REPORT NO. 2014-019
OCTOBER 2013

ST. JOHNS RIVER WATER MANAGEMENT DISTRICT

Operational Audit

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND EXECUTIVE DIRECTOR

St. Johns River Water Management District Board Members and Executive Director who served from October 2010 through March 2012 are listed below:

Lowry A. Daniels from 4-21-11, Chair from 11-8-11
W. Leonard Wood, Chair to 11-7-11
John A. Miklos, Secretary from 10-12-10 to 11-7-11,
Vice Chair from 11-8-11 (1) (2)
Hans G. Tanzler III to 7-12-11, Treasurer to 10-11-10,
Vice Chair from 10-12-10 to 7-12-11 (1) (3)
Douglas C. Bournique, Secretary from 11-8-11
Charles W. Drake from 4-21-11 (4)
Michael C. Ertel to 4-20-11
Maryam H. Ghyabi, Treasurer from 10-12-10
Richard G. Hamann
Arlen N. Jumper to 8-27-11 (5)
George W. Robbins from 10-12-11 (3)
Fred N. Roberts, Jr., from 3-2-12 (5)

Hans G. Tanzler III, Executive Director from 10-11-11 (6)
Kirby B. Green III, Executive Director to 10-3-11 (6)

Notes: (1) Vice Chair position was vacant to October 11, 2010, and from July 13, 2011, through November 7, 2011.
(2) Secretary position was vacant to October 11, 2010.
(3) Board member position was vacant from July 13, 2011, through October 11, 2011.
(4) Board member position was vacant to April 20, 2011.
(5) Board member position was vacant from August 28, 2011, through March 1, 2012.
(6) Executive Director position was vacant from October 4, 2011, through October 10, 2011.

The audit team leader was Tina M. McFarlin, CPA, and the audit was supervised by Randy R. Arend, CPA. Please address inquiries regarding this report to Marilyn D. Rosetti, CPA, Audit Manager, by e-mail at marilynrosetti@aud.state.fl.us or by telephone at (850) 412-2881.

This report and other reports prepared by the Auditor General can be obtained on our Web site (www.myflorida.com/audgen); by telephone (850) 412-2722; or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

ST. JOHNS RIVER WATER MANAGEMENT DISTRICT

EXECUTIVE SUMMARY

Our operational audit of the St. Johns River Water Management District (District) disclosed the following:

FRAUD POLICIES AND GENERAL MANAGEMENT CONTROLS

Finding No. 1: The governing board of the District (Board) had not adopted policies for the mitigation, detection, and reporting of fraud.

Finding No. 2: Controls over cash collections could be enhanced.

Finding No. 3: Financial reporting procedures could be improved to ensure that fund balance accounts are properly classified.

Finding No. 4: The District's administration of purchasing cards could be improved.

PAYROLL AND PERSONNEL

Finding No. 5: The District entered into settlement and release agreements with four employees and, pursuant to these agreements, paid the employees amounts in excess of amounts the employees would have received under the District's leave policy, which appears contrary to the intent of Section 215.425, Florida Statutes.

CONTRACTS

Finding No. 6: The District used only two construction contractors under continuation contracts pursuant to Section 255.20(1), Florida Statutes, for three fiscal years for numerous projects rather than competitively selecting a construction contractor for each of those projects pursuant to Section 255.20(1), Florida Statutes, thereby limiting the District's assurance that the work was performed at the most competitive price for each project consistent with acceptable quality. Additionally, the District did not competitively select a construction contractor for the Fellsmere Water Management Area construction project, contrary to Section 255.20(1), Florida Statutes.

Finding No. 7: The District's administration of construction change orders could be improved.

MOTOR VEHICLES

Finding No. 8: The District lacked comprehensive written procedures establishing personnel duties and responsibilities to ensure the economic and efficient use of District-owned motor vehicles.

Finding No. 9: The District had not established an inventory system to track the usage, value, or quantity of motor vehicle inventory items.

Finding No. 10: Controls over the District's motor vehicle work order system could be enhanced.

Finding No. 11: The District incorrectly calculated the taxable value for personal use of District vehicles to be reported to the Internal Revenue Service for four employees.

BACKGROUND

Established in 1972, the St. Johns River Water Management District protects and manages water resources in a sustainable manner for the continued welfare of the citizens across the area it serves. The District is one of five water management districts created under the Water Resources Act of 1972 and includes the counties of Brevard, Clay, Duval, Flagler, Indian River, Nassau, Seminole, St. Johns, Volusia, and portions of Alachua, Baker, Bradford, Lake, Marion, Okeechobee, Orange, Osceola, and Putnam counties. The District encompasses 12,283 square miles, or about 23 percent of the State's total land area. Governance lies with a nine-member board consisting of one representative of each of the District's five designated geographic areas and four at-large members. Each member is

appointed by the Governor and confirmed by the Senate. An Executive Director is appointed by the Board, subject to approval by the Governor and confirmation by the Senate.

FINDINGS AND RECOMMENDATIONS

Fraud Policies and General Management Controls

Finding No. 1: Fraud Policies

Policies for communicating and reporting known or suspected fraud are essential to aid in the detection and prevention of fraud. Such policies should clearly identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences for fraudulent behavior. Fraud policies are necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to clearly identify actions constituting fraud and to establish the responsibilities for investigating potential incidences of fraud, taking appropriate action, reporting evidence of such action to the appropriate authorities, and avoiding damaging the reputations of persons suspected of fraud but subsequently found innocent. Further, in the absence of such policies, the risk increases that a known or suspected fraud may be identified but not reported to the appropriate authorities.

