



South Florida Water Management District

GOVERNING BOARD AUDIT & FINANCE COMMITTEE MEETING AGENDA

This meeting is open to the public

April 11, 2013

9:00 AM

District Headquarters - Storch Room
3301 Gun Club Road
West Palm Beach, FL 33406

Pursuant to Section 373.079(7), Florida Statutes, all or part of this meeting may be conducted by means of communications media technology in order to permit maximum participation of Governing Board members.

The Governing Board may take official action at this meeting on any item appearing on this agenda and on any item that is added to this agenda as a result of a change to the agenda approved by the presiding officer of the meeting pursuant to Section 120.525, Florida Statutes. The order of items appearing on the agenda is subject to change during the meeting and is at the discretion of the presiding officer. Public Comment will be taken after each presentation and before any Governing Board action(s).

1. Call to Order - Tim Sargent, Chair
2. Approval of Minutes
Approval of the Minutes for the November 9, 2011, Audit & Finance Committee meeting held in West Palm Beach, Florida.
3. Changes to Agenda - Reagan Walker, Director, Office of Governing Board & Executive Services
4. Presentation and Approval of Fiscal Year 2012 Comprehensive Annual Financial Report, Audit Management Letter, and Single Audit - Brett Friedman, Engagement Partner, McGladrey LLP

5. Market Update and Debt Refunding Discussion - David Moore, Managing Director, The PFM Group
6. Office of the Inspector General's Peer Review Report for the Period January 1, 2010 to December 31, 2012 - Tim Beirnes, Inspector General (ext. 6398)
7. Public Comment
8. Adjourn



Association of Local Government Auditors

March 28, 2013

J. Timothy Beirnes, CPA, CMA, CISA, CITP, CIG, MBA
Inspector General
South Florida Water Management District
3301 Gun Club Road
West Palm Beach, Florida, 33406

Dear Mr. Beirnes,

We have completed a peer review of the South Florida Water Management District Office of the Inspector General for the period January 1, 2010, to December 31, 2012. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and management to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the South Florida Water Management District Office of the Inspector General's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period January 1, 2010, to December 31, 2012.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Craig Schroder
Senior Auditor
City of Charlotte

Vivian Walker
Senior Auditor
City of Tampa



The Association of Local Government Auditors
Awards this

Certificate of Compliance

to

***South Florida Water Management District
Office of the Inspector General***

Recognizing that the organization's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audit and attestation engagements during the period January 1, 2010, through December 31, 2012.

Gary S. Chapman
ALGA Peer Review Committee Chair

Drummond Kahn
ALGA President



Association of Local Government Auditors

March 28, 2013

J. Timothy Beirnes, CPA, CMA, CISA, CITP, CIG, MBA
Inspector General
South Florida Water Management District
3301 Gun Club Road
West Palm Beach, Florida, 33406

Dear Mr. Beirnes,

We have completed a peer review of the South Florida Water Management District Office of the Inspector General (OIG) for the period January 1, 2010, to December 31, 2012, and issued our report thereon dated March 28, 2013. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some observations and areas in which we believe your office excels:

GAS 3.69 states that “The staff assigned to perform the audit must collectively possess adequate professional competence needed to address the audit objectives and perform the work in accordance with GAGAS.”

All OIG staff members are either a Certified Public Accountant (CPA) or a Certified Internal Auditor (CIA) combined with over 116 years of audit experience. In addition, seven different types of certifications provide a broad background, enabling the OIG to handle a wide range of audit projects.

GAS 3.91 states that “Audit organizations should establish policies and procedures for audit performance, documentation, and reporting that are designed to provide the audit organization with reasonable assurance that audits are performed and reports are issued in accordance with professional standards and legal and regulatory requirements.”

GAS 6.06 states that “Auditors must adequately plan and document the planning of the work necessary to address the audit objectives.”

We noted that audit planning methodology used by the OIG provides a consistent and thorough approach to audits, ensuring that the fieldwork and resulting reports are issued according to professional standards.

GAS 6.53 states that “Audit supervisors or those designated to supervise auditors must properly supervise audit staff.”

In our review, we observed significant supervision evidenced by the review notes for each audit. The quality of supervision verifies the evidence and ensures that reports address objectives.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*.

GAS 2.03 states "All audits begin with objectives, and those objectives determine the type of audit to be performed and the applicable standards to be followed. The types of audits that are covered by GAGAS, as defined by their objectives, are classified in this document as financial audits, attestation engagements, and performance audits."

Due to the Florida Statutory requirements, the OIG must comply with the "General Principles and Standards for Offices of Inspector General" known as the "Green Book" specifically for investigations. For audits, the same statutes require adherence to either "International Standards for the Professional Practice of Internal Auditing" known as the "Red Book" or where applicable, "Government Auditing Standards" known as the "Yellow Book". Because of the potential overlap, especially related to "Reviews", we recommend that your "Review Engagement Classification form distinguish "Green Book Review" from "Yellow Book Audit".

Your current policies and procedures contain substantial references to independence criteria from the 2007 "Yellow Book". Current government auditing standards (2011 revision) also provide significant independent safeguards for statutory regulations, such as the independent reporting relationship of the audit organization. We recommend that the section on Professional Standards (Chapter 8, page 1) be updated to include the safeguard references applicable to SFWMD.

GAS 6.66 states that "Auditors should assess the sufficiency and appropriateness of computer-processed information regardless of whether this information is provided to auditors or auditors independently extract it."

We could not locate documentation to support if information system controls were identified and evaluated. We recommend that the planning checklist be modified to indicate what information systems are applicable during the audit and if so, an assessment of their reliability.



Craig Schroder
Senior Auditor
City of Charlotte



Vivian Walker
Senior Auditor
City of Tampa



SOUTH FLORIDA WATER MANAGEMENT DISTRICT

March 28, 2013

Craig Schroder
City of Charlotte
600 East 4th Street
Charlotte, NC 28202

Vivian Walker
City of Tampa
306 E. Jackson Street 5N
Tampa, FL 33602

Dear Mr. Schroder and Ms. Walker:

Thank you for your outstanding work in performing an external quality control review of the South Florida Water Management District's Office of Inspector General. We recognize the importance of being deemed in compliance with government auditing standards and greatly appreciate your time and effort on this engagement.

Your management letter provides some excellent suggestions our team can take to enhance our adherence to government auditing standards. Our plans to address your suggestions are identified below:

Consideration of Computer-Processed Information Reliability: Our Office has performed a number of audits and reviews over the years of the District's various computer information systems, the results of which have demonstrated the sufficiency and appropriateness of these various systems. We have added a step to our audit planning checklist to documents our assessment of the sufficiency and appropriateness of computer processed information that is anticipated to be used in conducting each audit.

Updating Policy and Procedures Regarding Independence Safeguards: The safeguards regarding independence have been added to our Policy and Procedures manual. Specifically among the safeguards are the organizational structure of the Office of Inspector General that provides strong independence, as well as, that the office's activities are driven by statutory requirements and an annual audit plan that is approved by the Governing Board – and not by management.

Review Engagement Classification Form: The form has been revised to distinguish "Green Bok Review" from "Yellow Book Audit".

The suggestions contained in your written report add value to our office. We greatly appreciate the advice you have given to us throughout your week in West Palm Beach. Thank you for your time and professionalism.

Sincerely,

A handwritten signature in blue ink that reads "J. Timothy Beirnes". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

J. Timothy Beirnes
Inspector General

C: Tina Adams, Regional Coordinator
ALGA Peer Review Committee