



South Florida Water Management District

AUDIT & FINANCE COMMITTEE AGENDA

December 12, 2024
District Headquarters, B-1 Auditorium
3301 Gun Club Road
West Palm Beach, FL 33406

FINAL

Committee Members:
Jay Steinle, Chairman
Ron Bergeron, Sr.
Cheryl Meads

1. Call to Order - Jay Steinle, Chairman
2. Approval of the Minutes for the July 11, 2024 Meeting
3. Summary of Investments as of October 31, 2024 - Lucie Weinberg, Treasurer
4. Inspector General Audit Reports - Tim Beirnes, Inspector General
 - Monitoring Review of Construction Change Orders
 - Audit of Department of Motor Vehicles File Security
5. Proposed Audit Plan for Fiscal Year 2024-2025 and Long-Term Audit Plan for Fiscal Years 2026-2030
6. Public Comment
7. Adjourn

Final Presentations

Agenda Item Background:

- 03 Weinberg Investment Update
- 04 Beirnes Monitoring Review of Construction Change Orders
- 04 Beirnes Audit of DMV File Security
- 05 Beirnes Proposed Audit Plans



Investment Portfolio as of October 31, 2024

Audit and Finance Committee December 12, 2024

Lucie Weinberg
Treasurer

Administrative Services Division



Market Environment

- The Fed funds target range was cut by 25 bp's in November to 4.50%-4.75%
- Fed not on a preset path and “in no hurry” to lower rates
- Forecast is for one 25 bp cut in December
- Gradual rate cuts at a measured pace on the horizon - Fed will lower rates over time (once per quarter in 2025)
- The pace will be determined by the data – unemployment rate is a key factor
- Current unemployment rate dropped to 4.1% (loose target of 5% = full employment)
- Current inflation rate is 2.6% (lowest since Feb 2021) - target rate is 2%
- Current Fed Funds Rate is headed toward a “neutral rate” of 3%
- Fed's current goal is to support a healthy economy; not rescue a struggling economy or prevent recession

Investment Strategy

- **The District is currently investing excess cash into the Goldman Sachs Financial Squares MMF, Dreyfus Government Institutional MMF and Fidelity Treasury Institutional MMF at an average yield of 4.53% post rate cuts.**
- **All funds provide daily liquidity to fund operating expenses including AP, Payroll, and large capital projects.**
- **We continue to manage our daily cash position to our targeted operating account balance of \$5,000,000.**
- **This strategy allows us to maximize return on idle cash as the Truist operating account interest rate remains at 1.00% versus 4.53% on money market funds.**
- **As we continue to spend down fund balances, we will maintain funds in liquid investments with daily access to funds.**

Key Interest Rates

Investment Type	August 31, 2024	November 30, 2024
Federal Reserve Funds	5.25%-5.50%	4.50%-4.75%
3-Month T Bill	5.21%	4.58%
2-Year Treasury	3.91%	4.13%
5-Year Treasury	3.71%	4.05%
10-Year Treasury	3.91%	4.18%
State Pool	5.48%	4.87%

FY2024 Through 9-30-2024

- **\$14.4M Investment Earnings through September 2024**
- **\$1.3M Investment Earnings for September 2024**
- **1.61% Book Yield (Investments Only)**
- **2.52% Book Yield (Cash & Investments)**
- **4.68% Yield (Cash & Cash Equivalents)**
- **\$115.2M Cash & Cash Equivalents Balance**
- **\$272.5M Investment Balance**
- **70% Invested***
- **30% Cash & Cash Equivalents***

*See breakdown on next slide

9-30-2024 Portfolio Breakdown \$387.7 Million

	PAR VALUE (million)	CURRENT YIELD	% PORTFOLIO
Cash & Cash Equivalents/Short Term Cash (30%)			
Operating Account	\$4.399M	1.00%	1.135%
Federated MM* <small>Money Market</small>	\$110.8M	4.83%	28.57%
Cash total:	\$115.2M		
Invested/Long-Term Investments (70%)			
U.S. Agencies	\$98.47M	1.43%	25.40%
MBS* <small>*Mortgage-Backed Securities</small>	\$174.1M	1.73%	44.89%
Investments Total:	\$272.5M		
Total:	\$387.7M		



