services. The Deputy EDs report to the Assistant ED. The District’s CFO and CIO report to the Deputy ED for Business and Community Services, while the HR Administrator reports to the Assistant ED.

7. If the District has an audit committee or formally designated group with oversight for the financial reporting process, list the members and identify the chair.

**Audit Committee:**

Virginia Johns  
Don Quincey  
Richard Schwab

8. Describe the composition of the reporting entity. For example, identify each component unit, its form of governance, and the relationships and operations between each component unit and the reporting entity. Identify changes that would affect the audit.

The District is a component unit of the State of Florida and produces its own basic financial statements, including government-wide (Districtwide) financial statements, fund financial statements, and notes to the financial statements.

9. List any other known related parties and all known transactions with related parties (such as joint ventures, relatives, etc.). If the entity engages in transactions with related entities, document

whether the related entity is unaudited or audited by another firm. Identify changes in related-party relationships or transactions.

**Name                      Relationship                      Type and Purpose of Transaction**

10. List each location maintained by the District, the nature of the activity performed at each, and the approximate number of employees at each; for example, component units, enterprise activities, separate operations. Describe any effect on the audit.

Location	Purpose/No. of Employees	Activities Performed
Live Oak (there are no field offices)	District Headquarters	Exec. Mgt., Admin., IT, Division offices

11. Describe the nature of the District’s federal award and state financial assistance program activities, including major programs/activities.

Program/Activity	Description or Purpose
<b>Federal Awards</b>	
U.S. Dept. of Homeland Security	FEMA Cooperative Technical Partner Agreements
U.S. Dept. of Defense, Office of National Guard (passed through DEP)	Camp Blanding Land Acquisition
Federal Emergency Management Agency	Hazard Mitigation Grant
Gulf Coast Ecosystem Restoration Council (passed through NFWF)	RESTORE Council Oil Spill Impact Program
U.S. Dept. of Transportation (passed through FL DOT)	Highway Planning and Construction
U.S. Dept. of Interior and National Wild Turkey Federation	Partners for Fish and Wildlife Program
<b>State Financial Assistance</b>	
Department of Environmental Protection	Funding for District Permitting Activities
Department of Environmental Protection	Florida Springs Initiative Grant Program
Department of Environmental Protection	Surface Water Restoration and Wastewater Projects

**Industry, Regulatory, and Other External Factors**

12. Describe (a) the governmental industry and the District, (b) how the industry and the District are affected by general economic, political, or social conditions, and (c) the laws and regulations affecting the entity and its industry and any history of noncompliance.

The governmental industry is environmental protection; the District’s mission is water resource management in cooperation with DEP (see 3.above); minimal affect by general economic, political, or social conditions; see 15. below for applicable laws and regulations; NA regarding history of significant or material noncompliance

13. Describe the financial reporting framework applied by the District. (This *Guide* assumes that the District applies GAAP; however, a special purpose framework may be applied, instead.)

The District is a component unit of the State of Florida, which is considered the primary government. The District applies GAAP, as established for state and local governments by GASB.

14. Describe any specialized industries or activities related to the District’s operations (such as Medicaid or Medicare reimbursements; higher education, health care, or utilities).

NA

15. Describe federal, state, and local laws and regulations governing the general operations of the District, contractual provisions, and reporting requirements that apply to the District, including any

accounting and financial reporting requirements established by another government with financial reporting oversight responsibilities.

Section 373.036, F.S. – Overall water planning responsibilities in cooperation with DEP (see item 3 above), District water management plans, strategic plans, consolidated water management district annual reports

Section 373.073, F.S. – Water management district governing board membership

Section 373.079, F.S. – Requirements for governing boards to employ executive director and staff; and an inspector general that performs the applicable duties set forth in Section 20.055, F.S.

