

SUWANNEE RIVER WATER MANAGEMENT DISTRICT  
AUDIT COMMITTEE MEETING AGENDA

OPEN TO THE PUBLIC

December 10, 2019  
Following Board Meeting.

District Headquarters  
Live Oak, FL

- 1. Call to Order / Committee Roll Call**
- 2. Public Comment**
- 3. Discussion Item**
  - GBD20-0001 - Finance Directive Discussion
  - Inspector General Internal Audit Activity Charter
- 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, Office of Finance  
THRU: Steve Minnis, Deputy Executive Director, Business and Community Services  
DATE: November 27, 2019  
RE: Approval of Governing Board Directive Number 20-0001, Finance Directive

RECOMMENDATION

**Staff requests Audit Committee's approval of Directive Number 20-0001 providing Finance Guidelines.**

BACKGROUND

The purpose of this Directive to establish Governing Board authority and responsibilities relating to the administration of financial matters of the District and to delegate specific authority to the Executive Director. The objective of the Directive is to ensure transparent direction and delegation for the District's financial obligations and functions. The Directive does not modify the Governing Board's ultimate responsibility for oversight of and accounting for District funds.

PS/rl  
Attachment

**SUWANNEE RIVER WATER MANAGEMENT DISTRICT**

**GOVERNING BOARD DIRECTIVE**

Directive Number: **GBD20-0001**

Date Approved: \_\_\_\_\_

Subject: **Finance Directive**

Approval: \_\_\_\_\_  
**Governing Board Chair**

\_\_\_\_\_  
**Secretary/Treasurer**



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1.0 **Reference to Prior Policy**

There are no prior versions of this Directive.

2.0 **Purpose and Intent**

The purpose of this Directive is to establish Governing Board authority and responsibilities relating to the administration of financial matters of the District and to delegate specific authority to the Executive Director. Nothing herein modifies or is intended to modify the Governing Board's ultimate responsibility for oversight of and accounting for District funds.

3.0 **Definitions**

- a. **Audit Engagement Letter** documents and confirms the auditor's acceptance of the appointment, the objective and scope of the audit, the extent of the auditor's responsibilities to the District, and the form of reports to be provided.
- b. **Management Representation Letter** is an attestation that the financial statements that the District has submitted for analysis and audit are accurate, prepared in compliance with Generally Accepted Accounting Principles (GAAP), and all material information has been disclosed to the auditor.
- c. **Qualified Public Depository** means a bank, savings bank, or savings association that:
  - i. Is organized and exists under the laws of the United States or the laws of this state or any other state or territory of the United States.
  - ii. Has its principal place of business in this state or has a branch office in this state which is authorized under the laws of this state or of the United States to receive deposits in this state.
  - iii. Has deposit insurance pursuant to the Federal Deposit Insurance Act, as amended, 12 U.S.C. ss. 1811 et seq.
  - iv. Has procedures and practices for accurate identification, classification, reporting, and collateralization of public deposits.
  - v. Meets all the requirements of Chapter 280, Florida Statutes (F.S.).
  - vi. Has been designated by the Chief Financial Officer as a qualified public depository.

- d. **Revenue Agreements** mean grants, contracts, and memoranda of understanding or agreement between the District and another party that defines the terms under which revenue is received.

#### 4.0 **Elements of Policy**

- a. **Treasurer of the Governing Board**

The Governing Board shall designate a Treasurer who shall be custodian of all funds belonging to the board and to the District, and such funds shall be disbursed upon the order of, or in the manner prescribed by, the Governing Board by warrant or check funds signed by the Treasurer or Assistant Treasurer and countersigned by the Chair or Vice-Chair of the Governing Board or through Wire or Electronic Funds Transfers in a manner prescribed by the Governing Board. Disbursement of funds prior to specific Governing Board approval may only be authorized upon certification by the Executive Director or his or her designated Assistant to the Treasurer or Assistant Treasurer and to the Chair or Vice-Chair of the Governing Board that such disbursement is proper and in order and is within budgetary limits. Any such disbursements shall be reported to the Governing Board at the next regular scheduled meeting. (section 373.553, F.S.)