The District had not developed adequate policies for communicating and reporting known or suspected fraud. District Policy 80-10, *Disciplinary Action*, established standards of conduct for all District employees and provided a mechanism for taking appropriate, timely, and consistent corrective action when violations of policy, procedure, or law occur. However, the policy did not identify actions constituting fraud, reporting procedures for suspected fraud, responsibility for fraud investigation, and consequences for fraudulent behavior. In response to our inquiries, the District advised us that its Web site provided instructions to employees, supervisors, and administrators for reporting suspected fraud and that the Inspector General's Office was assigned responsibility for investigations. However, the Web site instructions did not identify actions constituting fraud or consequences for fraudulent behavior. Subsequent to our inquiries, District personnel developed, and the Board approved, a fraud policy that identified actions constituting fraud, reporting procedures for suspected fraud, responsibility for fraud investigation, and consequences for fraudulent behavior.

Recommendation: The District should continue its efforts in implementing fraud policies and procedures to aid in fraud prevention and detection.

Finding No. 2: Cash Collections

The District collected water regulatory permit fees totaling $1.7 million during the period October 1, 2010, to March 31, 2012. Collections were received from applicants in person and through the mail at its Regulatory Service Centers located in Jacksonville, Maitland, and Palm Bay. Collections were also received in person at its Regulatory Service Center located in Palatka, while permit fee collections received in the Palatka mail room were initially receipted in the District's Office of Financial Services before being transferred to the Palatka Regulatory Service Center for processing. District employees documented permit fee collections through the issuance of manually prepared prenumbered receipt forms and transferred the collections to the Fiscal Assistant in the District's Office of Financial Services in Palatka for deposit.

Our review of the District's permit fees cash collection procedures disclosed that improvements were needed as follows:

- The Fiscal Assistant performed the incompatible duties of maintaining custody and accounting for all prenumbered receipt books and writing receipts from prenumbered receipt books located in the Office of Financial Services.
- Permit fees paid by check were not restrictively endorsed until they were received by the Fiscal Assistant in the Office of Financial Services.
- Collections were not always remitted to the Office of Financial Services for deposit in a timely manner. Our test of 30 permit fee checks received disclosed that 8 (27 percent) checks received at the District's Jacksonville and Palm Bay Regulatory Service Centers were not deposited until 11 to 21 days after initial collection.

When custodial responsibilities for prenumbered receipt books are not separated from receipt writing responsibilities, and checks are not restrictively endorsed upon receipt and deposited timely, the risk is increased that misappropriation of funds could occur and not be timely detected. In response to our inquiries, the District revised its written cash collection procedures to reassign responsibility for writing receipts from the Fiscal Assistant to mailroom personnel who open the mail, to require the use of restrictive endorsements on checks upon receipt, and to require timely remitting of collections to the Office of Financial Services.

Recommendation: The District should continue its monitoring efforts to ensure compliance with the Regulatory Service Center written cash collection procedures.

Finding No. 3: Fund Balance Reporting

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in the preparation of its comprehensive annual financial report for the fiscal year ended September 30, 2011. GASB Statement No. 54 establishes accounting and financial reporting standards for all governments that report governmental funds, clarifies definitions for governmental fund types, and establishes criteria for classifying fund balances into specifically defined classifications based on the extent to which the funds are bound by external and internal constraints. Fund balance classified as nonspendable and restricted represent funds that cannot be spent or must be spent for specific purposes based on external or legal constraints. Fund balance classified as committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Board). GASB Statement No. 54 provides that formal action to commit fund balance should occur prior to the end of the fiscal year; however, the amount may be determined in the subsequent year if the amount subject to the commitment is based on events, conditions, or results that were not known or finalized at the end of the fiscal year. Fund balance classified as assigned represents amounts constrained by the District's intent to be used for specific purposes, and fund balance classified as unassigned is essentially available to the District for any lawful District purpose.

GASB Statement No. 54 also permits stabilization arrangements to be reported as committed fund balance if the formal action establishing the stabilization arrangement identifies and describes the specific circumstances under which a need for stabilization arises. In addition to being specific, such circumstances should not be expected to occur routinely. Amounts that do not meet the criteria to be reported as committed should be reported as unassigned fund balance. District Policy 2005-04, *General Fund Reserves*, requires an economic stabilization reserve of not less than five percent of the actual ad valorem revenues for the previous year and limits the use of the reserve to specific

circumstances that are not expected to occur routinely. However, amounts available in excess of the five percent requirement may be used for other District purposes.

Board Resolution 2011-18, adopted September 27, 2011, committed $121,539,762 of the September 30, 2011, fund balance, and was comprised of 11 items ranging in amount from $2,167,299 to $25,000,000. Board Resolution 2012-06, adopted March 13, 2012, subsequent to fiscal year-end, revised the amounts previously committed as follows:

Table 1

Project Description	Committed 9/27/2011	Committed 3/13/2012	Change
Land Management (1)	$ 6,932,970	$ 8,701,220	$ 1,768,250
Surface Water Projects –Fellsmere (1)	10,417,629	10,877,745	460,116
Surface Water Projects – Rediversion (1)	11,611,000	11,611,000	
Groundwater Resources Assessment	10,000,000	10,000,000	
Rough Fish Harvesting	2,167,299	2,167,299	
Alum Treatment	2,200,000	2,200,000	
Flood Control Structure Rehabilitation	2,942,002	2,942,002	
Minimum Flow Levels (1)	25,000,000	25,000,000	
Water Quality and Ecological Restoration (1)	25,000,000	30,000,000	5,000,000
Water Conservation and Demand Management (1)	13,000,000	13,751,366	751,366
Subsequent Year's Expenditures	12,268,862		(12,268,862)
Reuse and Treatment (1)		3,996,766	3,996,755
Economic Stabilization Reserve		6,900,000	6,900,000
Totals	$ 121,539,762	$ 128,147,398	$ 6,607,636

Note (1): These projects totaling $103,938,097 as of March 13, 2012, were primarily capital outlay in nature and were for projects located on both District properties and properties of cooperating entities.