Section 373.536, F.S. – Water management district budgets

Chapter 189, F.S. – Uniform Special District Accountability Act; general provisions for the definition, creation, and operation of special districts

Chapter 200, F.S. – Determination of millage

Section 215.985(11), F.S. – Monthly financial statements

Section 218.39, F.S. - Annual financial audits

Section 252.365, F.S. – Coordination with the Division of Emergency Management on emergency preparedness issues, preparing emergency preparedness and disaster recovery plans

Portions of Chapters 120, 189, 255, 287, and 838, F.S. - Procurement

16. Describe any factors affecting the continued functioning of the District, such as the presence or absence of taxpayer initiatives that limit its budget growth or addition of services.

None

#### **Nature of Entity**

17. Provide information about the District's major sources of revenues and receipts. (Describe major types of taxes, grants, etc.)

Per Statement of Revenues and Expenditures as of 7/31/18 (provided by CFO):

State Appropriations – 33%

Federal and State grants – 31%

Property taxes – 29%

Interest Revenue – 2.9%

Timber Sales & Auctions – 2.8%

Permit Fees – <1%

18. If the District is economically dependent on one or a few other governmental units, major industries or companies for revenues, name each and the approximate percentage of total resources generated by it.

See 17. above

19. If a significant amount of purchases are concentrated among a few suppliers, list the entity’s major vendors and the approximate total purchases made from each.

Top Highest Paid Vendors for 2016-17 (Provided by Pam Shaw, CFO)

Vendors	Sum of Amount	% of Total Exp
BLUE CROSS BLUE SHIELD OF FLORIDA	751,438.82	6%
US GEOLOGICAL SURVEY	714,676.64	6%
CITY OF FANNING SPRINGS	618,451.27	5%
BARCO-DUVAL INC	562,397.28	5%
FULL CIRCLE DAIRY LLC	517,313.00	4%
SCHMIDT REFORESTATION SERVICES INC	437,088.68	4%
HSW ENGINEERING INC	423,324.00	3%
FLORIDA DEPT OF AG & CONSUMER SERVICES	416,738.87	3%
NORTH FLORIDA HOLSTEINS LC	358,106.04	3%
WOOD ENVIRONMENT & INFRASTRUCTURE SOLUTIONS INC	356,089.92	3%

**District’s Operations**

20. Describe the nature of the District’s major funds, including the number of funds and significant related assets, deferred outflows of resources, liabilities, and deferred inflows of resources and how they affect the District’s accounting, the financial statements, or the audit. Consider whether significant assets, deferred outflows of resources, liabilities, and deferred inflows of resources are appropriate given the governmental industry and the size of the District. Identify significant amounts subject to estimation, changes in circumstances that could affect estimates, significant assets subject to impairment, or potential liabilities from litigation or other significant contingent liabilities.

Per the MDA in the 9/30/2017 financial statements, the District’s major funds include the following:

**General Fund** – the principal operating fund used to account for most of the District’s general activities.

**Special Revenue Funds:**

**Land Conservation Fund** – accounts for expenditures made to purchase sensitive water resource lands within the District and the management and restoration of such lands.

**Land Acquisition and Management Fund** - accounts for funds appropriated by the State of Florida legislature for the purpose of land management, maintenance, capital improvements of land titled to the District, and payments in lieu of taxes.

**District Agricultural Cost Share Fund** — accounts for incentive-based programs to help the agriculture community in their efforts to be good stewards of regional water resources. The intent of the District’s agricultural cost-share programs is to offer funding assistance to agricultural producers through an application and ranking process, to implement projects that increase irrigation efficiency and management, water conservation, and assist with nutrient management technology.

**District RIVER Cost Share Fund**—accounts for expenditures related to the District’s Regional Imitative Valuing Environmental Resources (RIVER) Cost Share Program which provides funding

assistance to county governments, municipalities, water supply authorities, and other interested units of local government for projects involving ecosystem restoration, flood protection, alternative water supply, springs protection, advance aquifer recharge, conservation of water supply, and water quality improvements.

