

SUWANNEE RIVER WATER MANAGEMENT DISTRICT
AUDIT COMMITTEE MEETING AGENDA

OPEN TO THE PUBLIC

September 24, 2019
3:00 p.m.

District Headquarters
Live Oak, FL

1. Call to Order / Committee Roll Call

2. Public Comment

3. Discussion Item

- Acceptance of the Inspector General Audit Reports #19-02 from Law, Redd, Crona & Munroe, P.A., Inspector General
- Acceptance of the Annual Report of District Inspector General Activities for the Fiscal Year 2018-19 from Law, Redd, Crona & Munroe, P.A., Inspector General
- Approve the Inspector General Three-Year Audit Plan for Fiscal Years 2020 to 2022 and the Fiscal Year 2020 Internal Audit Work Plan from Law, Redd, Crona & Munroe, P.A., Inspector General

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.)

MEMORANDUM

TO: Audit Committee

FROM: Pam Shaw, Chief Financial Officer

DATE: August 30, 2019

RE: Acceptance of the Inspector General Audit Reports #19-02 from Law, Redd, Crona & Munroe, P.A., Inspector General

RECOMMENDATION

Staff requests, that the Audit Committee recommend to the Governing Board to accept the Inspector General Audit Report #19-02 from Law, Redd, Crona & Munroe, P.A.

BACKGROUND

Law, Redd, Crona & Munroe, P.A. prepared the following Inspector General Audit Report per the Fiscal Year 2018-19 Internal Audit Work Plan including:

- Report #19-02, dated August 7, 2019 – Internal Audit on Grant Management

Staff provided support to Law, Redd, Crona & Munroe during the audit process.

/ps
Attachment

**SUWANNEE RIVER WATER
MANAGEMENT DISTRICT**

**INTERNAL AUDIT ON
GRANT MANAGEMENT**

REPORT #19-02

August 7, 2019

TABLE OF CONTENTS

Transmittal Letter	1
Internal Auditor's Report	2



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

Governing Board
Suwannee River Water Management District
9225 Co Rd 49,
Live Oak, FL 32060

We have performed internal audit procedures to assist the Suwannee River Water Management District (District) in evaluating its organizational and procedural controls for grant management.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing and generally accepted *Government Auditing Standards*. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope and objectives of the internal auditing services are described in our contract executed June 12, 2018. The accompanying report presents our analysis and is organized as follows:

- Background
- Objectives, Scope, and Methodology
- Summary of Results

The procedures we performed were applied to the internal control processes and procedures related to the District's grant management. These procedures were accomplished by:

- Obtaining and inspecting the District's documented policies and procedures;
- Interviews with contract managers who are responsible for grant management and compliance;
- Walkthrough of grant management process with the Chief Financial Officer, Contract Managers, and administrative staff;
- Evaluation of responses in relation to grant compliance supplements, grant requirements and other documentation deemed necessary.

Our procedures were not designed to express an opinion on the compliance with laws, regulations, and contractual provisions or on the internal control environment associated with the District, and we do not express such opinions. Because of inherent limitations associated with internal control systems, errors or fraud may occur and not be prevented or detected by internal controls. Projections of any evaluation of the controls to future periods are subject to the risk that procedures may become inadequate because of changed conditions.

This report is intended solely for the information and use of the Governing Board and District management and is not intended to be used by anyone other than these specified parties.

Law Redd Crona + Munroe P.A.

LAW, REDD, CRONA & MUNROE, P.A.
Tallahassee, Florida
August 7, 2019

BACKGROUND

The Suwannee River Water Management District receives federal awards and state financial assistance, in the form of grant contracts (grants) and general appropriations, to complete projects throughout the District. Projects include land acquisition, water quality improvement, springs restoration and land mapping.

Federal Awards

The Single Audit Act of 1984 established requirements for audits of States, local governments, and Indian tribal governments that administer Federal financial assistance programs. Federal programs are assigned a Catalog of Federal Domestic Assistance number (CFDA #) and require recipients to follow certain general compliance requirements outlined in each grant and, if applicable, the award’s compliance supplement. General compliance requirements include activities allowed or unallowed, allowable costs/cost principles, cash management, eligibility, equipment/real property management, matching, level of effort, earmarking, period of performance, procurement and suspension and debarment, program income, reporting, subrecipient monitoring and special tests and provisions.