Source: Board Resolutions and District Records

Our review of the District's compliance with GASB Statement No. 54 fund balance classification requirements disclosed the following regarding the amount reported as committed fund balance as of September 30, 2011:

- District records did not evidence how the committed amounts were determined.
- The amount of committed fund balance reported was based on the revised amounts per the March 13, 2012, Board resolution. However, District records did not evidence that the March 13, 2012, revisions were based on events, conditions, or results that were not known or finalized at fiscal year-end. As such, pursuant to GASB Statement No. 54, the amount of committed fund balance reported should have been based on the amounts per the September 27, 2011, Board resolution.
- Using five percent of the actual ad valorem revenues for the previous fiscal year, the economic stabilization reserve requirement for the fiscal year ended September 30, 2011, was $6,246,518; however, the District reported committed fund balance for the reserve based on the $6,900,000 amount in its budget, or $653,482 (10.5 percent) more than the minimum. Because the amount in excess of the minimum could be used for other District purposes, it would have been more appropriately reported as unassigned fund balance.

When committed fund balance amounts are misreported, financial statement users may incorrectly assess the District's financial position.

Recommendation: The District should ensure that it complies with the requirements of GASB Statement No. 54 by ensuring that items reported as committed fund balance are supported and timely approved, and that economic stabilization reserve amounts are accurately reported.

Finding No. 4: Purchasing Cards

The District established a purchasing card program and developed purchasing card policies and procedures to provide users with additional guidance on the proper administration and use of the purchasing cards. The purchasing card program was designed to improve cost-effectiveness, efficiency, and convenience in processing purchases and to provide an efficient method of purchasing and paying for commodities and related services, reduce the use of purchase orders, and reduce the time spent on processing low dollar transactions. The purchasing card procedures required each cardholder to attend and complete purchasing card training, to sign a purchasing card agreement upon issuance of the card, and provided that a cardholder with less than five transactions per year may have his or her purchasing card limits reduced to $0 and the purchasing card returned to the Office of Financial Services to be held until needed by the cardholder. The District also utilized a purchasing card request form that provided the specific commodities and services for which the purchasing card was approved, such as travel, rentals, office supplies, and vehicle repairs.

During the period October 1, 2010, through March 31, 2012, 355 District employees were issued purchasing cards, with monthly credit limits ranging from $1,500 to $50,000, and purchasing card expenditures totaled $5.2 million. Our review of the District's administration of its purchasing card program disclosed the following:

- The District issued purchasing cards to employees who had not demonstrated a need for the card. For example, during the period October 1, 2010, to March 31, 2012, 60 purchasing cards were not used to make any purchases. In addition, 82 other purchasing cards were used less than five times each, for a total of 182 purchases, or 1.2 percent of the total transactions, totaling $28,553.
- Monthly transaction limits appeared excessive based on actual cardholder use. For example, of the 295 cards used during the period October 1, 2010, through March 31, 2012, 192 cardholders with monthly credit limits ranging from $1,500 to $10,000 made total purchases during the 18-month audit period ranging from $9 to $9,902. In addition, 12 employees with monthly transaction limits of $30,000 or $50,000 made less than $10,000 in total purchases during the 18-month audit period and 7 others had total purchases during the 18-month period ranging from $12,606 to $32,139.

District personnel periodically evaluated the numbers of transactions and credit limits of purchasing cards issued and most recently canceled 13 cards based on its January 2012 evaluation; however, no credit limits were adjusted and the number of active cards and the monthly transactions limits still appeared excessive subsequent to the evaluation. Although our review disclosed no improper charges, excess transaction limits and unnecessary distribution of purchasing cards increase the risk of misuse and may contribute to exceeding budget constraints.

Recommendation: The District should ensure appropriate purchasing card distribution and monthly transaction limits that are consistent with actual usage by cardholders.

Payroll and Personnel

Finding No. 5: Severance Pay

Prior to July 1, 2011, Section 215.425, Florida Statutes, provided that extra compensation could be given to the District's employees pursuant to policies adopted by Board resolution. Through the enactment of Chapter 2011-143,

Laws of Florida, the Legislature substantially changed the extra compensation law. Section 215.425(4)(b), Florida Statutes (2011), effective July 1, 2011, provides that in the absence of a severance pay provision in a contract or employment agreement, no severance payment shall be made on or after July 1, 2011, except for the settlement of an employment dispute. Section 215.425(4)(d), Florida Statutes, defines severance pay as the actual or constructive compensation, including salary, benefits, or perquisites, for employment services yet to be rendered that is provided to an employee who has recently been or is about to be terminated. Section 215.425(4)(d)1., Florida Statutes, excludes earned and accrued annual, sick, compensatory, and administrative leave from the definition of severance pay.

District Policy 90-20, *Attendance and Leave*, provided for employees to earn and accrue annual (vacation) and sick leave, and provided limited circumstances under which the Executive Director or Assistant Executive Director could authorize administrative leave, such as the closing of District offices as a result of severe weather or other emergency. This policy also provided, upon voluntary termination, for payment of up to 240 hours of unused accrued annual leave to employees with six or more months of continuous service and payment of 25 percent of unused accrued sick leave, not to exceed 480 hours, for employees with ten or more years of continuous service.

After July 1, 2011, the District executed settlement and release agreements, including severance pay, with five employees with which the District did not have written employment agreements for the stated purpose of settling employment disputes; however, District records did not evidence that employment disputes existed for four of the employees. Amounts paid to the four employees in excess of the amounts the employees would have received under the District's *Attendance and Leave* policy totaled $241,357 ($56,926 for severance pay, $167,740 in additional accrued unused sick leave, $15,358 in administrative leave, and $1,333 for health insurance coverage). Absent documentation of an employment dispute, these severance payments are contrary to the provisions of Section 215.425(4)(b), Florida Statutes.

Recommendation: The District should ensure that future severance payment arrangements comply with the requirements of Section 215.425, Florida Statutes, and that adequate documentation is maintained to support settlements of employment disputes.