- b. **Custodian of Funds**

The Governing Board Treasurer is the custodian of all funds belonging to the District. Funds are disbursed upon the order of or in the manner prescribed by the Governing Board by warrant or check signed by the Treasurer or Assistant Treasurer and countersigned by the Chair or Vice-Chair or through Wire or Electronic Funds Transfers in a manner prescribed by the Governing Board.

- c. **Financial Institutions**

The Governing Board has the sole authority for approving a financial institution(s), establishing, and closing bank accounts. The Governing Board is authorized to select a qualified public depository(ies) in which the funds of the District shall be deposited.

- d. **Wire or Electronic Funds Transfer (W/EFT)**

The District may use W/EFT to expedite financial transactions, obtain maximum return on investments, and to reduce administrative costs in accordance with governing law and administrative rules.

- e. **Interest Earnings Accounts**

To maximize returns, District staff may transfer surplus cash flow to interest-bearing deposit accounts to the maximum extent possible. Interest earned will be allocated in accordance with the source of the funds deposited. Monies shall not be invested with independent investment brokerage firms, nor shall they be invested by the District in at-risk stocks, bonds, securities or other ventures without the authorization of the Governing Board.

- f. **Disbursement Reporting**

The Executive Director or designee will provide the Governing Board Chair and Treasurer reports of deposits and disbursements, including check/warrant registers, deposit records, interest earnings and disbursement reports, and W/ETF transaction reports monthly.

g. **Delegation of Authority**

The Governing Board hereby delegates to the Executive Director signature authority for the acceptance of grant contracts and for the receipt of grant funds and/or disbursement of grant funds for grants awarded by or “passed through” the District. The Executive Director or designee shall provide updates to the Governing Board of such grants, including the amounts received or disbursed and the purpose of the grant.

h. **Selection of Qualified Public Depository(ies)**

The Governing Board hereby delegates to the Executive Director the responsibility to competitively solicit the services of qualified public depository(ies) for purposes of District finance operations. Factors of location, services offered, account charges, and earnings should be considered in the selection process. The Executive Director will recommend to the Governing Board a qualified public depository(ies). The Executive Director may delegate this responsibility.

i. **Account Activity**

The Governing Board hereby delegates to the Executive Director the daily management authority, after selection of qualified public depositories, for opening, closing, or making changes to bank accounts. Such actions shall require the signatures of the Executive Director and the Chief Financial Officer and shall be reported to the Chair and Treasurer within 24 hours.

j. **Transfer Authority**

The Governing Board delegates to the Executive Director the daily management authority to transfer funds between banks and bank accounts and to make distributions from said accounts as necessary. The Executive Director may delegate this responsibility to other District employees. Email requests for transfers, approvals, and bank confirmations are retained and filed with monthly financial records.

k. **Written Contracts**

The Executive Director or designee is authorized to approve and execute procurement actions of \$30,000 or less per fiscal year, except that the hiring of an external auditor to conduct the annual financial audit required by section 218.39, F.S. and the retention of external Governing Board General Counsel shall be subject to Governing Board approval.

l. **Change Orders and Amendments**

The Executive Director or designee may approve change order to contracts whose initial value was \$30,000.00 or less, provided that the change order(s) or amendment(s) will not increase the aggregate value of the contract to \$30,000.00 or more. The Executive Director or designee may approve change order(s) or amendment(s) to contracts approved by the Governing Board provided the aggregate value of the change order(s) or amendment(s) does not exceed \$30,000.00.