21. Provide information about the District’s major expenditures and how they affect the District’s accounting, the financial statements, or the risk assessment.

<b>Expenditures by Category – Major Funds</b>		
<b>9/30/2017</b>		
<b>Source: Schedule of Revenues, Expenditures, and Changes in Fund Balance</b>		
<b>Category</b>	<b>Amount</b>	<b>Percent</b>
Salaries and Benefits	\$5,071,293	40.45%
Professional Services	\$4,761,973	37.98%
Intergovernmental Expenditures	\$1,655,424	13.20%
Operating Expenditures	\$866,958	6.91%
Capital Outlay	\$182,886	1.46%
<b>Total – Major Funds</b>	<b>\$12,538,534</b>	<b>100%</b>

<b>Major Expenditures by Program (All Funds)</b>		
<b>9/30/2017</b>		
<b>Source: Statement of Revenues, Expenditures, and Changes in Fund Balance</b>		
<b>Program</b>	<b>Amount</b>	<b>Percent</b>
Water Resources Planning and Monitoring	\$5,429,344	32.5%
Acquisition, Restoration, and Public Works	\$5,341,818	32%
Operation and Maintenance of Lands and Works	\$3,127,620	18.7%
Administration	\$1,632,712	9.8%
Regulation	\$1,018,911	6.1%
Outreach	\$161,742	.9%
<b>Total</b>	<b>\$16,712,147</b>	<b>100%</b>

22. Describe key elements of the District’s budgetary process.

In accordance with Section 373.535, Florida Statutes, prior to January 15 of each year, Water Management Districts must submit a preliminary budget for the next fiscal year for legislative review. The preliminary budget will be used as the basis for developing the tentative budget. The tentative budget must be submitted to the District’s Governing Board prior to July 15 and to the Executive Office of the Governor (EOG) and Legislature no later than August 1. The tentative budget proposes the operating budget for the fiscal year commencing the following October 1. The budget includes the proposed expenditures and the means of financing them for the upcoming year, along with the estimates for the current year and actual data for the prior year.

The budget is prepared at the Program and Activity level per the requirements of S. 373.536, Florida Statutes and presented to the Board by fund and budget category as required by Chapters 373 and 189, Florida Statutes.

23. Describe any District cooperation or partnerships with other governmental units or entities related to the achievement of the District's mission.

St. Johns River Water Management District – has an interagency agreement with SRWMD for the coordination of water resource management, including the preparation of the joint North Florida Regional Water Supply Plan; also hosts, operates, and maintains the e-Regulatory System used by SRWMD for regulatory permitting fee collection.

Other District cooperative partnerships exist in the form of Federal and State grants and the related subcontracts to local governments and other entities to accomplish the grant objectives. See 11. above for a list of the Federal and State grants. Projects related to these grants are listed in Appendix C of the District's tentative budget for 2017-18.

24. Describe any significant transactions, or transactions outside the normal course of business, entered into during the year.

Per the CFO, none other than some legal representation on a Jeff Hill case that exceeded the District's General Liability limit: Rumberger, Kirk, & Caldwell Professional Association - \$85,000. Not considered an indication of risk that would affect internal audit plans.

25. Describe the District's benefit plans, including vacation and sick pay policies and any employee pension, deferred compensation, or postemployment benefit plans. Obtain a copy of the policies and plan(s) or prepare excerpt(s) for retention in the client's permanent file. Review new documents or changes in documents for matters affecting the entity's account(s), the financial statements, or the audit.

Florida Retirement System (FRS) – defined benefit plan with DROP, funded by employer and employee contributions (investments administered by the SBA); defined contribution plan (investment plan, administered by the SBA); retiree health insurance subsidy (HIS), funded by employer contributions

OPEB - Retiree Healthcare Plan – group insurance benefits for retirees and their dependents

Vacation and sick pay benefits (compensated absences)

Health Insurance Plan – State of Florida group plan with either Florida Blue or Capital Health Plan, with District and employee premium contributions

26. Briefly describe civil service requirements applicable to hiring, promotion, and dismissal, and the categories of employees covered. Obtain copies or abstracts of the requirements for retention in the client's permanent file.