Follow-up to Management's Response

In response to this finding, the District indicated that severance pay pursuant to the express terms of Section 215.425(4)(d), Florida Statutes, excludes earned and accrued leave. The District further indicated that it views the settlement agreements' deviation from District Policy 90-20 as authorized exceptions to the Policy through inclusion of a statement in the settlement agreements that the incentives in the agreements supersede any conflicting provision in District policy. However, the point of our finding is that the payment of leave in excess of the District's policy could be considered severance pay when no employment dispute exists and, thus, appears contrary to the intent of Section 215.425, Florida Statutes. Health insurance coverage associated with the additional leave could also be considered severance pay.

Contracts

Finding No. 6: Construction Contracts

Section 255.20(1), Florida Statutes, requires that the District, when seeking to construct or improve a public building, structure, or other public construction works, competitively award to an appropriately licensed contractor each project estimated to cost more than $300,000. Competitively award means to award contracts based on the submission of sealed bids, proposals submitted in response to a request for proposal, proposals submitted in response to a request

for qualifications, or proposals submitted for competitive negotiation. The law allows contracts for construction management services, design/build contracts, continuation contracts based on unit prices, and any other contract arrangement with a private sector contractor permitted by any applicable municipal or county ordinance, by district resolution, or by State law.

Use of Annual Construction Contractors. During the 2009-10 fiscal year, the District entered into two annual contracts with construction firms for work such as stormwater treatment, wetland restoration, general earthwork, dewatering, levee construction, culverts and water control structures, erosion control facilities, cast in place and pre-cast concrete, stabilized and paved roadways, and ground cover. The contracts were awarded pursuant to an invitation for bid (IFB) based on a hypothetical construction project using hourly labor and equipment bid rates for combined fees not to exceed $7,000,000 per year. The contracts were renewed for the 2010-11 and 2011-12 fiscal years and projects were assigned to both contractors using work order authorizations to initiate specific projects. The District paid a total of $7,062,751 to the two contractors during the period October 2009 through March 2012.

Our review of 21 work orders, totaling $9,348,198 after change orders, disclosed 12 projects totaling $8,591,850 that exceeded the $300,000 threshold specified in Section 255.20, Florida Statutes, as shown in Table 2 below:

Table 2

Work Order Number	Contractor A	Contractor B
25430-WO1	$ 953,086	$
25430-WO2	587,833	
25430-WO6	374,820	
25430-WO8	930,416	
25430-WO9	435,281	
25430-WO10	699,549	
25430-WO11	331,865	
25430-WO13	523,000	
25843-WO1		1,734,500
25843-WO3		992,000
25843-WO5		405,000
25843-WO6		624,500
Total	$ 4,835,850	$ 3,756,000

Source: District's Contract Information System

Although Section 255.20, Florida Statutes, allows the use of continuation contracts for these projects, use of only two contractors for three fiscal years limits the District's assurance that the work was performed at the most competitive price for each project consistent with acceptable quality.

Fellsmere Water Management Area (FWMA) Construction Contract. The District entered into a land purchase agreement dated March 1, 2007, that provided for a construction firm owned by the seller to have the first right to perform certain construction work in the FWMA. Pursuant to the provision in the land purchase agreement, the District entered into a contract with the seller's construction firm on January 15, 2009, for construction work to be performed through September 30, 2014, not to exceed $31 million. The contract with the construction firm required a District-contracted engineer to provide cost estimates for individual projects, and the construction firm had the

option to perform the work for not more than the cost estimate or to decline performing the work. As of May 31, 2013, the construction firm had not declined to perform any of the projects and had been paid a total of $27,860,316.

The District's process as described above is contrary to Section 255.20, Florida Statutes, which requires each project greater than $300,000 to be competitively awarded. The Florida Attorney General, in Opinion 2011-21, found that a water management district is required to competitively award construction contracts pursuant to the terms of Section 255.20, Florida Statutes, and has no authority to develop a process for awarding public construction works outside the statutory direction of Section 255.20, Florida Statutes, or to develop a hybrid model for awarding construction projects in the absence of other statutory authority.

In response to our inquiries, District personnel indicated that the arrangement was beneficial to the District because the seller owned adjacent property and would not question the adequacy of work performed by its own construction firm should the levees constructed as part of this project fail. District personnel also indicated that they thought the District was in compliance with the requirements because the seller had the first right of refusal and the cost estimates prepared by the District's independent engineering consultant were based on the hourly labor and equipment bid rates from the $7,000,000 hypothetical construction project discussed above for similar type work.

Fair and open competition is a basic tenet of public procurement and such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. In the above circumstances, District records did not evidence that the projects were constructed in the most economical manner, or that construction-related services were obtained in accordance with applicable statutes. Additionally, the public's confidence may be limited regarding the fair, equitable, and economical procurement of construction-related services.

Recommendation: To ensure that the District obtains contractors for public works projects at the lowest cost consistent with acceptable quality, the District should consider establishing a project cost threshold for determining when continuation contracts will be used. For those projects for which continuation contracts will not be used, the District should competitively select contractors in accordance with Section 255.20(1), Florida Statutes.

Finding No. 7: FWMA Construction Change Orders

The FWMA construction contract discussed above also contained provisions for change orders that provided, in part, that no verbal agreement or conversation with any officer, agent, or employee of the District would affect or modify the contract terms, and that verbal changes were unenforceable except under emergency circumstances endangering life or property requiring immediate action. The contract further provided that any such emergency verbal instructions be confirmed in writing by the District within 5 days and that a written estimate be provided by the contractor within 15 days.

