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## South Florida Water Management District

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### **AUDIT & FINANCE COMMITTEE AGENDA**

July 11, 2024

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

FINAL

Committee Members:  
Jay Steinle, Chairman  
Ron Bergeron  
Cheryl Meads

1. Call to Order - Jay Steinle, Chairman
2. Approval of the Minutes for the September 26, 2023 Meeting
3. Summary of Investments as of May 31, 2024 - Lucie Weinberg, Treasurer
4. Inspector General Audit Reports - Tim Beirnes, Inspector General
  - Monitoring Review of Construction Change Orders
  - Audit of Land Sales Proceeds
5. Results of Auditing Services Request for Proposal - Tim Beirnes, Inspector General
6. Public Comment
7. Adjourn

Final Presentations

**Agenda Item Background:**

[3 Weinberg FY24 Investment Update](#)

- 4A Beirnes Monitoring Review of Construction Change Orders
- 4B Beirnes Audit of Land Sales Proceeds
- 5 Beirnes Results of RFP for Auditing Services



# Investment Portfolio as of May 31, 2024

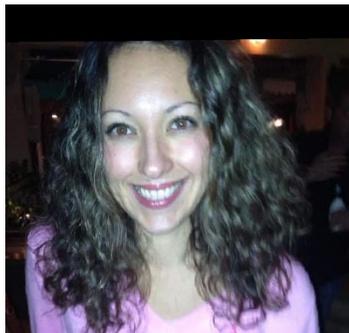
## Audit and Finance Committee

**July 11, 2024**

Lucie Weinberg

Treasurer

Administrative Services Division



# Market Environment

- **The Fed funds rate target range remains unchanged at 5.25%-5.50%.**
- **Highest level of benchmark borrowing costs in over 22 years.**
- **Fed expects to cut rates once this year by 25 bps (5.00%-5.25%)**
- **Original forecast was a 3-time cut in 2024**
- **Federal Reserve Chairman Jerome Powell – no rate cut until data shows inflation is cooling at faster pace**
- **Inflation cooled to 3.3% in May from 3.4% in April**
- **However, Consumer Price Index jumped from 3.2% in February to 3.5% in March (largest one month acceleration in 6 months)**
- **Inflation data only one piece of puzzle - decision to cut further based on totality of economic data**

# 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 5.21%.
- All funds provide daily liquidity to fund operational expenses including AP and Payroll.
- 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 is 1.00% versus 5.21% on money market funds.
- We view the bond portfolio as a hold-to-maturity portfolio; should interest rates fall in 2024 and 2025, our bond valuations will improve.
- Long-term bonds mature at PAR and market losses decrease with maturity.
- Currently, the Fed is in a hold position until economic data comes in stronger.
- Potential rate cuts of 75 basis points in 2025 – This will improve valuations of the bond portfolio.

# Key Interest Rates

Investment Type	October 31, 2023	May 31, 2024
<b>Federal Reserve Funds</b>	<b>5.25%-5.50%</b>	<b>5.25%-5.50%</b>
<b>3-Month T Bill</b>	<b>5.59%</b>	<b>5.46%</b>
<b>2-Year Treasury</b>	<b>5.07%</b>	<b>4.89%</b>
<b>5-Year Treasury</b>	<b>4.82%</b>	<b>4.52%</b>
<b>10-Year Treasury</b>	<b>4.88%</b>	<b>4.51%</b>
<b>State Pool</b>	<b>5.59%</b>	<b>5.48%</b>

# FY2024 Through 5-31-2024

- **\$9.4M Investment Earnings through May 31, 2024**
- **\$935K in investment earnings for May 2024**
- **1.61% Book Yield (Investments Only)**
- **2.65% Book Yield (Cash & Investments)**
- **5.03% Yield (Cash & Cash Equivalents)**
- **\$119.9M Cash & Cash Equivalents Balance**
- **\$277.4M Investment Balance**
- **70% Invested\***
- **30% Cash & Cash Equivalents\***