District policy and procedures manual (copy included in permanent file) governs hiring, performance evaluation, and dismissal practices.

27. Describe the District's compensation methods, pay frequency and timing, etc. If any groups of personnel are covered by union agreements, obtain copies or abstracts of the union agreement for retention in the client's permanent file. Also, describe any unusual employee compensation arrangements, including any incentive compensation arrangements (qualified individuals, their titles, and method of computation). Consider the need to obtain a copy or abstract of the arrangement for retention in the client's permanent file. Review new documents or changes in documents for matters affecting the entity's accounting, the financial statements, or the audit.

Employees are paid a biweekly salary according to an agreed upon rate of pay. All employees must submit an electronic timesheet at end of each biweekly pay period. Payment is by direct deposit.

28. Describe key elements of the District's investment policy/activities and the underlying rationale for the key investment management policies/activities. Provide information about the types of investments that the government is making and plans to make, including investment in entities formed to accomplish specific objectives.

The District is a participant in the Florida Department of Financial Services (DFS) Special Purpose Investment Account (SPIA). As an SPIA participant, the District invests in the Florida Treasury Investment Pool, a pool of investments whereby the District owns a share of the pool. The pool is managed by the DFS Division of Treasury and is rated by Standard & Poor's. As of 9/30/2017, the rating was A+f.

29. Describe the District's use of sophisticated or complex investment transactions, such as derivatives, securities lending transactions, or repurchase or reverse repurchase agreements. Include in your description of derivatives the (a) extent, (b) types, (c) purpose, (d) aspects of the entity's operations that might present risks hedged using derivatives, (e) whether interest-bearing debt has been converted from fixed to variable (or vice-versa) using derivatives, and (f) the potential for embedded derivatives.

None, per the District financial statements for 9/30/17.

30. Describe the District's debt management policies (including the underlying rationale), major sources of financing (such as short-term borrowing, lines of credit, long-term debt, or leasing) and any significant terms, such as debt covenants, restrictions, or guarantees. Consider the need to obtain copies or abstracts of all loan and lease agreements (both operating leases and capital leases) for retention in the client's permanent file. Review new documents or changes in documents for matters affecting the District's accounting, the financial statements, or the audit.

NA – only long-term debt is compensated absences, OPEB, and net pension liability.

31. Describe the supplementary records that are maintained for capital assets (including infrastructure capital assets), long-term debt, and, if applicable, federal award programs.

AccuFund – Fixed Asset database; annual inventory is taken yearly and reconciled to the database.

Microsoft Access database of land and easements owned by the District; updated yearly to reflect purchases, donations, sales, and conveyances.

32. Describe the types of IT equipment used, personnel and external service providers involved, and similar background information, including software packages and operating systems and how often each is reviewed for continued adequacy and relevance.

Three physical servers are housed at District Headquarters and operate as many virtual servers under VMWare. IT systems and infrastructure is managed by the District's Chief Information Officer and an IT staff person. Key financial and business applications include:

AccuFund – accounting and financial management; maintained by an outside service provider but hosted internally.

e-Regulatory/e-Permitting – regulatory permitting management; hosted and maintained by St. Johns River WMD pursuant to an inter-district agreement

Fleetio – management of motor vehicle fleet and fuel use

GIS – Geographic information systems – maps and spatial datasets/applications

### Financial Reporting

33. Describe any special reporting requirements.

Section 218.39, F.S. - annual financial audits; Section 215.985(11), F.S. – monthly financial statements to Governing Board; quarterly performance metrics to DEP; per Appendix A of the 2018-19 preliminary budget, the following reports must be provided to the State:

<u>Plan/Report/Activity</u>	<u>Due Date</u>
Preliminary Budget	Annually January 15
Florida Department of Transportation (FDOT) Mitigation Plan	Annually January 1
Consolidated Annual Report	Annually March 1
Regional Water Supply Plan	Every Five Years (last updated 2017)
Strategic Plan	2017-2022
SWIM Plans	Every Three Years
Tentative Budget	Annually August 1
Five-Year Water Resource Development Work Program	Within 30 days of the adopted budget

34. What are the District’s significant accounting and financial reporting policies (including areas where there may be accounting and reporting alternatives or a lack of authoritative guidance), procedures, methods of accounting for significant and unusual transactions, and systems, including the number and nature of funds and when funds are created or eliminated? Also, describe any specialized accounting standards and any new standards applicable to the District or the governmental industry. Determine if the accounting policies are appropriate and consistent with the applicable financial reporting framework and, if there have been changes in the policies used, the reasons for such changes.

See 15. and 25. above. District is a component unit of the State of Florida, which is the primary government. District produces government-wide (District-wide) and fund financial statements. The government-wide financial statements are reported using the *economic resources measurement*

focus and the accrual basis of accounting. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

35. What AICPA guides, AICPA Industry Audit Risk Alerts, industry publications, etc., provide information about the governmental industry that is relevant for the audit? Identify any new guidance that would affect the audit.

AICPA Audit Guide, Audits of State and Local Government Units; DEP website on water resources management

36. Describe any opinion modifications on prior-period financial statements that could lead to opinion modifications on the current-period financial statements.

None

37. If material misstatements or noncompliance have been noted in prior audits, briefly describe the nature and cause of the misstatements or noncompliance and the opinion units, accounts, and programs affected.

NA

38. Describe any conditions that may cause doubt about the entity's ability to continue as a going concern that could affect the risk of material misstatement of the financial statements.

None

### **Measurement and Review of the Entity's Financial Performance**

39. What performance measures, both financial and nonfinancial, are most important in managing and measuring the entity's results (for example, key ratios or operating statistics, budgetary adherence, variance or trend analysis, industry survey analysis or benchmarking, key performance indicators), and what reports are used to monitor performance?

DEP requires the District to report quarterly and annually on performance metrics in the areas of consumptive user permitting; environmental resource permitting; mission support; water supply; natural systems; and minimum flows and levels (MFL) priorities. Metrics are compared by DEP among the Districts and tracked from quarter to quarter and year to year.

### **Other Considerations and Risks**

40. Describe any other significant aspects of the District or its environment, including any other agreements, contracts, matching cost provisions, licenses (such as utility or health care license), funding source audit guides, etc., that have audit significance. Consider the need to obtain copies or abstracts of agreements for retention in the client's permanent file. Review new documents or changes in documents for matters affecting the entity's accounting, the financial statements, or the audit. Describe any other potential risks that could result in misstatements of the opinion unit financial statements.

Review of three-year comparison of sources of funds in the District's tentative budget for 2018-19 noted significant changes in Federal and State revenue between the 2016-17 actual revenues and the amended budget revenues for 2017-18. Per the CFO, these changes result from the budget including 100% of grant amounts regardless of whether the District expects to spend the entire balance of the awards. Additionally, the District received additional grant awards in 2017-18 and expects additional awards in 2018-19. Not considered an indication of risk.

Review of the 2016-17 Statement of Activities noted a \$234,045 unrealized loss on investments. Per the CFO, the loss amount is based on a fair market value adjustment at year-end and results essentially from market fluctuations. Based on this and the District's participation in the SPIA as described above in item 28, not considered an indication of risk.

Review of the 2016-17 Statement of Activities further noted losses of \$356,090 on conveyed land and \$196,394 on disposal of assets. Per the CFO, the conveyed land was land donated by the District to counties and municipalities. The assets disposed were computer and other fixed assets. Neither loss is considered an indication of risk; nevertheless, controls relating to the management of tangible personal property is recommended for internal audit coverage (see three-year internal audit work plan).