For two work order authorizations, totaling $183,169 and $4,746,023 after approved change orders, the construction firm was paid for additional work performed from August 2011 through February 2012 totaling $20,240 (11 percent) and $405,159 (8.5 percent), respectively, for which change orders were not prepared. Our review of the additional work performed disclosed the following:

- District records indicated that $221,270 was verbally authorized by the project manager between July and December 2011 due to unforeseen site conditions and that $70,989 of the $221,270 was related to an emergency circumstance. Contrary to the terms of the construction contract, $150,281 of the additional work performed was based on a verbal agreement although District records did not evidence emergency

circumstances and, although the construction firm provided a written estimate for the $70,989 of emergency work, the District did not confirm the emergency verbal instructions in writing.

- District records indicated that $204,129 was additional compensation requested by the construction firm between November 2011 and March 2012 for changes to the means and methods of performing work. Of the $204,129 approved and paid, $178,136 was for emergency circumstances related to a 50-year storm event. Contrary to the terms of the construction contract, the District did not authorize the work prior to the work being performed nor was a written estimate provided by the construction firm, and District records did not evidence emergency circumstances for $25,993 of the additional work.

Although the District-contracted engineer provided on-going cost estimates for the additional work, change orders were not prepared. Change orders serve to document management's authorization of revisions to the statement of work under previously issued work orders and the costs associated with such revisions, as well as to provide a basis for controlling the use of resources through encumbrances. In the case of emergency changes, the District has recognized the need to confirm verbal instructions in writing and to establish a written cost estimate in a timely manner. Absent properly and timely approved written change orders the District's risk of misunderstandings or disputes regarding construction changes is increased. Subsequently, the District enhanced its change order procedures to include email documentation of each step of the approval process to be attached to the final approved change order.

Recommendation: The District should continue its efforts to ensure that change orders are made in writing and approved by authorized personnel prior to work being performed.

Motor Vehicles

As of March 31, 2012, the District maintained 205 passenger automobiles and light trucks, along with numerous other medium and heavy trucks, equipment, all-terrain vehicles, and boats. Our review disclosed improvements could be made in the assignment, usage, and maintenance of motor vehicles as discussed below.

Finding No. 8: Monitoring of Motor Vehicle and Fuel Usage

Board Policy 81-11, *Vehicle Use*, provided guidance regarding the operation and use of District vehicles. District vehicles were classified as either pool vehicles that are available for daily use by all authorized operators or assigned vehicles that are assigned to a specific employee, division, office, or other administrative section for an indefinite period of time. Although discouraged, the policy also provided for overnight use of District vehicles with travel to an operator's residence either immediately before or after out-of-town travel when approved and documented in advance on a *Request for Overnight Use of Vehicle* form.

The District used a fleet management system to monitor preventative maintenance and repairs performed, including related cost data; a global positioning system (GPS) to monitor dates and locations of vehicle use, miles driven, and odometer readings; and a fuel purchasing card program for monitoring fuel purchases by vehicle. In addition, data from the GPS and fuel purchasing card program were imported into the fleet management system to provide mileage and fuel usage information. The District also utilized a vehicle reservation system for pool vehicles that required recording operator name, date, and destination information.

Our review of the District's administration of its motor vehicle fleet disclosed the following:

- *Request for Overnight Use of Vehicle* forms were either not available or not properly completed for five of seven employees tested with assigned vehicles that were taken to the employee's residence overnight between November 1, 2010, and October 31, 2011, as follows:

- For two employees, standing permission for overnight use of District vehicles when conducting District business was documented in an e-mail dated June 17, 2010, and the vehicles were taken home 35 and 40 times, respectively. Neither the June 17, 2010, e-mail nor other District records indicated why overnight use was required for these employees.

- For two employees, *Request for Overnight Use of Vehicle* forms were completed but were not approved, and the vehicles were taken home 8 and 45 times, respectively. In addition, although the *Request for Overnight Use of Vehicle* forms identified the employee's home location, travel destination, and dates and times the vehicle would be kept overnight at the employee's home, the form did not indicate the reason why overnight use was required.

- For one employee, who took the vehicle home 160 times based on reports prepared by the employee, the supervisor advised us that verbal approval had been given for each overnight use based on District practice. This practice provided that employees with assigned vehicles in the Water Resources Department Engineering Division could take the vehicles home overnight based on verbal approval from their supervisor when the conditions were warranted for reduction of travel time and expenses for commuting to a project site. However, under the verbal approval practice, District records did not evidence the conditions requiring the employee's overnight use of the vehicle.

When *Request for Overnight Use of Vehicle* forms do not evidence why overnight use of District vehicles was required or are not prepared or approved, District records do not clearly evidence compliance with District policy or demonstrate that overnight use of District vehicles to an operator's residence was discouraged.

- Although miles per gallon (MPG) information was available for each District vehicle in the fleet management system, District records did not evidence periodic reviews and follow-up for vehicles with unusual MPG data. District personnel indicated that MPG information was periodically reviewed, generally on a monthly basis; however, documentation of such reviews was not maintained. We calculated average MPGs for 190 light vehicles reported in the fleet management system for the period of October 1, 2011, through March 31, 2012, and noted large differences in MPG among similar vehicles. For example, average MPG ranged from 30 to 102 for three 2005 Chevrolet Colorado pickup trucks and from 12 to 61 for seven 2006 Chevrolet Silverado pickup trucks. In response to our inquiry, District personnel provided documentation evidencing that in May 2012 it was determined that the mileage data did not properly import from the GPS to the fleet management system. Absent documentation of routine monitoring and investigation of significant fluctuations in MPG, there is an increased risk that unauthorized use of fuel may not be timely detected.

Recommendation: The District should enhance its procedures to ensure motor vehicle assignment and fuel usage is adequately monitored and that such monitoring procedures are adequately documented.

Finding No. 9: Motor Vehicle Parts Inventories

The District expended approximately $356,000 during the 2010-11 fiscal year for motor vehicle repair and maintenance items. Repair items were purchased as needed while routine maintenance items such as tires, belts, filters, and oil, were maintained in inventory; however, the District had not established an inventory system to track the usage, value, or quantity on hand for the routine maintenance items. While the District's fleet management system included an inventory tracking module, it had not been implemented due to concerns about its functionality with other District systems.

