



St. Johns River Water Management District

Hans G. Tanzler III, Executive Director

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On the Internet at floridaswater.com.

March 26, 2014

Mr. John A. Miklos, Chairman
Governing Board
St. Johns River Water Management District
P.O. Box 1429
Palatka, Florida 32178-1429

Dear Mr. Miklos:

As required by Section 20.055 (5)(h) Florida Statutes, I have prepared the attached report indicating the status of the corrective actions taken by the District for the findings and recommendations contained in the Auditor General Report #2014-019.

If you have any questions, or require further information on any item, please feel free to contact me at 386-329-4105.

Sincerely,

Timothy P. Boyer
Inspector General

Cc: Governing Board Members
Hans G. Tanzler III, Executive Director
Joint Legislative Auditing Committee
Auditor General

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Finding No. 1: The governing board of the District (Board) had not adopted policies for the mitigation, detection, and reporting of fraud.

Recommendation: The District should continue its efforts in implementing fraud policies and procedures to aid in fraud prevention and detection.

District Response: We concur with this recommendation.

Status: Completed

Corrective Action: The Governing Board adopted District Policy # 2012-01 – Prevention and Investigation of Fraud on September 11, 2012.

Finding No. 2: Controls over cash collections could be enhanced.

Recommendation: The District should continue its monitoring efforts to ensure compliance with the Regulatory Service Center written cash collection procedures.

District Response: We concur with this recommendation.

Status: Continuing

Corrective Action: The District has communicated with our depository bank regarding acquisition of remote deposit devices and is nearing completion of processes and procedures to deposit checks at all the Service Centers using Remote Capture Scanning devices. The devices will immediately deposit the funds received into the District's master concentration account, restrictively endorse the checks and electronically forward a check log to the District Office of Financial Services. The Office of Financial Services at District headquarters in Palatka records deposits into the District accounting system.

Finding No. 3: Financial reporting procedures could be improved to ensure that fund balance accounts are properly classified.

Recommendation: The District should ensure that it complies with the requirements of GASB Statement No. 54 by ensuring that items reported as committed fund balance are supported and timely approved, and that economic stabilization reserve amounts are accurately reported.

District Response: We concur with this recommendation

Status: Completed

Corrective Action: The District's Governing Board approved Resolution 2013-13 on September 24, 2013 committing \$132.5 million of fund balance and reported this amount in the Consolidated Annual Financial Report. The approved committed amounts have not been changed or adjusted.

Finding No. 4: The District's administration of purchasing cards could be improved.

Recommendation: The District should ensure appropriate purchasing card distribution and monthly transaction limits that are consistent with actual usage by cardholders.

Response: We concur with this recommendation.

Status: Continuing

Corrective Action: In August 2013, the District initiated a review of P-Card transactions/usage, identifying 29 cards with less than five transactions per year. The P-Card Administrator collected those 29 cards and changed their profile status to inactive. A January 2014 review identified seven additional cards with no activity in the last four years and those cards have been collected and destroyed. In addition, we adjusted several single transaction limits to \$2,500 to coincide with the District's revised procurement threshold for informal quotes. Revisions clarifying the purchasing card policy and administrative directive are being drafted and reviewed.

Finding No. 5: The District entered into settlement and release agreements with four employees and, pursuant to these agreements, paid the employees amounts in excess of amounts the employees would have received under the District's leave policy, which appears contrary to the intent of Section 215.425, Florida Statutes.

Recommendation: The District should ensure that future severance payment arrangements comply with the requirements of Section 215.425, Florida Statutes, and that adequate documentation is maintained to support settlements of employment disputes.

