

**NORTHWEST FLORIDA
WATER MANAGEMENT DISTRICT**

**FOLLOW-UP REPORT ON
DISTRICT CORRECTIVE ACTIONS
REGARDING
AUDITOR GENERAL AUDIT REPORT NO. 2016-016**

**REPORT #17-03
OCTOBER 31, 2017**



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

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

Certified Public Accountants

October 31, 2017

Governing Board
Northwest Florida Water Management District
81 Water Management Drive
Havana, Florida 32333

Pursuant to Section 20.055(6)(h), Florida Statutes, as the District's Inspector General we are reporting on the status of the Northwest Florida Water Management District corrective actions taken on the findings and recommendations in the Auditor General's Operational Audit Report No. 2016-016, dated September 2015. A copy of this report is also being filed with the Joint Legislative Auditing Committee.

If you have any questions regarding this report, please contact Richard Law, C.P.A. or Jon Ingram, C.P.A.

Sincerely,

Law Redd Crona & Munroe P.A.
LAW, REDD, CRONA & MUNROE, P.A.

FOLLOW-UP ON AG REPORT NO. 2016-016

October 31, 2017

BACKGROUND

In September 2015, the Auditor General released Audit Report No. 2016-016, Operational Audit of the Northwest Florida Water Management District (District). This report focused on District administrative activities and financial-related internal controls and contained 6 findings and recommendations for improvement.

Pursuant to Section 20.055(6)(h), Florida Statutes, the District's Inspector General is required to report to the Executive Director on the status of corrective actions taken on the Auditor General's report.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this follow-up engagement was to determine the status of corrective actions taken by the District to address the findings and recommendations in Auditor General Report No. 2016-016.

The scope of our follow-up activities focused on District actions taken to address findings and recommendations made by the Auditor General in the following categories:

- 1) General Management Controls
- 2) Personnel and Payroll Administration
- 3) Contracts
- 4) Tangible Personal Property

To achieve our objectives, we conducted the following procedures:

- 1) Examined Auditor General Report No. 2016-016, dated September 2015, to ascertain the findings, recommendations, and original District management responses thereto.
- 2) Made inquiries of and obtained representations from District management regarding the current status of corrective actions taken to address the Auditor General findings and recommendations.
- 3) Examined District policies, procedures, reports, and other documentation relating to management's corrective actions.

FOLLOW-UP ON AG REPORT NO. 2016-016

SUMMARY OF RESULTS

Our follow-up activities disclosed that District management has addressed all of the recommendations in the Auditor General's report. Please see Appendix A of this report for a detailed schedule of the current status reported by management regarding each of the Auditor General's findings and recommendations.

We wish to take this opportunity to thank District staff for their helpfulness and cooperation in this endeavor. If there are any questions regarding this report, please feel free to contact Richard Law, C.P.A. or Jon Ingram, C.P.A.

Law Redd Crone + Munroe P.A.
LAW, REDD, CRONA & MUNROE, P.A.

Appendix A
Northwest Florida Water Management District
Schedule of District Corrective Action for Auditor General Report No. 2016-016
September 30, 2017

AG Finding No.	AG Finding Summary	AG Recommendation(s)	Original Management Response	Status per Management as of September 30, 2017
1	District procedures did not provide an appropriate separation of duties for the permit fee collection and recordkeeping functions or establish other controls to compensate for this weakness.	The District should enhance procedures to separate the permit fee collection and recordkeeping functions to the extent possible with existing personnel or provide for compensating controls such as independent reconciliations of deposits recorded to permit fees.	The District will review existing personnel duties to determine the feasibility of further separating the permit fee collection and recordkeeping functions. However, at a minimum, the Bureau of Finance and Accounting (Accounting) will conduct an independent reconciliation of deposits recorded to permit fees on a monthly basis. Queries from the two databases that log permit fees (environmental resource permits and water use permits in one database and well construction permits in another database) will be system generated and sent directly to the Accounting Bureau Chief. The queried reports will be compared to the deposits to ensure monies received have been accurately accounted for and deposited. Reports have been prepared and reconciliation will begin after the month-end closing of August 2015.	<p>The responsibility within the Bureau of Finance and Accounting for depositing permit fee collections via check is now performed by a fiscal assistant rather than the Accountant mentioned in the Auditor General’s finding. Fee collections in cash (currency, which are infrequent) continue to be received and deposited by the Accountant or by the fiscal assistant in the Accountant’s absence.</p> <p>In addition, beginning with the month-end closing of August 2015, the Chief of the Bureau of Finance and Accounting (Accounting) conducts monthly independent reconciliations of deposits recorded to permit fees. Queries from the two databases that log permit fees are system generated and sent directly to the Accounting Bureau Chief. The queried reports are compared to the deposits to ensure monies received have been accurately accounted for and deposited.</p>