Benchmark Comparisons 9-30-2024

Cash & Investments

<u>Entity</u>	<u>Yield</u>	<u>Duration</u>
SFWMD	2.52%	2.53
St. John's River Water Management District	3.45%	2.53
Southwest Florida Water Management District	4.12%	1.24
1-3 Year Treasury Index	3.71%	1.76
S&P LGIP Index (Cash)	5.21%	0.00



FY2025 Through 10-31-2024

- **\$673K Investment Earnings in October 2024**
- **1.60% Book Yield (Investments Only)**
- **2.38% Book Yield (Cash & Investments)**
- **4.19% Yield (Cash & Cash Equivalents)**
- **\$115.9M Cash & Cash Equivalents Balance**
- **\$271.6M Investment Balance**
- **70% Invested***
- **30% Cash & Cash Equivalents***

*See breakdown on next slide

10-31-2024 Portfolio Breakdown \$387.49 Million

	PAR VALUE (million)	CURRENT YIELD	% PORTFOLIO
Cash & Cash Equivalents/Short Term Cash (30%)			
Operating Account	\$11.21M	1.00%	2.90%
Federated MM* <small>Money Market</small>	\$104.7M	4.53%	27.03%
Cash Total:	\$115.9M		
Invested/Long-Term Investments (70%)			
U.S. Agencies	\$98.472M	1.43%	25.41%
MBS* <small>*Mortgage-Backed Securities</small>	\$173.13M	1.71%	44.66%
Investment Total:	\$271.60M		
Total:	\$387.49M		



Discussion





Monitoring Review of Construction Change Orders

Report #25-04



Tim Beirnes
Inspector General
Audit and Finance Committee
December 12, 2024



Review Objectives



- **Review Period - April 1, 2024 through September 30, 2024**
- **Assessed whether change orders negotiated during the Review Period were negotiated in accordance with contract terms and conditions.**
- **Verified cumulative change order amounts as a percentage of original contract amounts.**
- **Compared change order percentage to industry benchmarks.**
- **Identified all construction contract change orders the Governing Board authorized.**

Review Scope



- **72 Change order were executed during the Review Period for a total of \$ 17,262,443**
- **Reviewed a sample of change orders to ensure that essential documentation was maintained in eBuilder.**
- **Identified all Governing Board construction change order resolutions approved during the Reporting Period.**



Review Results



Change Order Summary for the Period 4/1/2024 - 9/30/2024			
	All Change Orders	Outliers	Excluding Outliers
Original Contract Amount	<u>\$ 526,242,958</u>	<u>\$ (238,563,759)</u>	<u>\$ 287,679,199</u>
Approved Prior Periods	\$ 111,567,839	\$ (102,062,587)	\$ 9,505,252
Approved Current Period	<u>17,262,443</u>	<u>(13,755,410)</u>	<u>3,507,033</u>
Cumulative Approved	<u>\$ 128,830,282</u>	<u>\$ (115,817,997)</u>	<u>\$ 13,012,285</u>
Percent of Original Contract	24.5%		4.5%

- Change orders were properly input into eBuilder, authorized appropriately, and accurately calculated.
- Change order average percentage for the Review Period ended 9/30/2024 was calculated at 24.5%, with all contracts considered, and 4.5% with 3 outlier contracts removed.
- Percentage is within industry standard range of approximately 8-14%, when excluding outliers.