\*See breakdown on next slide

# 5-31-2024 Portfolio Breakdown \$397.3 Million

	PAR VALUE (million)	CURRENT YIELD	% PORTFOLIO
<b>Cash &amp; Cash Equivalents/Short Term Cash (30%)</b>			
Operating Account	\$5.011M	1.00%	1.260%
Federated MM* <small>Money Market</small>	\$114.9M	5.21%	28.95%
<b>Total:</b>	<b>\$119.9M</b>		
<b>Invested/Long-Term Investments (70%)</b>			
U.S. Agencies	\$98.5M	1.43%	24.78%
MBS* <small>*Mortgage-Backed Securities</small>	\$178.9M	1.71%	45.01%
<b>Total:</b>	<b>\$277.4M</b>		



# Benchmark Comparisons 3-31-2024

<u>Entity</u>	<u>Yield</u>	<u>Duration</u>
SFWMD	3.02%	2.35
Southwest Florida Water Management District	4.18%	1.44
1-3 Year Treasury Index	4.70%	1.76
S&P LGIP Index (Cash)	5.34%	0.00





# Discussion





# Monitoring Review of Construction Change Orders

Report #24-06



Tim Beirnes  
Inspector General  
Audit and Finance Committee  
July 11, 2024



# Review Objectives



- **Review Periods**
  - **October 1, 2022 through September 30, 2023, and**
  - **October 1, 2023 through March 31, 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



- **Change Orders Executed during Review Periods:**
  - 57 totaling \$14,533,651 for 12-month period ended 9/30/23
  - 58 totaling \$17,772,557 for 6-month period ended 6/30/24
- **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 10/1/2022 - 9/30/2023			
	All Change Orders	Outliers	Excluding Outliers
Original Contract Amount	<u>\$ 1,134,196,649</u>	<u>\$ (188,774,000)</u>	<u>\$ 945,422,649</u>
Approved Period Periods	\$ 122,755,228	\$ (96,263,627)	\$ 26,491,601
Approved Current Period	<u>14,533,651</u>	<u>(3,220,871)</u>	<u>11,312,780</u>
Cumulative Approved	<u>\$ 137,288,879</u>	<u>\$ (99,484,498)</u>	<u>\$ 37,804,381</u>
Percent of Original Contract	12.1%		4.0%

- Change orders were properly input into eBuilder, authorized appropriately, and accurately calculated.
- Change order average percentage for the Review Period ended 9/30/2023 was calculated at 12.1%, with all contracts considered, and 4.0% with 2 outlier contracts removed.
- Percentage is within industry standard range of approximately 8-14%, when excluding outliers.



# Review Results



Change Order Summary for the Period 10/1/2023 - 3/31/2024			
	All Change Orders	Outliers	Excluding Outliers
Original Contract Amount	<u>\$ 633,575,371</u>	<u>\$ (211,071,108)</u>	<u>\$ 422,504,263</u>
Approved Period Periods	\$ 104,025,466	\$ (88,972,117)	\$ 15,053,349
Approved Current Period	<u>17,772,557</u>	<u>(12,618,140)</u>	<u>5,154,417</u>
Cumulative Approved	<u>\$ 121,798,023</u>	<u>\$ (101,590,257)</u>	<u>\$ 20,207,766</u>
Percent of Original Contract	19.2%		4.8%

- Change orders were properly input into eBuilder, authorized appropriately, and accurately calculated.
- Change order average percentage for the Review Period ended 9/30/2023 was calculated at 19.2%, with all contracts considered, and 4.8% with 2 outlier contracts removed.
- Percentage is within industry standard range of approximately 8-14%, when excluding outliers.



# GB Resolutions Review



- Reviewed all Governing Board agendas and minutes during the Review Period ended 9/30/2023
- Governing Board approved 2 resolutions for construction change orders during this period for a total of \$2,330,177.
- Actual executed change orders under these Board authorizations was \$2,157,620, or \$172,557 less than the authorized amounts.

Change Order Resolutions				
October 1, 2022 – September 30, 2023				
Project	Board Meeting Date	Resolution #	Board Approved Amount	Executed Change Order
STA Refurbishments Project	2/9/2023	2023-0210	\$2,183,000	\$2,010,443
C-139 Flow Equalization Basin	8/17/2023	2023-0809	<u>\$147,177</u>	<u>\$147,177</u>
<b>Total</b>			<b><u>\$2,330,177</u></b>	<b><u>\$2,157,620</u></b>



# Board Approved Resolutions



- Reviewed all Governing Board agendas and minutes during the Review Period ended 3/31/2024
- Governing Board approved 3 resolutions for construction change orders during this period for a total of \$24,121,803.
- Actual executed change orders under these Board authorizations were the same as the authorized amounts.