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2	The District made a \$20,662 extra compensation payment to an employee, contrary to law. Also, the Board did not, by resolution or other means, approve November 2013 and November 2014 bonuses totaling \$259,000 and employees were not notified of the prospective bonuses before the evaluation period on which the bonuses were paid.	The District should take appropriate action to recover the \$20,662 extra compensation payment from the employee. Also, the District should enhance procedures to ensure that bonus programs are approved by Board resolution and that employees are notified of prospective bonuses before the evaluation period on which bonuses are based.	<p>The District and employee have determined a payroll deduction schedule to pay back the \$20,662 or to recover the amount in full upon separation, whichever comes first. Further, at the scheduled Governing Board meeting on September 10, 2015, staff will recommend the Governing Board adopt a resolution:</p> <ul style="list-style-type: none"> • To approve the provision of an annual bonus plan for employees and direct and delegate authority to the Executive Director to incorporate into the District’s internal policies and procedures manual the scheme by which an annual bonus will be implemented, pursuant to s. 215.425, F.S. • That due to contingency of funding, changes in law, and necessary operational adjustments as identified by the Executive Director which may warrant a change to the manual’s evaluation and bonus processes, the Governing Board should authorize the Executive Director to make exceptions to the manual and implement changes in accordance with Florida statutes. <p>Upon adoption of the resolution and the Fiscal Year (FY) 2015-2016 Tentative Budget, the District will revise internal policies and procedures on the annual bonus plan and provide an exception to this plan for the FY 2015-2016 bonus scheme. The District intends to continue paying annual bonuses each November, however, to comply with timely notification of bonuses, the Executive Director plans to make an exception to the manual for FY 2015-2016 to include two six-month performance reviews. The first, with a review period of 10/1/2015 to 3/31/2016,</p>	<p>The District and employee have agreed upon a payroll deduction schedule to pay back the \$20,662. Beginning October 2, 2015, the employee began repayment of the \$20,662 in accordance with the repayment agreement.</p> <p>At the September 10, 2015, Governing Board meeting, the Board adopted a resolution approving the provision of an annual bonus plan and delegated authority to the Executive Director to incorporate the bonus scheme into the District's policies and procedures. The resolution also authorized the Executive Director to change the process as he deems necessary.</p>

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			will be the evaluation period on which the bonus paid in FY 2015-2016 will be based.	
3	District procedures for the employee performance evaluation process could be enhanced.	The District should enhance procedures to ensure performance evaluations are timely completed as required.	<p>The District has drafted text to incorporate into the internal policies and procedures manual to improve on the timely completion of six month probationary and annual performance evaluations. The following procedures are scheduled to be effective 10/1/2015:</p> <ul style="list-style-type: none"> • On the first day of employment or demotion, the Human Resources Administrator (HRA) schedules a meeting with the employee's manager to be held within five days of the six-month probationary due date, for the purpose of reviewing the probationary evaluation. • If the probationary evaluation is not completed within five days of the due date, the HRA notifies the Division Director so he/she can work with the manager to complete the evaluation before the end of the six month probationary due date. • On a monthly basis, if any probationary evaluations are not submitted timely, the HRA submits a report of outstanding probationary evaluations to the Executive Director (ED) for resolution. • Annual performance evaluations are required to be completed and submitted to the HRA within the timeframe identified in the annual employee notification. The HRA notifies the ED and Division Directors within five days of the submittal due date of any outstanding annual evaluations not yet received for their resolution. 	The draft performance evaluation policies and procedures became effective 10/1/2015.