Absent an inventory tracking system, District records did not demonstrate that all materials and supplies purchased were used for an authorized public purpose or remained available for use.

Recommendation: The District should implement an inventory tracking system to monitor the usage, value, and quantity on hand for motor vehicle repair and maintenance items.

Finding No. 10: Work Orders

Motor vehicle work orders were manually recorded in the fleet management system and included such information as job numbers, dates work orders were opened and closed, vehicle descriptions, notes on work performed, and cost details of motor vehicle repair and maintenance items. The supporting work order documentation consisted mainly of handwritten forms and third-party vendor receipts that were filed and maintained by vehicle.

Our test of 25 work orders for accuracy and completeness disclosed that for 3 (12 percent) work orders, costs recorded in the fleet management system did not agree with supporting file documentation. For 1 work order, the description of the work performed was recorded incorrectly resulting in parts costs being overstated by $145. For the other 2 work orders, the per-unit parts costs used were recorded incorrectly resulting in costs being understated by $109.

We also reviewed 4 work orders for vehicles with high repair and maintenance costs and noted for one vehicle that an incorrect code was recorded in the fleet management system resulting in approximately $9,000 being categorized as a vehicle operating expense rather than as vehicle damage repair.

District personnel indicated that miscoding and incorrect unit costs resulted from oversights. Complete and accurate reporting of vehicle expenses assists management in determining when various maintenance thresholds are met, and in making vehicle replacement decisions.

Recommendation: The District should enhance its controls over vehicle work orders to ensure that information is recorded accurately.

Finding No. 11: Vehicle Taxable Fringe Benefits

United States Treasury Regulation 1.61-21(a) provides that an employee's gross income includes the fair market value of any fringe benefits not specifically excluded from gross income by another provision of the Internal Revenue Code. The personal use of an employer-provided vehicle (i.e., driving the vehicle to and from the employee's residence) is a fringe benefit that must be included in the employee's gross income as compensation for services, unless otherwise excluded.

The District elected for certain employees to calculate the fair market value of their personal use of employer-provided automobiles using the annual lease value (ALV) calculation provided in the automobile lease valuation rule set forth in United States Treasury Regulation 1.61-21(d). This Regulation provides, in part, that once an ALV is determined it shall remain in effect for a four-year period and, if the vehicle is available to an employee for at least 30 continuous days but less than an annual reporting period, the ALV should be prorated based on the number of days available during the annual period divided by 365. However, business use may be excluded from gross income if substantiated by an account book, diary, log, statement of expense, trip sheet, or similar record maintained by the employee that documents the date, mileage, and purpose of each business use of the vehicle.

The District used an allowable special annual reporting period of November 1 through October 31 for determining gross income attributable to the personal use of District-owned vehicles. Our review of the forms and the District's calculations of the related taxable benefits for the annual periods ending October 31, 2010, and October 31, 2011, for four employees whose personal use of District-owned vehicles was calculated using the ALV disclosed the following:

- At the end of each annual period, employees with personal vehicle usage provided a signed *Employee Representation Regarding Use of District Vehicle* form (form) which included a description of the vehicle used, the

reporting period, beginning and ending odometer readings, the number of round-trip commutes made, total commuting miles, other personal miles, and total personal miles. Business use miles were assumed to be the difference between total miles and total personal miles and were excluded from the employees' gross incomes. However, United States Treasury Regulation Section 1.132-5(c)(2) requires that the substantiation requirements of Internal Revenue Code Section 274(d), as implemented by United States Treasury Regulation Section 1.274-5T(e)(2), be satisfied by adequate records or sufficient evidence corroborating the employee's own statement to exclude business use from gross income. Thus, claimed business use totaling $34,178[1] was not substantiated for the four employees, contrary to the Internal Revenue Code.

- For three employees, the District calculated prorated ALVs using the number of round trip commutes made instead of the number of continuous days the vehicles were available. As a result, taxable benefits were over or under reported as shown in Table 3:

Table 3

Employee	Vehicle	Available From	Available To	Days Available	Percent Available	Percent Reported as Available	Percent Over or Under Reported
A	2009 Chevy Tahoe	11/01/2009	10/11/2010	345	94.5	69.0	-25.5
A	2011 GMC Yukon	10/11/2010	10/31/2010	20	5.5	6.5	1.0
A	2011 GMC Yukon	11/01/2010	10/03/2011	337	92.3	118.7	26.4
B	2007 Toyota Rav 4	11/01/2009	10/31/2010	365	100.0	17.0	-83.0
B	2007 Toyota Rav 4	11/01/2010	10/31/2011	365	100.0	21.4	-78.6
C	2008 Toyota Prius	11/01/2009	10/31/2010	365	100.0	9.9	-90.1

Source: District Records

- For all four employees, the District revalued vehicles annually at the end of each reporting period instead of using the applicable ALVs for 4-year periods. For example, the initial ALV determined in 2006 for the Toyota Rav 4 should have been used for all annual reporting periods through October 31, 2010; however, the District determined a new ALV for the annual period ending October 31, 2010, based on the fair market value of the vehicle as of November 22, 2010. Because a vehicle's value generally declines with age and mileage, revaluing a vehicle annually at the end of a reporting period understated the ALV used in determining the taxable fringe benefit.

When taxable fringe benefits are not correctly calculated or properly supported, District records do not evidence that such benefits were properly included in the employees' reported gross incomes.

Recommendation: The District should revise its methodology for calculating the taxable value of personal use of District vehicles for employees using the ALV to be consistent with the methodology provided in United States Treasury Regulations. Additionally, the District should consult with the Internal Revenue Service to determine the appropriate action to be taken to substantiate the business use of vehicles by the four employees using the ALV calculation for determining the taxable value of personal use of District-owned vehicles.