Review Results



Change Orders Outliers For the period 4/1/2024 through 9/30/2024							
Project Name (notes)	Contract #	Original Contract Value	CO Approved Date	Approved Current Period	Approved Prior Periods	Cumulative Approved Changes	CO %
C-139 Annex Restoration Phase 2 and Agricultural Area Stormwater Rerouting, Hendry County, FL (1)	4600004336	\$ 35,227,108	8/20/2024	\$ 1,006,994	\$(11,347,210)	\$ (10,340,216)	-29.4%
CEPP New Waters EAA A-2 STA, Palm Beach County, Florida (2)	4600004380	\$ 175,844,000	9/26/2024	\$ 539,524	\$112,669,921	\$ 113,209,445	64.4%
S9 and S9A Trash Rake and Pump Station Refurbishment, Broward County, Florida (3)	4600004514	\$ 27,492,651	9/30/2024	\$ 12,208,892	\$ 739,876	\$ 12,948,768	47.1%
Total Outliers		<u>\$ 238,563,759</u>		<u>\$ 13,755,410</u>	<u>\$102,062,587</u>	<u>\$ 115,817,997</u>	48.5%

- (1) Scope reduced by removing areas of work to provide time for invasive vegetation management.
- (2) Work added in the STA inflow canal that doubled as the reservoir seepage canal. Added seepage management treatment in that canal and expanded the cross section to allow the treatment to be added and not impact the original design section required for flow.
- (3) Scope of work added due to significant corrosion and wear to pumps shafts observed after pumps were removed.



Board Approved Resolutions



- Reviewed all Governing Board agendas and minutes during the Review Period ended 9/30/2024
- Governing Board approved 4 resolutions for construction change orders during this period for a total of \$13,094,781.
- Actual executed change orders under these Board authorizations were the same as the authorized amounts.

Change Order Resolutions April 1, 2024 – September 30, 2024

Project	Board Meeting Date	Resolution #	Approved Amount	Executed Change Order
C-23 Estuary Discharge Diversion	4/11/2024	2024-0408	\$803,518	\$803,518
S-9 and S-9A Trash Rake and Pump Station Refurbishments Project	4/11/2024	2024-0411	\$3,305,511	\$3,305,511
STA-1E Cell-Outflow Structure Emergency Power Generator Project	4/11/2024	2024-0412	\$216,784	\$216,784
S-9 and S-9A Trash Rake and Pump Station Refurbishments Project	7/11/2024	2023-0707	\$8,768,968	\$8,768,968
Total			<u>\$13,094,781</u>	<u>\$13,094,781</u>



DISCUSSION



Questions & Comments

Audit of the Department of Motor Vehicles File Security – FY 2025



Report #25-05

Tim Beirnes
Inspector General
Audit and Finance Committee
December 12, 2024

Background

- **The District entered into a Memorandum of Understand (MOU) with the Department of Highway Safety and Motor Vehicles (DMV) in order to receive a monthly file of District employee driver's license records in order to:**
 - **Review for suspensions and other major infractions.**
 - **Ensure that employees operating District vehicles have valid Florida driver licenses.**

MOU Audit Requirement

- **The MOU requires the District to physically secure driver license data and to ensure proper and authorized use of the DMV records.**
- **The MOU requires an audit of District internal controls regarding the security of employees' DMV information.**

Audit Objective

Determine whether District internal controls related to driver license information received from the DMV are adequate to ensure that the DMV records are protected from unauthorized access, distribution, use, modification or disclosure.

MOU Audit Requirements

- **Evaluated the internal controls governing the use and dissemination of personal data based on the requirements of the MOU.**
- **Determined whether internal controls included data security policies/procedures that were in place for personnel to follow and data security procedures/policies were in place to protect personal data.**
- **Determined whether those data security procedures/policies have been approved by a Risk Management IT Security Professional, with credentials such as, but not limited to: CISA, CISSP, CISM, or CRISC.**
- **Determined whether any and all deficiencies/issues found during the audit have been corrected and measures enacted to prevent recurrence.**
- **Provided an opinion on whether such internal controls are adequate to protect the personal data from unauthorized access, distribution, use, modification, or disclosure.**

Audit Results

- **We found that adequate internal controls are in place to protect DMV personal data. The District is in full compliance with the MOU.**
- **No audit findings and recommendations related to our audit.**

Questions & Discussion?