41. Describe any involvement in complex, unusual, or risky activities and the rationale for entering into such arrangements.

None

#### **Determination of Cognizant or Oversight Agency for Audit**

#### **42. Federal awards.**

a. Recipients expending more than \$50 million a year in federal awards must have a designated federal cognizant agency for audit. Other auditees are under the general oversight of the *federal* agency that provides the predominant amount of direct *federal* awards expended. When there is no direct federal funding, it is the *federal* agency that provides the predominant amount of indirect federal awards expended. [2 CFR section 200.513]

b. Complete either of the following:

i. If the auditee has been assigned a federal cognizant agency, insert the name:

NA – total expenditures of Federal Awards for 2016-17 were approximately \$786,653.

ii. If the auditee has not been assigned a federal cognizant agency, insert the name of the federal oversight agency:

The majority of Federal Awards expenditures for 2016-17 were for the U.S. Dept. of Homeland Security Cooperating Technical Partners program.

43. **State or local assistance.** In some states, the state equivalent of the OMB has designated state departments as cognizant departments. In those instances, insert the name of the state department:

Pursuant to Section 373.036(7), F.S., DEP exercises general supervisory authority over all water management districts through a cooperative working relationship and guidance memos. Additionally, per the DFS catalog of state financial assistance for 2018-19, funds are to be disbursed by DEP to the District for land acquisition and improvement activities (CSFA No. 37.022), permitting assistance (CSFA No. 37.030), and District operational costs (CSFA No. 37.037). In turn, the District establishes contracts and grants with other local governments (counties & municipalities) and landowners.

#### **Prior Internal Audit Topics and Findings**

44. List the internal audit topics covered during the 2015-16, 2016-17 and 2017-18 fiscal years.

Fiscal Year	Report No.	Report Date	Subject	Audit Findings?
2015-16	16-01	11/7/16	Competitive Selection Procurement Process	No
2015-16	16-02	11/7/16	Payroll and Related Human Resources Processes	Yes
2015-16	16-03	11/15/16	Follow-up on Report No. 15-01, Permitting Fee Receipts and Cash Disbursements	No
2016-17	17-01	5/4/17	Follow-up on Report No. 14-01, Information Technology Controls	Yes
2016-17	17-02	10/10/17	Contract Management	No
2017-18	18-01	12/29/17	Follow-up on Auditor General Audit Report No. 2017-215	No
2017-18	18-02	4/24/18	Performance Measures	No

45. For internal audits performed during the last three previous fiscal years with audit findings (see above), list the audit findings to be followed up on.

Report No.	Subject	Findings
16-02	Payroll and Related HR Processes	<p>Finding 1: At the District, employee rates of pay can be changed in AccuFund not only by the Human Resources Administrator but also by the Payroll and Benefits Coordinator, who is responsible for processing the District's biweekly payrolls. These conditions increase the risk that unauthorized or erroneous changes to rates of pay could occur and be included in District payrolls without timely detection.</p> <p>Finding 2: Returned property was not documented on two employees' termination checklists. In addition, one of the two termination checklists was not signed by the employee's Division Director.</p> <p>Finding 3: Documentation of one employee's savings account deduction, in the amount of \$100 per period, could not be located by District staff upon request. Without this documentation, the District could not demonstrate that the deduction was authorized by the employee or that the amount was accurate.</p> <p>Finding 4: We noted two employees whose Employment Eligibility Verification Forms (Forms I-9) were completed more than 3 business days after their first day of employment, contrary to the provisions of the U.S. Citizenship and Immigration Services, Handbook for Employers, Guidance for Completing Form I-9.</p>
17-01	Follow-up on Report No. 14-01, IT Controls	<p>Finding 1: The Active Directory administrator account, which has all access permissions, was active and in use by the District. Microsoft recommends that the account be disabled because it is a common attack target of intruders.</p> <p>Finding 2: The District has added a practice to change the passwords of former employees immediately upon termination and to disable the Active Directory user accounts of former employees 30 days after the termination date or, when requested by management, accounts may be kept enabled longer. A residual risk remained that, during the 30-day transition when the accounts remained enabled, the password could be successfully cracked and the account permissions misused by the former employee or others.</p> <p>Finding 3: The District is in the process of addressing control findings noted in Report No. 14-01 in the areas of IT disaster recovery planning, monitoring of system activities, information security risk assessments, network vulnerability testing, periodic re-screening of employees in sensitive positions, and security incident response planning.</p>

