

**SUWANNEE RIVER WATER
MANAGEMENT DISTRICT**

**INTERNAL AUDIT ON
GRANT MANAGEMENT**

REPORT #19-02

August 7, 2019

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Certified Public Accountants

Governing Board
Suwannee River Water Management District
9225 Co Rd 49,
Live Oak, FL 32060

We have performed internal audit procedures to assist the Suwannee River Water Management District (District) in evaluating its organizational and procedural controls for grant management.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing and generally accepted *Government Auditing Standards*. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope and objectives of the internal auditing services are described in our contract executed June 12, 2018. The accompanying report presents our analysis and is organized as follows:

- Background
- Objectives, Scope, and Methodology
- Summary of Results

The procedures we performed were applied to the internal control processes and procedures related to the District's grant management. These procedures were accomplished by:

- Obtaining and inspecting the District's documented policies and procedures;
- Interviews with contract managers who are responsible for grant management and compliance;
- Walkthrough of grant management process with the Chief Financial Officer, Contract Managers, and administrative staff;
- Evaluation of responses in relation to grant compliance supplements, grant requirements and other documentation deemed necessary.

Our procedures were not designed to express an opinion on the compliance with laws, regulations, and contractual provisions or on the internal control environment associated with the District, and we do not express such opinions. Because of inherent limitations associated with internal control systems, errors or fraud may occur and not be prevented or detected by internal controls. Projections of any evaluation of the controls to future periods are subject to the risk that procedures may become inadequate because of changed conditions.

This report is intended solely for the information and use of the Governing Board and District management and is not intended to be used by anyone other than these specified parties.

Law Redd Crona + Munroe P.A.

LAW, REDD, CRONA & MUNROE, P.A.
Tallahassee, Florida
August 7, 2019

BACKGROUND

The Suwannee River Water Management District receives federal awards and state financial assistance, in the form of grant contracts (grants) and general appropriations, to complete projects throughout the District. Projects include land acquisition, water quality improvement, springs restoration and land mapping.

Federal Awards

The Single Audit Act of 1984 established requirements for audits of States, local governments, and Indian tribal governments that administer Federal financial assistance programs. Federal programs are assigned a Catalog of Federal Domestic Assistance number (CFDA #) and require recipients to follow certain general compliance requirements outlined in each grant and, if applicable, the award’s compliance supplement. General compliance requirements include activities allowed or unallowed, allowable costs/cost principles, cash management, eligibility, equipment/real property management, matching, level of effort, earmarking, period of performance, procurement and suspension and debarment, program income, reporting, subrecipient monitoring and special tests and provisions.

State Financial Assistance

The Florida Single Audit Act, Section 215.97, Florida Statutes, establishes audit and accountability requirements for state financial assistance provided to nonstate entities. Each state project is assigned a Catalog of State Financial Assistance number (CSFA#). There are many similarities between state general compliance requirements and the federal general compliance requirements. The areas of state general compliance include activities allowed or unallowed, allowable costs, cash management, eligibility, equipment and real property management, matching, period of availability of state funds, subrecipient monitoring and special tests and provisions.

According to the District’s grant schedule as of September 30, 2018, the District received federal and state funding from grants and general appropriations as listed in the following tables:

TABLE 1 – SUMMARY OF STATE AND FEDERAL GRANTS BY GRANTOR

Grantor	Award Amount	Fiscal Year 2018 Expenditures
US Dept of Commerce	\$41,187	\$41,187
US Dept of Interior	77,306	76,424
US DOT	2,130,355	226,725
GCERC	228,563	85,873
FEMA	7,069,748	556,289
Office of the Governor	1,011	1,011
FL Dept of Agriculture	258,000	86,528
DEP	105,954,354	5,846,913
FL DOT	4,000,000	742,154
FFWCC	250,000	250,000
Total Grants	\$120,010,524	\$7,913,104

TABLE 2 – GENERAL APPROPRIATIONS

<u>State Agency</u>	<u>CSFA #</u>	<u>Appropriation Amount</u>	<u>Fiscal Year 2018 Expenditures</u>
DEP	37.029	\$7,748,816	\$6,017,338
Total Appropriations		\$7,748,816	\$6,017,338

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this audit was to obtain an understanding of the types of federal and state grants received by the District and evaluate the organizational and procedural controls employed by the District to ensure compliance with grant requirements.

To achieve our audit objectives, we conducted the following procedures:

- 1) Reviewed the District’s Policy and Procedures Manual for grant management and compliance.
- 2) Inspected the District’s grant schedule to determine the types of funding sources for grants received by the District. The grant schedule included 41 grants with contract amounts totaling approximately \$120 million (see Table 1 above), as well as state general appropriations totaling approximately \$7.7 million (see Table 2 above). The general appropriations were excluded from our testing because they are budgeted by the state for the District and do not have specific compliance requirements. The grants were awarded from ten different federal and state funding sources. During the fiscal year ended September 30, 2018, the District expended approximately \$7.9 million from these grants.
- 3) Reviewed a sample of 7 of the 41 grants, originating from three different funding sources and representing 30.4% of the fiscal year 2018 grant expenditures, to determine the purpose of the grant and the relevant compliance requirements.
- 4) Interviewed 5 District contract managers who were responsible for grant management and compliance. The contract managers interviewed manage 31 of the 41 grants included in the District’s grant schedule. Interviews were conducted to determine their understanding of the compliance requirements applicable to the grants they manage; how those requirements are determined and communicated; the process they utilize to assure those requirements are met; and the procedures used for tracking requirements for multiple grants.
- 5) Performed a walkthrough with the Chief Financial Officer and other administrative staff to gain an understanding of the grants management process, and the procedures in place to assure compliance requirements are met and oversight is appropriate. Also, performed a walkthrough with 2 of the 5 District contract managers interviewed in order to gain an understanding of the procedures utilized for specific programs. Additionally, inspected files of the awards selected in the sample in order to gain an understanding of how the records are maintained.

- 6) Evaluated information obtained from interviews of District contract managers and the CFO in relation to general and specific compliance requirements and other grant requirements, to determine whether the contract managers have an adequate understanding of compliance requirements in order to monitor and evaluate the allowability of expenditures; ensure timely and adequate reporting of expenditures to the grantor; ensure that deliverables are properly completed; and ensure that activities conducted by subcontractors receiving grant funds are properly monitored.

SUMMARY OF RESULTS

Based on the audit procedures described above, the District has organizational and procedural controls in place to monitor and evaluate grant activities in accordance with grant requirements. Contract managers we interviewed demonstrated knowledge of the grants they manage and an understanding of the related compliance requirements. Each of the contract managers interviewed attended Certified Contract Manager training and had obtained the related certification. We also noted that for all the grants included in the sample, contract managers maintained evidence of regular communication with the grantor agencies to assist in their understanding of grant compliance requirements. Additionally, there is evidence of an open line of communication among the contract managers and the Finance Department, which strengthens the grant management function. In short, the District has sufficient grant management policies and procedures in place, given the nature of its grants and the projects to which the grants are applied.

We wish to take this opportunity to thank District staff for their assistance and cooperation in this endeavor. If there are any questions regarding our findings or recommendations, please feel free to contact Richard Law or Shelby Brown.



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