Response: We concur with the recommendation, but, as explained below, respectfully disagree with several conclusions in this finding. To implement this recommendation, the District will ensure that future severance payments (which account for \$56,926 in the findings above) will be accompanied by documentation in addition to the executed settlement agreement, which here: (i) identified the employment dispute—“[a]n employment dispute has arisen regarding the nature and extent of Your obligation under Florida law to limit your activities regarding matters that You were involved with during Your District employment” and (ii) identified resolution of the employment dispute—

6. Post Employment Restrictions. You agree that, for a period of one year, commencing on the Date of Separation, You will not perform any work as an employee, expert witness, consultant, or independent contractor for any applicant, consultant, lawyer, law firm, employer, or client that is related to a regulatory matter for which You performed work on behalf of the District during the last two years of Your employment with the District. This includes, but is not limited to, permitting, rulemaking and regulatory enforcement matters. The Executive Director or Assistant Executive Director may waive this restriction on a case-by-case basis in his or her sole discretion.

Severance pay, pursuant to the express terms of §215.425(4)(d) does not include earned and accrued Sick Leave (\$167,740 above) or Administrative Leave (\$15,358 above). The District views the settlement agreements' deviation from District Policy 90-20, *Attendance and Leave*, as duly authorized exceptions to that policy.¹ The exceptions were implemented by the Executive Director or his designee through execution of the settlement agreements. See District Policy 2007-01, *The Governing Board*, §IV (J).²

Pursuant to section III of Policy 99-07, *Group Insurance Benefits*, the District pays a pro-rata share of the health insurance premiums for all active employees. In accordance with that section, the District paid the pro-rata share of health insurance premiums (\$1,333 above) to the District's group health insurer for health insurance coverage of the settling employees after they settled but while they were still employed (although on administrative leave). Section 215.425 does not appear to require the immediate termination of health insurance coverage for an active employee once it is determined that the employee will leave active employment at a future date.

Status: Completed

Corrective Action: Since the date of the audit report, the District has made no further severance payments.

Finding No. 6: The District used only two construction contractors under continuation contracts pursuant to Section 255.20(1), Florida Statutes, for three fiscal years for numerous projects rather than competitively selecting a construction contractor for each of those projects pursuant to Section 255.20(1), Florida Statutes, thereby limiting the District's assurance that the work was performed at the most competitive price for each project consistent with acceptable quality. Additionally, the District did not competitively select a construction contractor for the Fellsmere Water Management Area construction project, contrary to Section 255.20(1), Florida Statutes.

Recommendation: To ensure that the District obtains contractors for public works projects at the lowest cost consistent with acceptable quality, the District should consider establishing a project cost threshold for determining when continuation contracts will be used. For those projects for which continuation contracts will not be used, the District should competitively select contractors in accordance with Section 255.20(1), Florida Statutes.

¹ The exceptions to policy are contained in the following statements in the settlement agreements: "The above Incentives supersede any conflicting provision in District policy" and "You and the District affirm that, absent this Agreement, You would not otherwise be entitled to these Incentives and you would be entitled to receive only those payments or other benefits authorized in applicable District policies in effect on the date You separate from employment."

² Through this provision (now in District Policy 13-01, *Governing Board Delegations*), the Governing Board has delegated to the Executive Director "authority to determine terms and conditions of employment for District employees Such authority, which may be subdelegated as deemed appropriate by the Executive Director, shall include but is not limited to the following matters regarding workforce and workplace management: . . . (b) Salaries and benefits . . . (h) Dispute resolution [and] (i) . . . separation and layoff . . ."

Response: We concur with this recommendation.

Status: Continuing

Corrective Action: The District prefers to evaluate projects on a case-by-case basis and has not adopted a project cost thresholds for competitive selection within competitively bid continuing contracts. However, the District has utilized that approach in at least one instance. Initially, the District scheduled a project for concrete and sheet pile rehabilitation at Structure S161-A under one of the District's civil works contracts through a work order. However, in August 2013, the District advertised an Invitation for Bids and awarded the contract to a contractor outside of the District's two continuation contracts.

Finding No. 7: The District's administration of construction change orders could be improved.

Recommendation: The District should continue its efforts to ensure that change orders are made in writing and approved by authorized personnel prior to work being performed.

Response: We concur with this recommendation.