Proposed Audit Plan for FY 2024-2025 and Long-Term Audit Plan for FY 2026-2030

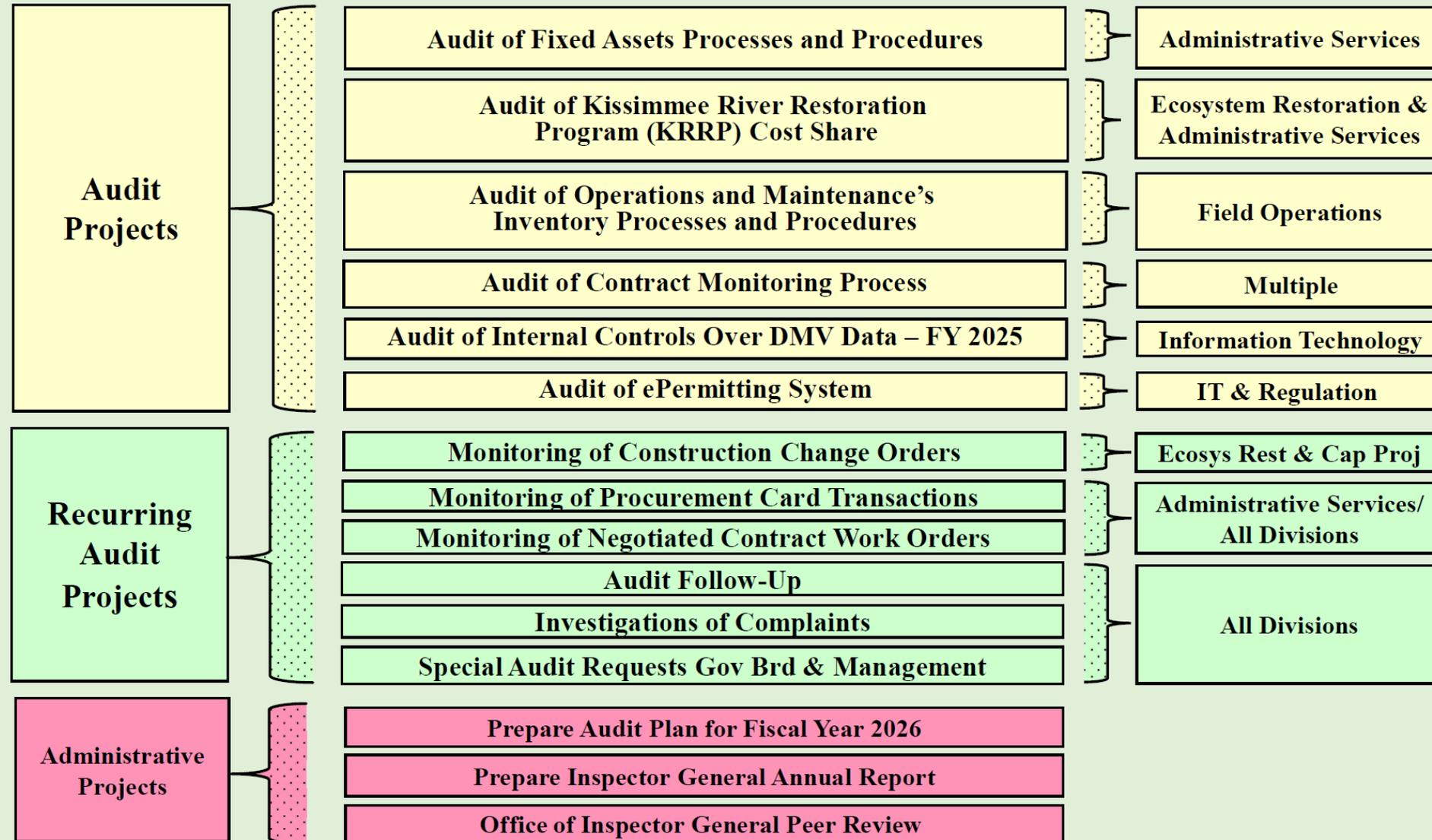
Tim Beirnes
Inspector General
December 12, 2024