[1] This amount does not consider the effects, if any, of revaluing vehicles annually at the end of each reporting period instead of using the applicable ALVs for 4-year periods as further discussed in this finding.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from February 2012 to November 2012 and March 2013 to May 2013 in accordance with generally accepted government auditing standards. Those standards require that 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements and other guidelines, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

For those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of various records and transactions from October 2010 through March 2012, and selected actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

AUTHORITY

Pursuant to the provisions of Section 11.45(2)(f), Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Organizational Issues	Reviewed the duties and responsibilities administratively assigned to the District, and examined and reviewed documentation such as organization charts and minutes of governing board meetings.
Written Policies and Procedures	Determined whether the District had written policies and procedures in place for major District functions.
Related-Party Transactions	For selected District officials, reviewed Department of State Division of Corporation records and District records to identify any potential relationships that represent a conflict of interest with District vendors.
Budgetary Control	Obtained the District's approved budget for the prior and current fiscal years and reviewed applicable policies and procedures for compliance with requirements established in law.
Fund Balance Classification	Reviewed resolutions committing fund balance for compliance with generally accepted accounting principles.
Cash Management	Obtained a list of cash collection points for selected reviews of physical security, and determined whether established policies and procedures were being followed. Also, reviewed bank reconciliations for completeness and supervisory approval.
Investments	Reviewed District policies governing investments to determine compliance with applicable laws, rules, regulations, District policies and procedures, and other guidelines. Also, reviewed procedures for investing surplus funds.
Tangible Personal Property	Compared subsidiary ledgers with control accounts and reviewed procedures for disposing of surplus property.
Long-Term Debt	Reviewed policies and procedures for administration of debt issued to determine compliance with applicable provisions of law.
Revenues and Cash Receipts	Reviewed policies and procedures for assessing and collecting permit fees, taxes, and other revenue sources to determine compliance with applicable provisions of law. Also, tested the accuracy of amounts collected and the timeliness of cash receipts deposited in the bank.
Payroll and Personnel	Tested payroll disbursements to determine whether expenditures were made in accordance with applicable laws, rules, regulations, District policies and procedures, and other guidelines.
Terminal Pay and Separation Agreements	Reviewed terminal payments and separation agreements for compliance with applicable laws, rules, regulations, District policies and procedures, and other guidelines.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Procurement of Goods and Services	Tested transactions to determine whether expenditures were made in accordance with applicable laws, rules, regulations, contracts, grant agreements, District policies and procedures, and other guidelines.
Purchasing Card Transactions	Tested transactions to determine whether purchasing cards were administered in accordance with District policies and procedures. Also, compared individual card usage to single and monthly transaction limits.
Land Acquisitions	Reviewed policies and procedures for land acquisitions and determined whether acquisitions were made in accordance with applicable laws, rules, regulations, contracts, grant agreements, District policies and procedures, and other guidelines.
Contracts	Tested contractual services payments to determine whether expenditures were made in accordance with applicable laws, rules, regulations, contracts, grant agreements, District policies and procedures, and other guidelines.
Insurance	Reviewed the methods used for acquiring commercial coverage to determine whether the basis for selecting the carrier was documented in the District's records and conformed to good business practice.
Wireless Communication Devices	Reviewed District policies and procedures to determine whether the District limited the use of, and documented the level of service for, wireless communication devices.
Motor Vehicle Assignment and Use	Determined whether the District maintained adequate vehicle utilization, maintenance, and repair records, and whether routine monitoring was performed. Also, determined whether the District complied with United States Treasury Regulations regarding personal use of vehicles.
Travel Expenditures	Tested travel expenditures to determine whether expenditures were made in accordance with applicable laws, rules, regulations, District policies and procedures, and other guidelines.
Social Security Number Requirements	Examined supporting documentation to determine whether the District had provided individuals with a written statement of the purpose for collecting their social security numbers as required by Section 119.071(5)(a), Florida Statutes.

EXHIBIT B
MANAGEMENT'S RESPONSE

St. Johns River
Water Management District
Hans G. Tanzler III, Executive Director

4049 Reid Street • P.O. Box 1429 • Palatka, FL 32178-1429 • (386) 329-4500
On the Internet at floridaswater.com.

October 10, 2013

Mr. David W. Martin, CPA, Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Enclosed please find our written responses to the eleven findings contained in the preliminary and tentative findings document received on September 11, 2013.

The St. Johns River Water Management District Governing Board and staff discussed the preliminary and tentative findings and our proposed responses at the October 8, 2013, Governing Board meeting. The Board approved the responses as presented herein and authorized the staff to submit the response on behalf of the Board.

We would like to express our appreciation to the staff of your Jacksonville office and the professional manner in which they conducted our audit.

Sincerely,

Lad Daniels
Governing Board Chair

Hans G. Tanzler III
Executive Director

CC: Governing Board Members

GOVERNING BOARD

Lad Daniels, CHAIRMAN JACKSONVILLE
John A. Miklos, VICE CHAIRMAN ORLANDO
Douglas C. Bournique, SECRETARY VERO BEACH
Maryam H. Ghyabi, TREASURER ORMOND BEACH
Douglas Burnett ST. AUGUSTINE
Chuck Drake ORLANDO
George W. Robbins JACKSONVILLE
Fred N. Roberts, Jr. OCALA
W. Leonard Wood FERNANDINA BEACH

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 1: The governing board of the District (Board) had not adopted policies for the mitigation, detection, and reporting of fraud.

Recommendation: The District should continue its efforts in implementing fraud policies and procedures to aid in fraud prevention and detection.

Response: We concur with this recommendation.

Finding No. 2: Controls over cash collections could be enhanced.

Recommendation: The District should continue its monitoring efforts to ensure compliance with the Regulatory Service Center written cash collection procedures.

Response: We concur with this recommendation.

Finding No. 3: Financial reporting procedures could be improved to ensure that fund balance accounts are properly classified.