The Executive Director or designed may approve change order or amendments for the extension of the time for performance or for an additional contract period, provided that any costs associated with the extension do not exceed \$30,000.00 and, in cases of renewal for an additional contract period, the additional period is within the limits specified in the original agreement.

m. **Annual Contracts**

The Executive Director or designee is authorized to approve and execute work orders and change orders to work orders, inclusive of time extension up to the amount of the annual contract approved by the Governing Board and renewals of an annual contract for a renewal amount of \$30,000 or less per fiscal year.

n. **Revenue Agreements**

The Executive Director or designee is authorized to approve and execute any Revenue Agreement up to \$30,000 per fiscal year. Agreements for unbudgeted revenues may be executed by the Executive Director designee contingent upon Governing Board approval of a budget amendment.

o. **Pass-Through Funding Agreements**

The Executive Director or Designee is authorized to approve and execute any Pass-through Funding Agreement up to \$30,000 per fiscal year. Pass-through Funding Agreements that are unbudgeted may be executed by the Executive Director or designee contingent upon Governing Board approval of a budget amendment.

p. **Purchasing Card Program**

The Executive Director or designee shall have the authority to assign a purchasing card to a District employee and to establish financial controls for the use of purchasing cards.

q. **Travel and Per Diem**

The Executive Director or designee is authorized to implement the provisions section 112.061, F.S.

r. **Loaning of District Equipment**

The loaning of District tangible personal property to public entities may be approved by the Executive Director or designee.

**5.0 Audit Committee**

The Governing Board shall establish an Audit Committee and appoint a minimum of three members. One member must be a member of the Governing Board and that member must serve as the Chair of the Committee. The Audit Committee will be responsible for the appointment, compensation, retention, and oversight of the work of any independent accountants/auditors engaged for the purpose of preparing and issuing an independent audit report or performing other independent audit, review, or attest services.

The Committee will provide oversight of the District's financial reporting processes, internal controls, and independent auditors. Auditors shall provide all final reports, including findings with management's responses, to the Audit Committee for review and acceptance prior to submitting to the Governing Board for acceptance.

The Audit Committee shall assist the Governing Board in selecting an accountant/auditor to conduct the annual financial audit required by section 218.39, F.S., following the selection process required in section 218.391 (3) through (8), F.S. All accountants/auditors thus engaged shall report directly to the Audit Committee.

The Executive Director and Governing Board Chair are authorized to sign the annual audit engagement letter when a written contract is in effect. The Executive Director and staff will communicate and cooperate with the accountant/auditor selected by the Audit Committee and provide information during the course of the audit, review, or attestation service. The Executive Director and Chief Financial Officer are authorized to sign the annual management representation letter provided by the accountant.

## MEMORANDUM

TO: Audit Committee  
FROM: Pam Shaw, Chief, Office of Finance  
DATE: November 18, 2019  
RE: Approval of Inspector General Internal Audit Activity Charter

### RECOMMENDATION

## **Staff recommends the Audit Committee approve the Inspector General Internal Audit Activity Charter.**

### BACKGROUND

The Internal Audit Activity Charter defines the roles, authority, organization, purpose, and responsibilities for internal audit activity.

Institute of Internal Audit (IIA) Standards 1000 – Purpose, Authority, and Responsibility states:

*The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.*

The Inspector General's interpretation of IIA Standards 1000 is that the internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

Each year's audit activity by the Inspector General will be determined through an annual audit plan to be approved by the Audit Committee and Governing Board.

A proposed Internal Audit Activity Charter is attached.

PS/rl  
Attachment

**SUWANNEE RIVER WATER MANAGEMENT DISTRICT  
DISTRICT INSPECTOR GENERAL  
INTERNAL AUDIT ACTIVITY CHARTER**

This charter defines the purpose, authority, and responsibilities of the District Inspector General, in compliance with the Standards issued by the Institute of Internal Auditors.

**PURPOSE:**

The purpose of employing/contracting for the Suwannee River Water Management District (District) Inspector General services is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the Suwannee River Water Management District. It assists the District in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and control processes.

**ROLE:**

The District Inspector General's internal audit activity is established by the Governing Board (Board). The internal audit activity's responsibilities are defined by the Board as part of their oversight role.

**AUTHORITY:**

Pursuant to the provisions of section 373.079(4)(b), Florida Statutes (F.S.), the Board must employ an Inspector General who meets the required qualifications and performs the applicable duties of a state agency inspector general as provided in section 20.055, F.S.