Planning Approach

- **Review Current Strategic Plan**
- **Reviewing FY 2024-2025 Budget**
- **Identifying those programs, activities and functions that we consider to present potential risk to the District**
- **Considering time since programs were last audited**
- **Obtaining input from executive management and the Governing Board**

Proposed Audit Projects FY2024-2025

Divisions



Audit of Fixed Assets Processes and Procedures

Objective:

- **Provide an independent review of the District's asset management processes and procedures for fixed assets; including a comparison of the District's procedures to industry best practices in order to identify potential improvements.**

Audit of Kissimmee River Restoration Program (KRRP) Cost Share

Objectives:

- **Examine the District's process for preparing In-Kind Credit Requests to ensure the District is requesting credit for all eligible costs related to the KRR project. Also determine that adequate supporting documentation is maintained for such expenditures.**

Audit of Operations and Maintenance's Inventory Processes and Procedures

Objectives:

- **Assess whether operations and maintenance's internal controls over consumable inventory are adequate and functioning properly.**

Audit of Contract Monitoring Process

Objectives:

- **Objectives of this audit will include:**
 - **Determining if contract monitoring policies and procedures are adequate and in compliance with regulatory requirements,**
 - **Assessing the adequacy of contract manager training and development,**
 - **Identifying potential best practices by evaluating contract monitoring processes.**

Audit of Internal Controls Over DMV Data – FY 2025

Objectives:

- **Determine whether District internal controls related to the drivers license information received from the DMV are sufficient to ensure that DMV records are adequately protected from unauthorized access, distribution, use, modification, or disclosure.**

Audit of the District's ePermitting System

Objectives

Determine whether:

- **The system provides the desired operational and business needs.**
- **Computer physical assets are adequately safeguarded.**
- **Technical administrative support is adequate.**
- **User needs are being properly supported and measured.**
- **The system contains adequate access controls to prevent unauthorized access.**

Monitoring of Construction Contract Change Orders

Objective:

On an on-going basis, periodically verifying cumulative change order amounts as a percentage of original construction contracts and compare such to industry averages.

Monitoring of Procurement Card Transactions

Objective:

Periodically examine procurement card transactions to ensure they are:

- Appropriate District expenditures**
- Contain adequate supporting documentation**
- Properly recorded in the accounting records**

Monitoring of Negotiated Contract Work Orders

Objective:

- **Periodically select a sample of contracts to ensure that work orders are properly negotiated in a manner that maintains the District's best interest**

Other Audit Projects

Objective:

- **Audit Follow-Up**
- **Investigate Whistle-Blower Complaints**
- **Audit Requests from Governing Board and District Management**
 - **Our Office periodically receives request for audits and investigations from the Governing Board and Executive Management on an as needed basis**

Administrative Projects

- **Audit Plan for Fiscal Year 2025-2026**
- **Office of Inspector General Annual Report**