State Financial Assistance

The Florida Single Audit Act, Section 215.97, Florida Statutes, establishes audit and accountability requirements for state financial assistance provided to nonstate entities. Each state project is assigned a Catalog of State Financial Assistance number (CSFA#). There are many similarities between state general compliance requirements and the federal general compliance requirements. The areas of state general compliance include activities allowed or unallowed, allowable costs, cash management, eligibility, equipment and real property management, matching, period of availability of state funds, subrecipient monitoring and special tests and provisions.

According to the District’s grant schedule as of September 30, 2018, the District received federal and state funding from grants and general appropriations as listed in the following tables:

TABLE 1 – SUMMARY OF STATE AND FEDERAL GRANTS BY GRANTOR

Grantor	Award Amount	Fiscal Year 2018 Expenditures
US Dept of Commerce	\$41,187	\$41,187
US Dept of Interior	77,306	76,424
US DOT	2,130,355	226,725
GCERC	228,563	85,873
FEMA	7,069,748	556,289
Office of the Governor	1,011	1,011
FL Dept of Agriculture	258,000	86,528
DEP	105,954,354	5,846,913
FL DOT	4,000,000	742,154
FFWCC	250,000	250,000
Total Grants	\$120,010,524	\$7,913,104

TABLE 2 – GENERAL APPROPRIATIONS

<u>State Agency</u>	<u>CSFA #</u>	<u>Appropriation Amount</u>	<u>Fiscal Year 2018 Expenditures</u>
DEP	37.029	\$7,748,816	\$6,017,338
Total Appropriations		\$7,748,816	\$6,017,338

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this audit was to obtain an understanding of the types of federal and state grants received by the District and evaluate the organizational and procedural controls employed by the District to ensure compliance with grant requirements.

To achieve our audit objectives, we conducted the following procedures:

- 1) Reviewed the District’s Policy and Procedures Manual for grant management and compliance.
- 2) Inspected the District’s grant schedule to determine the types of funding sources for grants received by the District. The grant schedule included 41 grants with contract amounts totaling approximately \$120 million (see Table 1 above), as well as state general appropriations totaling approximately \$7.7 million (see Table 2 above). The general appropriations were excluded from our testing because they are budgeted by the state for the District and do not have specific compliance requirements. The grants were awarded from ten different federal and state funding sources. During the fiscal year ended September 30, 2018, the District expended approximately \$7.9 million from these grants.
- 3) Reviewed a sample of 7 of the 41 grants, originating from three different funding sources and representing 30.4% of the fiscal year 2018 grant expenditures, to determine the purpose of the grant and the relevant compliance requirements.
- 4) Interviewed 5 District contract managers who were responsible for grant management and compliance. The contract managers interviewed manage 31 of the 41 grants included in the District’s grant schedule. Interviews were conducted to determine their understanding of the compliance requirements applicable to the grants they manage; how those requirements are determined and communicated; the process they utilize to assure those requirements are met; and the procedures used for tracking requirements for multiple grants.
- 5) Performed a walkthrough with the Chief Financial Officer and other administrative staff to gain an understanding of the grants management process, and the procedures in place to assure compliance requirements are met and oversight is appropriate. Also, performed a walkthrough with 2 of the 5 District contract managers interviewed in order to gain an understanding of the procedures utilized for specific programs. Additionally, inspected files of the awards selected in the sample in order to gain an understanding of how the records are maintained.

- 6) Evaluated information obtained from interviews of District contract managers and the CFO in relation to general and specific compliance requirements and other grant requirements, to determine whether the contract managers have an adequate understanding of compliance requirements in order to monitor and evaluate the allowability of expenditures; ensure timely and adequate reporting of expenditures to the grantor; ensure that deliverables are properly completed; and ensure that activities conducted by subcontractors receiving grant funds are properly monitored.