Recommendation: The District should ensure that it complies with the requirements of GASB Statement No. 54 by ensuring that items reported as committed fund balance are supported and timely approved, and that economic stabilization reserve amounts are accurately reported.

Response: We concur with this recommendation.

Finding No. 4: The District's administration of purchasing cards could be improved.

Recommendation: The District should ensure appropriate purchasing card distribution and monthly transaction limits that are consistent with actual usage by cardholders.

Response: We concur with this recommendation.

Finding No. 5: The District entered into settlement and release agreements with four employees and, pursuant to these agreements, paid the employees amounts in excess of amounts the employees would have received under the District's leave policy, which appears contrary to the intent of Section 215.425, Florida Statutes.

Recommendation: The District should ensure that future severance payment arrangements comply with the requirements of Section 215.425, Florida Statutes, and that adequate documentation is maintained to support settlements of employment disputes.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Response: We concur with the recommendation, but, as explained below, respectfully disagree with several conclusions in this finding. To implement this recommendation, the District will ensure that future severance payments (which account for $56,926 in the findings above) will be accompanied by documentation in addition to the executed settlement agreement, which here: (i) identified the employment dispute—"[a]n employment dispute has arisen regarding the nature and extent of Your obligation under Florida law to limit your activities regarding matters that You were involved with during Your District employment" and (ii) identified resolution of the employment dispute—

> 6. Post Employment Restrictions. You agree that, for a period of one year, commencing on the Date of Separation, You will not perform any work as an employee, expert witness, consultant, or independent contractor for any applicant, consultant, lawyer, law firm, employer, or client that is related to a regulatory matter for which You performed work on behalf of the District during the last two years of Your employment with the District. This includes, but is not limited to, permitting, rulemaking and regulatory enforcement matters. The Executive Director or Assistant Executive Director may waive this restriction on a case-by-case basis in his or her sole discretion.

Severance pay, pursuant to the express terms of §215.425(4)(d) does not include earned and accrued Sick Leave ($167,740 above) or Administrative Leave ($15,358 above). The District views the settlement agreements' deviation from District Policy 90-20, *Attendance and Leave*, as duly authorized exceptions to that policy. [1] The exceptions were implemented by the Executive Director or his designee through execution of the settlement agreements. See District Policy 2007-01, *The Governing Board*, §IV (J).[2]

Pursuant to section III of Policy 99-07, *Group Insurance Benefits*, the District pays a pro-rata share of the health insurance premiums for all active employees. In accordance with that section, the District paid the pro-rata share of health insurance premiums ($1,333 above) to the District's group health insurer for health insurance coverage of the settling employees after they settled but while they were still employed (although on administrative leave). Section 215.425 does not appear to require the immediate termination of health insurance coverage for an active employee once it is determined that the employee will leave active employment at a future date.

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[1] The exceptions to policy are contained in the following statements in the settlement agreements: "The above Incentives supersede any conflicting provision in District policy" and "You and the District affirm that, absent this Agreement, You would not otherwise be entitled to these Incentives and you would be entitled to receive only those payments or other benefits authorized in applicable District policies in effect on the date You separate from employment."

[2] Through this provision (now in District Policy 13-01, *Governing Board Delegations*), the Governing Board has delegated to the Executive Director "authority to determine terms and conditions of employment for District employees . . . . Such authority, which may be subdelegated as deemed appropriate by the Executive Director, shall include but is not limited to the following matters regarding workforce and workplace management: . . . (b) Salaries and benefits . . . (h) Dispute resolution [and] (i) . . . separation and layoff . . ."

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 6: The District used only two construction contractors under continuation contracts pursuant to Section 255.20(1), Florida Statutes, for three fiscal years for numerous projects rather than competitively selecting a construction contractor for each of those projects pursuant to Section 255.20(1), Florida Statutes, thereby limiting the District's assurance that the work was performed at the most competitive price for each project consistent with acceptable quality. Additionally, the District did not competitively select a construction contractor for the Fellsmere Water Management Area construction project, contrary to Section 255.20(1), Florida Statutes.

Recommendation: To ensure that the District obtains contractors for public works projects at the lowest cost consistent with acceptable quality, the District should consider establishing a project cost threshold for determining when continuation contracts will be used. For those projects for which continuation contracts will not be used, the District should competitively select contractors in accordance with Section 255.20(1), Florida Statutes.

Response: We concur with this recommendation.

Finding No. 7: The District's administration of construction change orders could be improved.

Recommendation: The District should continue its efforts to ensure that change orders are made in writing and approved by authorized personnel prior to work being performed.

Response: We concur with this recommendation.

Finding No. 8: The District lacked comprehensive written procedures establishing personnel duties and responsibilities to ensure the economic and efficient use of District-owned motor vehicles.

Recommendation: The District should enhance its procedures to ensure motor vehicle assignment and fuel usage is adequately monitored and that such monitoring procedures are adequately documented.

Response: We concur with this recommendation.

Finding No. 9: The District had not established an inventory system to track the usage, value, or quantity of motor vehicle inventory items.

Recommendation: The District should implement an inventory tracking system to monitor the usage, value, and quantity on hand for motor vehicle repair and maintenance items.

Response: We concur with this recommendation.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 10: Controls over the District's motor vehicle work order system could be enhanced.

Recommendation: The District should enhance its controls over vehicle work orders to ensure that information is recorded accurately.

Response: We concur with this recommendation.

Finding No. 11: The District incorrectly calculated the taxable value for personal use of District vehicles to be reported to the Internal Revenue Service for four employees.

Recommendation: The District should revise its methodology for calculating the taxable value of personal use of District vehicles for employees using the ALV to be consistent with the methodology provided in United States Treasury Regulations. Additionally, the District should consult with the Internal Revenue Service to determine the appropriate action to be taken to substantiate the business use of vehicles by the four employees using the ALV calculation for determining the taxable value of personal use of District-owned vehicles.

Response: We concur with this the recommendation.