## Part II—Procedures Performed

Describe the sources of information used and procedures performed to obtain or update your understanding of the entity and its environment.

Discussions with the CFO, Pam Shaw, on 8/3/18. Review of District web site, District financial statements for the period ended 9/30/17, tentative and preliminary budgets for 2018-19, District consolidated annual report (including strategic plan for 2018-2022), DEP web site, District policy and procedures manual, prior internal audit reports and working papers, Auditor General operational audit report, Florida Statutes, and DFS catalog of state financial assistance.

### Part III – Risk Assessment

Based on the understanding of the District and its environment gathered above, we have assessed the risks associated with District accounts, activities, and functions (Table 1 below) and identified recommended internal audit projects for inclusion in audit work plans (Table 2 below).

<b>Table 1</b>			
<b>Risk Assessment – Functions/Activities Subject to Internal Audits</b>			
<b>Asset, Activity, or Function</b>	<b>Inherent Risk</b>	<b>Control Risk</b>	<b>Assessed Risk</b>
<b><u>Key Administrative Functions:</u></b>			
Revenue & Receipts	Moderate	Low	Moderate
Payroll & Human Resources	Moderate	Low	Low
Procurement	Moderate	Moderate	Moderate
Travel	Low	Low	Low
Information Technology & Data Integrity	Moderate	Low	Low
Grant & Contract Management	Moderate	Moderate	Moderate
<b><u>District Business Activities:</u></b>			
Regulatory Permitting	Moderate	Low	Low
Land Acquisition & Management	Moderate	Moderate	Moderate
Motor Vehicles & Other Property Management	Low	Low	Low
<b><u>Other Considerations:</u></b>			
Performance Measures & Standards	Low	Low	Low
Use of Restricted Funds	Moderate	Low	Low
Compliance with Sunshine Laws	Low	Low	Low

**Table 2**  
**Recommended Internal Audit Projects**

<b>Topic</b>	<b>Last Audited</b>
Motor Vehicles & Property Management	Not Since 9/1/13
Grants Management	Not Since 9/1/13
Payroll/HR	2015-16
Land Acquisition	Not Since 9/1/13
Procurement	2015-16
Regulatory Permitting/Fee Collection	2015-16
IT/Data Integrity Controls	2016-17
Travel	Not Since 9/1/13

## Supplement to Internal Audit Risk Assessment

The following accounts and activities are typical risk assessment considerations for the external audit, some of which do not need to be duplicated with the internal audit function.

<b>Table 3</b>			
<b>Risk Assessment – Accounts/Activities Subject to External Audits</b>			
Account or Activity	Inherent Risk	Control Risk	Assessed Risk
Cash Balances	Moderate	Low	Low
Receivables	Low	Low	Low
Investments (SBA)	High	Moderate	Moderate
Land, Buildings, and Equipment	Low	Low	Low
Accounts Payable & Accrued Expenses	Low	Low	Low
Deferred Revenues	Moderate	Moderate	Moderate
<b><u>Revenue:</u></b>			
Grants	Moderate	Low	Low
Taxes	Low	Low	Low
Fees	Moderate	Low	Low
<b><u>Expenses:</u></b>			
Personnel	Low	Low	Low
Operating Expenses	Low	Low	Low
Contractual Payments	Moderate	Moderate	Low (our tests)
Land Acquisitions	Moderate	Moderate	Moderate
Fund Balances	Moderate	Low	Low