**Change Order Resolutions  
October 1, 2023 – March 31, 2024**

Project	Board Meeting Date	Resolution #	Board Approved Amount	Executed Change Order
STA-1W Expansion #2 G-780 & G781 Pump Stations Project	12/14/2023	2023-1214	\$298,307	\$298,307
STA-1W Expansion #2 G-782 Pump Stations Project	12/14/2023	2023-1215	\$898,892	\$898,892
CEPP New Waters EAA A-2 Stormwater Treatment Area, Palm Beach County, FL	12/14/2023	2023-1220	\$22,924,604	\$22,924,604
<b>Total</b>			<b><u>\$24,121,803</u></b>	<b><u>\$24,121,803</u></b>



# DISCUSSION



# Questions & Comments

# Audit of Land Sales Proceeds Project #22-24



Tim Beirnes, Inspector General  
Audit and Finance Committee  
July 11, 2024

# Background

## Land Sales Governed by Florida Statutes and District Policies and Procedures; *for example*

- **Section 373.089, F.S.** – Sale or exchange of lands, or interests or rights in lands - The Governing Board has the authority to sell lands, exchange lands, or interests or rights in lands, to which the District has acquired title.
- **Section 373.139, F.S.** – Acquisition of real property - Addresses acquisition and disposition of real property.
- **Section 373.056, F.S.** – State agencies, counties, drainage districts, municipalities, or governmental agencies or public corporations authorized to convey or receive land from water management districts.

# Audit Objectives

- **Determine whether surplus land sales proceeds were adequately accounted for in accordance with applicable laws, rules, regulations, and policies.**

# Audit Results

- Overall, the District has an adequate process in place to ensure that surplus land sales proceeds are adequately accounted for in accordance with applicable laws, rules, regulations, and policies.
- Process in place to segregate surplus land proceeds in restricted revenue accounts to ensure that proceeds from sale of surplus lands are adequately accounted for.

# Audit Results

- **Compliance with applicable state statutes, requirements and procedures relating to the use of surplus land proceeds.**
  - ❑ **Relevant Sections of 373.089 and 373.139, F.S., are referenced in the District's Governing Board resolutions for surplus land sales / exchanges / grant easements.**
- **The District worked closely with DEP to ensure compliance.**
  - ❑ **During Fiscal Years 2015 – 2022, the District generated \$26,447,477 from land disposal related transactions, which consisted of \$25,659,907 from surplus land proceeds and \$787,570 in related interest revenue.**

# Audit Results

**Summary of Surplus Proceeds from Land Dispositions, Exchanges, and Easements by Fund for FYs 2015 - 2022**

Revenue Category	Revenue	Usage	Balance
<b>Save Our Everglades Trust Fund – Usage Prohibited by DEP</b>			
Restricted Surplus & Interest Income	\$ 2,908,894	\$ 0	\$ 2,908,894
<i>DEP instructed the District not to utilize any SOETF surplus related funds. The District complied and is awaiting DEP’s guidance regarding whether to spend or remit the surplus revenue and interest income.</i>			
<b>Water Management Land, Preservation 2000, and Florida Forever Trust Funds</b>			
Restricted Surplus & Interest Income	\$ 14,808,106	\$ 10,347,684	\$ 4,460,422
Amount Remitted to DEP			\$ 4,633,966
Possibly Erroneous Remittance to DEP			\$ 173,544
<i>DEP approved the District’s use of \$10,347,684 of the proceeds; however, subsequently requested remittance of unspent revenue and interest income to DEP. The District remitted \$4,633,966; however, based on documentation, it appears the remittance included \$173,544 in error.</i>			

# Audit Results

## Summary of Surplus Proceeds from Land Dispositions, Exchanges, and Easements by Fund for FYs 2015 - 2022

Revenue Category	Revenue	Usage	Balance
<b>Ad Valorem Funds – Non-Restricted and Restricted Uses</b>			
No Restrictions on Surplus Usage	\$ 1,785,106	Acquired for Administrative Use	
Restricted Surplus	\$ 6,945,371	\$ 3,319,713	\$ 3,625,658
Total	\$ 8,730,477	\$ 3,319,713	\$ 3,625,658