SUMMARY OF RESULTS

Based on the audit procedures described above, the District has organizational and procedural controls in place to monitor and evaluate grant activities in accordance with grant requirements. Contract managers we interviewed demonstrated knowledge of the grants they manage and an understanding of the related compliance requirements. Each of the contract managers interviewed attended Certified Contract Manager training and had obtained the related certification. We also noted that for all the grants included in the sample, contract managers maintained evidence of regular communication with the grantor agencies to assist in their understanding of grant compliance requirements. Additionally, there is evidence of an open line of communication among the contract managers and the Finance Department, which strengthens the grant management function. In short, the District has sufficient grant management policies and procedures in place, given the nature of its grants and the projects to which the grants are applied.

We wish to take this opportunity to thank District staff for their assistance and cooperation in this endeavor. If there are any questions regarding our findings or recommendations, please feel free to contact Richard Law or Shelby Brown.



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

MEMORANDUM

TO: Audit Committee

FROM: Pam Shaw, Chief Financial Officer

DATE: August 30, 2019

RE: Acceptance of the Annual Report of District Inspector General Activities for the Fiscal Year 2018-19 from Law, Redd, Crona & Munroe, P.A., Inspector General

RECOMMENDATION

Staff requests, that the Audit Committee recommend to the Governing Board to accept the Annual Report of the District Inspector General Activities for Fiscal Year 2018-19 from Law, Redd, Crona & Munroe, P.A.

BACKGROUND

Law, Redd, Crona & Munroe, P.A, prepared the attached Annual Report of District Inspector General Activities for Fiscal Year ending September 30, 2019, dated August 8, 2019.

The report is a summary of activities of completed by the Inspector General including a risk assessment, a three-year internal audit plan, a detailed audit plan for Fiscal Year 2018-19, and two internal audit reports 19-01 and 19-02.

/ps
Attachment

**SUWANNEE RIVER
WATER MANAGEMENT DISTRICT
ANNUAL REPORT
OF
DISTRICT INSPECTOR GENERAL ACTIVITIES
For the Fiscal Year Ending
September 30, 2019
August 8, 2019**

TABLE OF CONTENTS

Transmittal Letter	1
Annual Report	2



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, 2019. 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.
Tallahassee, Florida
August 8, 2019

**SUWANNEE RIVER WATER MANAGEMENT DISTRICT
ANNUAL REPORT OF DISTRICT INSPECTOR GENERAL ACTIVITIES
August 8, 2019**

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, Francis Marvin Doyal, CPA, CIG, was 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
August 8, 2019**

ASSIGNED STAFF

During the fiscal year ending September 30, 2019, the following LRCM personnel worked on District Inspector General activities:

Name	Position	Certifications
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
Shelby Brown	Senior 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 general internal audit plan for the three fiscal years ending September 30, 2021, and a detailed internal audit plan for the fiscal year ending September 30, 2019. The audit plans were presented to the Governing Board on September 25, 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 2018-19

Report No. 19-01, Follow-up Report on District Corrective Actions Regarding Prior Internal Audit Findings, January 15, 2019

This follow-up was conducted pursuant to Section 20.055(8)(c)4., Florida Statutes and the District's internal audit activity charter. Our report noted that the District has made significant progress in addressing the findings and recommendations disclosed in our internal audit reports issued during the period October 1, 2015, through September 30, 2018. Most of the prior internal audit findings have been resolved, while corrective action

**SUWANNEE RIVER WATER MANAGEMENT DISTRICT
ANNUAL REPORT OF DISTRICT INSPECTOR GENERAL ACTIVITIES
August 8, 2019**

was in progress with regard to: 1) periodic re-performance of employee background screening and 2) IT controls in the areas of protecting administrator login accounts, IT disaster recovery planning, IT risk assessment, and security incident response planning.

Report No. 19-02, Grant Management, August 7, 2019

This audit focused on the organizational and procedural controls employed by the District to ensure compliance with federal and state grant requirements. Our report noted that the District has sufficient grant management policies and procedures in place, given the nature of its grants and the projects to which the grants are applied.