The law requires that the District Inspector General's responsibilities include internal audits that are to be conducted in accordance with current *International Standards for the Professional Practice of Internal Auditing* as published by the Institute of Internal Auditors, or where appropriate, in accordance with generally accepted government auditing standards. The District Inspector General must comply with the General Principles and Standards for Offices of Inspector General as published and revised by the Association of Inspectors General.

The internal auditors, with strict accountability for confidentiality and safeguarding records and information, are authorized free and unrestricted access to any and all of the District's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board.

**CODE OF ETHICS:**

The internal auditors have a responsibility to conduct themselves so their good faith and integrity are not open to question. Professional behavior must conform to the Code of Ethics issued by the Institute of Internal Auditors, Inc.

**ORGANIZATION:**

The District Inspector General will report functionally to the Board and administratively (i.e. day to day operations) to the Executive Director or designee.

The Board will approve the internal audit charter and the risk-based internal audit plans annually. It will also approve all decisions regarding the performance evaluation, appointment, or removal of the District Inspector General as well as the District Inspector General's annual compensation. The District Inspector General will communicate and interact directly with the Board as appropriate.

## **INDEPENDENCE AND OBJECTIVITY:**

The internal audit activity will remain free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The District Inspector General will confirm to the Board, at least annually, the organizational independence of the internal audit activity. The District Inspector General will disclose to the Board any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

## **RESPONSIBILITY:**

The scope of internal auditing encompasses, but is not limited to, the objective examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and control processes as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information, including information on performance measures, standards, and to make recommendations for improvement, if any.
- Performing consulting and advisory services related to governance, risk management, and control as appropriate for the organization, as well as in the development of performance measures, standards, and procedures for evaluation of District programs.
- Evaluating the actions taken by the District to improve program performance and meet program standards and make recommendations for improvement, if any.
- Directing, supervising, coordinating, and performing audits, investigations, and management reviews relating to the programs and operations of the District, including investigations specifically relating to section. 20.055, F.S.
- Conducting, supervising, or coordinating and performing other activities carried out or financed by the District for the purpose of promoting economy and efficiency in the administration of, or preventing fraud and abuse in, its programs and operations.
- Keeping the Board and Executive Director informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the District; recommending corrective action concerning fraud, abuses, and deficiencies; and reporting on progress made in implementing corrective action.
- Ensuring effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication.

- Reviewing, as appropriate, rules, policies, and procedures relating to the programs and operations of the District and making recommendations regarding their impact.
- Ensuring that an appropriate balance is maintained between audit, investigative, and other accountability activities.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- Evaluating District policies, procedures, processes, and controls for ensuring that resources and assets are acquired economically, used efficiently, and protected adequately.
- Evaluating specific operations at the request of the Board or management, as appropriate.

**INTERNAL AUDIT PLAN:**

At least annually, the District Inspector General will submit to the Executive Director or designee(s) and the Board risk-based long term and annual internal audit plans for review and approval. The annual internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year. The District Inspector General will communicate the impact of resource limitations and significant interim changes to senior management and the Board.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Board. The District Inspector General will review and adjust the plan, as necessary, in response to changes in the organization’s business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Board through periodic activity reports.

**REPORTING AND MONITORING:**

A written report will be prepared and issued by the District Inspector General or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Board.

The internal audit report may include management’s response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within 20 working days) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

**PERIODIC ASSESSMENT:**

The District Inspector General will annually report to the Executive Director or designee(s) and the Board, not later than September 30 of each year, summarizing the District Inspector General activities during the immediately preceding fiscal year. Reporting will include the District Inspector General’s performance relative to its plan, and significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Board.

The District Inspector General will communicate to the Executive Director or designee(s) and the Board on the internal audit activity’s quality assurance and improvement program, including results of ongoing internal assessments and external assessments.

**INTERNAL AUDIT ACTIVITY CHARTER**

Approved this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
District Inspector General

\_\_\_\_\_  
Executive Director

\_\_\_\_\_  
Chair, Governing Board

DRAFT