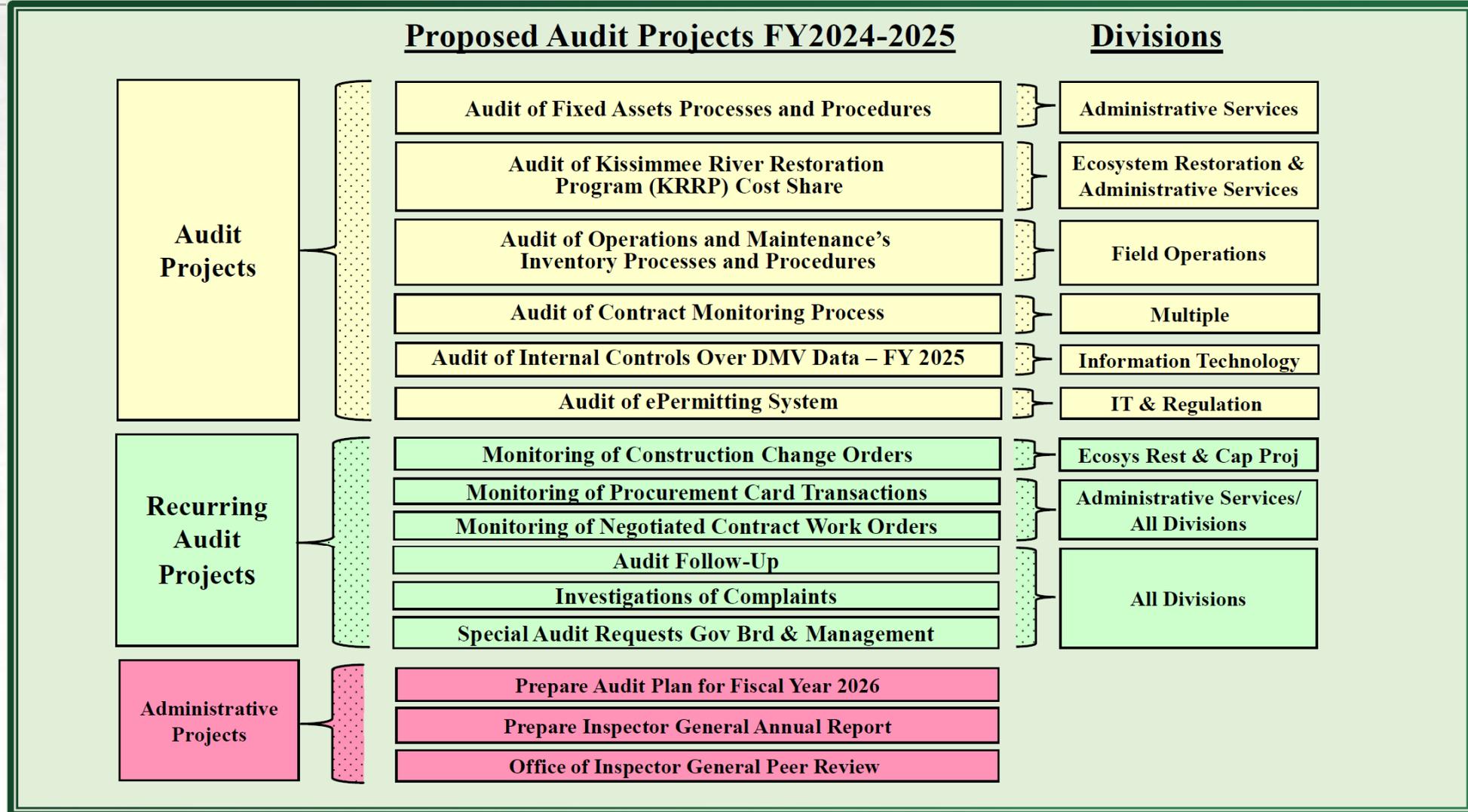
Peer Review

- **The Office of Inspector General's last Peer Review was performed in FY 2022.**
- **Florida Statutes require Inspector General's to adhere to Government Auditing Standards established by the U.S. Government Accounting Office (GAO).**
- **The GAO standards require a peer review be performed every three years.**
- **Peer review evaluates our adherence to the professional standards.**
- **Peer review will be performed through the Association of Local Governmental Auditors (ALGA) peer review program.**

Long-Term Audit Plan FY 2026-2030

- **Designed to provide sufficient audit coverage over time to reach all significant programs, activities, and functions.**
- **Provides a listing of proposed audit projects and associated audit objectives for the next five years.**
- **Audit cycle time between audits for the audit population varies based on risk assessment for the audit area.**
- **Five-year plan updated annually.**
- **Provides flexibility to incorporate additional audit subjects to meet the Governing Board's and management's needs**

Discussion & Questions ?



Recommendation

- Recommend Approval of the Audit Plan for Fiscal Year 2024-2025 and Long-Term Audit Plan for Fiscal Years 2026-2030**