Status: Continuing

Corrective Action: Staff continues to be aware of the importance of timely communicating changes that may occur, such as no-cost time extensions and increases/decreases in the total cost of a work order. A review of change orders shows that since September 2013, the District has issued 12 written and properly authorized change orders against the annual civil construction type contracts. Eight of those change orders were for no-cost time extensions, three were for additional funds (approximately \$228,500), and one was a deductive change order to reduce a work order by the amount of direct purchases made by the District. All of these change orders were written and properly authorized. The District continues to emphasize the importance of timely, written approvals to change orders.

Finding No. 8: The District lacked comprehensive written procedures establishing personnel duties and responsibilities to ensure the economic and efficient use of District-owned motor vehicles.

Recommendation: The District should enhance its procedures to ensure motor vehicle assignment and fuel usage is adequately monitored and that such monitoring procedures are adequately documented.

Response: We concur with this recommendation.

Status: Completed

Corrective Action: The Bureau of Facilities and Transportation Management has revised the Request for Overnight Use of Vehicle form in connection with a review of the vehicle use policy to include a justification of use section. For non-assigned vehicles, Transportation Management requests a completed and properly approved form at the time the driver obtains a vehicle. Transportation Management retains the forms received for documentation of overnight use. For assigned vehicles, the Bureau responsible for the function obtains and retains completed forms.

The Bureau of Facilities and Transportation Management has instituted documentation of monthly reviews of vehicle fuel efficiency (miles per gallon) utilizing data from the fleet management system. Unusual miles per gallon variances are investigated.

Finding No. 9: The District had not established an inventory system to track the usage, value, or quantity of motor vehicle inventory items.

Recommendation: The District should implement an inventory tracking system to monitor the usage, value, and quantity on hand for motor vehicle repair and maintenance items.

Response: We concur with this recommendation.

Status: Completed

Corrective Action: During the audit period, the transportation manager was responsible for maintaining an inventory of hoses, belts, filters and tires for use in maintaining the District's fleet. The year following the period under audit, the District implemented an inventory tracking system in the M5 Fleet Maintenance computer program. Further, members of Financial Services and the Transportation Office agreed to pursue transferring the responsibility for maintaining vehicle part perpetual inventory records from Transportation staff to Financial Services staff.

Finding No. 10: Controls over the District's motor vehicle work order system could be enhanced.

Recommendation: The District should enhance its controls over vehicle work orders to ensure that information is recorded accurately.

Response: We concur with this recommendation.

Status: Completed

Corrective Action: The implementation of the inventory tracking system in the M5 Fleet Maintenance program as mentioned previously will increase the reliability of inventory item pricing through to repair orders. In addition, the Transportation Program Manager will closely monitor non-routine repairs for proper classification within the Fleet Management program.

Finding No. 11: The District incorrectly calculated the taxable value for personal use of District vehicles to be reported to the Internal Revenue Service for four employees.

Recommendation: The District should revise its methodology for calculating the taxable value of personal use of District vehicles for employees using the ALV to be consistent with the methodology provided in United States Treasury Regulations. Additionally, the District should consult with the Internal Revenue Service to determine the appropriate action to be taken to substantiate the business use of vehicles by the four employees using the ALV calculation for determining the taxable value of personal use of District-owned vehicles.

Response: We concur with this the recommendation.

Status: Completed

Corrective Action: The District is now using the full Annual Lease Value (ALV) for reporting the imputed income for personal use of a District vehicle for employees that qualify under the Executive Level V Salary. If an employee utilizes more than one vehicle during the reporting period, the ALV is pro-rated based on the days assigned for each vehicle. In 2013, we had one employee qualified to use ALV who utilized two vehicles. Accordingly, we added the total ALV which was \$14,939.61, including fuel charges, to the employee's imputed income for tax year 2013 which eliminated the need to consult the Internal Revenue Service. The employee assumed the responsibility for substantiating business use mileage on his personal tax return.