MEMORANDUM

TO: Audit Committee

FROM: Pam Shaw, Chief Financial Officer

DATE: August 30, 2019

RE: Approve the Inspector General Three-Year Audit Plan for Fiscal Years 2020 to 2022 and the Fiscal Year 2020 Internal Audit Work Plan from Law, Redd, Crona & Munroe, P.A., Inspector General

RECOMMENDATION

Staff requests, that the Audit Committee approve the Inspector General's Three-Year Audit Plan for Fiscal Years 2020 to 2022 and the Fiscal Year 2020 Internal Work Plan from Law, Redd, Crona & Munroe, P.A.

BACKGROUND

Law, Redd, Crona & Munroe, P.A. prepared a Three-Year Internal Audit Plan for Fiscal Years 2020 to 2022 (see Attachment A) with a list of recommended future audit topics for the Audit Committee's consideration. The topics were identified based on the Inspector General's risk assessment activities and discussion with District management.

Law, Redd, Crona & Munroe, P.A. also prepared the Fiscal Year 2020 Internal Audit Work Plan (see Attachment B) for the Audit Committee's review and approval.

/ps
Attachments

**Suwannee River Water Management District
Three Year Internal Audit Plan
For the Fiscal Years Ending September 30, 2020 through September 30, 2022**

1. 2020
 - a. Update Risk Assessment
 - b. Follow-up on Prior Internal Audit Findings
 - c. Six-Month Follow-up on Auditor General Operational Audit Findings
 - d. Internal Audit of Tangible Personal Property and Motor Vehicles
 - e. Annual Report of IG Activities

2. 2021
 - a. Update Risk Assessment
 - b. Follow-up on Prior Internal Audit Findings (if any)
 - c. Internal Audit – topic to be selected by Audit Committee
 - d. Annual Report of IG Activities

3. 2022
 - a. Update Risk Assessment
 - b. Follow-up on Prior Internal Audit Findings (if any)
 - c. Internal Audit – topic to be selected by Audit Committee
 - 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.

A list of recommended future audit topics for the Audit Committee’s consideration is included below. The topics were identified based on our risk assessment activities, including discussions with District management.

Payroll / HR Procedures
Land Acquisitions
Land Surplus
Conservation Easement Review
Recreation and Maintenance Contracts
Timber Contracts
Accounts Payable Procedures
Business Continuity and Emergency Response Planning
IT Security Risk Assessment

**SUWANNEE RIVER WATER MANAGEMENT DISTRICT
2020 INTERNAL AUDIT WORK PLAN**

Audit Area	Tentative Work Plan	Planned Start Date	Estimated Hours
Risk Assessment and Planning	<ul style="list-style-type: none"> - Discussions with District CFO and other management as necessary - Other risk assessment procedures - Identify areas of concern - Design of specific audit procedures - Presentation of audit plans to Governing Board's Audit Committee 	July/August 2019	20
Follow-up on Prior Internal Audit Findings	<ul style="list-style-type: none"> - Review status of District corrective action toward the observations and recommendations in prior internal audit report No. 17-01, Information Technology Controls that were unresolved as of our 2019 follow-up review. 	November 2019	10
Six-Month Follow-up on Auditor General Findings	<ul style="list-style-type: none"> - Pursuant to Section 20.055, F.S. and the District contract for IG services, determine the status of District corrective actions taken toward the recommendations in the Auditor General's operational audit (report number and release date TBD). 	Spring 2020	20
Tangible Personal Property and Motor Vehicles	<ul style="list-style-type: none"> - Review District policies and procedures for managing tangible personal property (TPP) and motor vehicle usage and maintenance. - Review the results of the District's annual TPP inventory and test the reconciliation of physical inventories with subsidiary property records. - Test samples of fixed asset purchases and disposals. - Test District compliance with selected motor vehicle usage and maintenance policies and procedures. - Analytical test of the reasonableness of motor vehicle repair and maintenance costs. 	Spring/Summer 2020	70
Discretionary	<ul style="list-style-type: none"> - Reserved for procedures to be performed at the discretion of the Inspector General without the prior knowledge of management. - 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. 	October 2019 – September 2020	15
Reporting	<ul style="list-style-type: none"> - Preparation of Internal Audit Reports - Presentation of Draft Reports to District CFO - Presentation of Final Audit Reports to Audit Committee - Presentation of Annual Report of IG Activities to Audit Committee 	October 2019 - September 2020	30

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

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><u>\$ 147.75</u></u>