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4	Two members of management were on the District's audit committee, contrary to Government Finance Officers Association guidance. Also, contrary to State law, the Board selected a firm for audit services that was not the highest-ranked qualified firm and District records did not evidence the basis for selecting the firm.	The District should revise the audit committee membership to ensure that members of management are excluded. Additionally, the District should enter into its public records the basis for not selecting the highest-ranked qualified firm for audit services, as required by law.	<p>During the next solicitation for a financial auditor, District staff will recommend Board approval of an audit committee that follows the Government Finance Officers Association best practices for audit committee membership. This means membership will exclude District staff and consist only of Board members, a minimum of three. The audit committee is to be provided access to the services of at least one financial expert, which can be either a committee member or an outside party engaged by the committee for this purpose.</p> <p>District staff will also ensure that Board minutes properly reflect the basis for selecting future financial auditors.</p>	<p>The current audit committee is composed of three members of the Governing Board. The next solicitation for a financial auditor will occur during the 9/30/2018 fiscal year. At that time, District staff will recommend Board approval of an audit committee that follows the Government Finance Officers Association best practices for audit committee membership.</p> <p>District staff will also ensure that Board minutes properly reflect the basis for selecting future financial auditors.</p>
5	The District did not perform physical inventories of tangible personal property for the 2011-12, 2012-13, and 2013-14 fiscal years.	The District should improve procedures to ensure that physical inventories of TPP are timely performed and that the inventory results are appropriately reconciled to subsidiary property records. In addition, discrepancies identified by the reconciliation process should be thoroughly investigated and resolved and, as appropriate, reports of missing property should be timely filed with the appropriate law enforcement agencies.	<p>As of July 15, 2015, the District completed the latest inventory of District items and successfully converted to a new inventory software system (WASP). This included for the first time, the tagging and documenting of attractive items, those less than \$1,000 (e.g., computer monitors, printers, and cameras). Over 2,200 inventoried items have been retagged with new bar coded tags. Each item's location and assignment have been updated in WASP.</p> <p>The District began the FY 2014-2015 annual inventory the week of 8/24/2015. Physical inventory is to be completed by 9/11/2015 so that reconciliation between accounting</p>	<p>The District completed annual physical inventories for the 2014-15 and 2015-16 fiscal years and as of September 2017, is in the process of finalizing the results of the annual inventory for 2016-17.</p> <p>Based on the September 2015 annual physical inventory, documentation on missing property (none of which was suspected of being stolen) was brought to the Governing Board in March 2016.</p>

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			<p>records and TPP records can be completed by the end of September.</p> <p>The District will ensure that an annual inventory is completed each year in accordance with policies and procedures. Following completion of the annual inventory process, reconciliation will be performed to ensure that the District's financial records agree with the TPP records.</p>	<p>In addition, one fully depreciated property item with no surplus or scrap value was noted in the September 2016 physical inventory to be missing. The missing item was reported to the property custodian in February 2017.</p>
6	District controls over motor vehicle usage could be enhanced.	The District should continue efforts to ensure management approval of vehicle assignments, supervisory approval of vehicle logs, guidance for preventative maintenance of assets is consistently followed, and repair and maintenance expenses for each vehicle are appropriately documented and monitored.	<p>Prior to the Governing Board approving the District's revised internal policies and procedures manual in March 2015, the manual did not address the items as stated in the Auditor General findings. The latest version contains a more comprehensive vehicle use policy. Specifically, text has been added to address:</p> <ul style="list-style-type: none"> • Approval process for motor pool vehicles for all employees, special use assigned vehicles for specific employees, and division-assigned non-motor pool vehicles. • Supervisor use of an overnight approval log to compare to employee timesheets where overnight use of a vehicle is recorded. • Quarterly review of daily vehicle use logs by supervisors, which also notes overnight use of a vehicle. • Tracking report to be used by the District's Facility Superintendent to coordinate and initiate all scheduled services of all vehicles. • Collection of all maintenance and repair receipts by the District's Facility Superintendent. 	<p>The latest version of the District's policies and procedures manual contains a more comprehensive vehicle use policy that addresses this finding.</p> <p>The District has improved on its use of software purchased in 2014 that provides an automated service maintenance tool and global positioning system. In particular, weekly emails are generated and sent to management that report when an employee took home a vehicle overnight using the GPS device equipped in each District vehicle. The email also goes to Accounting to independently verify an employee is reporting overnight use of a vehicle on the timesheet.</p>

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			<p>The District will continue to improve on its use of software purchased in 2014 that provides an automated service maintenance tool and global positioning system. In particular, weekly emails are generated and sent to management that report when an employee took home a vehicle overnight using the GPS device equipped in each District vehicle. The email also goes to Accounting to independently verify an employee is reporting overnight use of a vehicle on the timesheet.</p>	<p>Additionally, the District's Vehicle Reservation System was enhanced to allow employees to request overnight use of vehicles online. The request must be approved by the employee's supervisor.</p>