**SUWANNEE RIVER WATER MANAGEMENT DISTRICT  
2019 INTERNAL AUDIT WORK PLAN**

Audit Area	Tentative Work Plan	Planned Start Date	Estimated Hours
Risk Assessment and Planning	<ul style="list-style-type: none"> <li>- Meetings with District Bureau Chief of Administration &amp; Operations</li> <li>- Other risk assessment procedures</li> <li>- Identify areas of concern</li> <li>- Design of Specific Audit Procedures</li> <li>- Presentation of Audit Plan to District Governing Board</li> </ul>	August 2018	30
Follow-up on Prior Internal Audit Findings	Review status of District corrective action toward the observations and recommendations in the following prior internal audit reports: <ul style="list-style-type: none"> <li>- Report No. 16-02, Payroll and Related HR Processes</li> <li>- Report No. 17-01, Information Technology Controls (Followed up on Report No. 14-01)</li> </ul>	November 2018	30
Grants Management	<ul style="list-style-type: none"> <li>- Review District policies and procedures for managing and monitoring expenditures of Federal and State grants.</li> <li>- Test a sample of grant expenditures for compliance with reporting and monitoring requirements, including monitoring of sub-recipient activities and vendor performance.</li> </ul>	March/April 2019	60
Discretionary	<ul style="list-style-type: none"> <li>- Reserved for procedures to be performed at the discretion of the Inspector General without the prior knowledge of management.</li> <li>- Perform additional procedures as deemed necessary as a result of other procedures performed or at the request of the Governing Board, management, and/or external auditor.</li> </ul>	October 2018 – September 2019	15
Reporting	<ul style="list-style-type: none"> <li>- Preparation of Internal Audit Reports</li> <li>- Presentation of Draft Reports to District CFO</li> <li>- Presentation of Final Audit Reports to Governing Board</li> <li>- Presentation of Annual Report of IG Activities to Governing Board</li> </ul>	October 2018 - September 2019	30

Total Hours	165.00
Estimated Blended Hourly Rate	\$147.75
Subtotal	<u>\$24,378.75</u>
Travel (s. 112.061, F.S.)	\$1,000.00
Estimated Fee	<u><u>\$25,378.75</u></u>

### Estimated Blended Hourly Rate

	<u>Hourly Rate</u>	<u>Per Cent Utilized</u>	<u>Extension</u>
Inspector General	\$220	10%	\$ 22.00
Partner-in-Charge	\$220	10%	22.00
Audit Manager/IT Manager	\$155-165 (blended)	25%	40.00
Senior Auditor	\$125	35%	43.75
Staff Auditor	\$100	20%	<u>20.00</u>
	Blended Rate		<u>\$ 147.75</u>

**Suwannee River Water Management District**  
**Three Year Internal Audit Plan**  
**For the Fiscal Years Ending September 30, 2019 through September 30, 2021**

1. 2019
  - a. Update Risk Assessment
  - b. Follow-up on Prior Internal Audit Findings
  - c. Internal Audit of Grants Management
  - d. Annual Report of IG Activities
  
2. 2020
  - a. Update Risk Assessment
  - b. Follow-up on Prior Internal Audit Findings (if any)
  - c. Internal Audit of Tangible Personal Property and Motor Vehicles
  - d. Annual Report of IG Activities
  
3. 2021
  - a. Update Risk Assessment
  - b. Follow-up on Prior Internal Audit Findings (if any)
  - c. Internal Audit of Payroll/HR
  - d. Annual Report of IG Activities

Annual audit plans are also subject to unexpected events that may require the services of the Inspector General/Internal Auditor.