*Balance is primarily encumbered in the Fiscal Year 2023-2024 budget for future land acquisition for CERP and Everglades Restoration projects.*

# Audit Recommendations

- **Made four audit recommendations**
- **Management concurred with all the recommendations**

# Governing Board Discussion

## Discussion & Questions



# Results of Request For Proposal for Annual Independent Financial Audit Services

Tim Beirnes  
Inspector General  
Audit and Finance Committee  
July 11, 2024



# RFP Timeline



- **Current Contract with RSM Expires September 30, 2024**
- **RFP Issued - April 24<sup>th</sup>**
- **Inquiry Period - April 24<sup>th</sup> to May 10<sup>th</sup>**
- **Addendum Issued - May 13<sup>th</sup>**
- **Proposal Submittal Due Date – May 24<sup>th</sup>**
- **Received 4 Proposals**
  - **Marcum, LLP**
  - **Moore, Stephens & Lovelace (MSL)**
  - **Carr, Riggs & Ingram, LLC (CRI)**
  - **RSM US, LLP**
- **Verified Responsiveness & References - May 24<sup>th</sup> to June 3<sup>rd</sup>**
- **Evaluation Team Kick-off Meeting – June 3<sup>rd</sup>**
- **RFP Scoring/Ranking Completed – June 16<sup>th</sup>**
- **Evaluation Committee Meeting – June 19<sup>th</sup> (Publicly noticed)**



# CPA Firm Information



CPA Firm Information	Marcum	MSL	CRI	RSM
Number of Offices	52	4	83	820
Firm Size Ranking	13 <sup>th</sup>	Regional	25 <sup>th</sup>	5 <sup>th</sup>
Number of Associates	4,100	100	2,000	64,000
Nearest Office	West Palm Beach	Ft Lauderdale	PB Gardens	West Palm Beach



# RFP Ranking



CPA Firm Information	Marcum	MSL	CRI	RSM
Number of Offices	52	4	83	820
Firm Size Ranking	13 <sup>th</sup>	Regional	25 <sup>th</sup>	5 <sup>th</sup>
Number of Associates	4,100	100	2,000	64,000
Nearest Office	West Palm Beach	Ft Lauderdale	PB Gardens	West Palm Beach

RFP Team Rankings	Marcum	MSL	CRI	RSM
RFP Team Ranking	1	2	3	4
RFP Team Total Score	423	390	389	373
5-Year Cost Proposal	\$ 700,000	\$ 715,000	\$ 790,000	\$ 866,665

# Cost Proposal



CPA Firm Information	Marcum	MSL	CRI	RSM
Number of Offices	52	4	83	820
Firm Size Ranking	13 <sup>th</sup>	Regional	25 <sup>th</sup>	5 <sup>th</sup>
Number of Associates	4,100	100	2,000	64,000
Nearest Office	West Palm Beach	Ft Lauderdale	PB Gardens	West Palm Beach

RFP Team Rankings	Marcum	MSL	CRI	RSM
RFP Team Ranking	1	2	3	4
RFP Team Total Score	423	390	389	373
5-Year Cost Proposal	\$ 700,000	\$ 715,000	\$ 790,000	\$ 866,665

	Year	Marcum	MSL	CRI	RSM
Initial 3Yrs	1	\$ 140,000	\$ 140,000	\$ 150,000	\$ 160,000
	2	\$ 140,000	\$ 140,000	\$ 140,000	\$ 166,400
	3	\$ 140,000	\$ 140,000	\$ 154,000	\$ 173,065
Options	4	\$ 140,000	\$ 145,000	\$ 162,000	\$ 180,000
	5	\$ 140,000	\$ 150,000	\$ 166,000	\$ 187,200
	5-Year Total Cost (1)	\$ 700,000	\$ 715,000	\$ 790,000	\$ 866,665

(1) Current Contract for FY 2023 Audit was \$160,000

# Delegated Authority



- **Audit and Finance Committee Charter**
  - **Section 101-42(a): “ The Governing Board delegates from the Governing Board to the Audit and Finance Committee the authority to:”**
  - **“(6) The Audit and Finance Committee selects and procures the selection of the independent certified public accountant to perform the annual financial audits”**

# Recommendation & Discussion



- **Recommend selecting Marcum, LLP to perform the District's annual financial audits**
- **Discussion & Questions**