STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2027-049
November 2026

SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT



Sherrill F. Norman, CPA
Auditor General

Board Members and Executive Director

During the period October 2024 through March 2026, Brian J. Armstrong served as Executive Director and the following individuals served as Southwest Florida Water Management District Board Members:

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Michelle D. Williamson, Chair through 6-22-25
Elijah D. "Ed" Armstrong through 8-29-25 [a]
Brian J. Aungst Jr. from 1-08-26 [a]
Ashley B. Barnett, Secretary from 6-23-25, Treasurer through 6-22-25
Josh B. Gamblin
John E. Hall, Treasurer from 6-23-25
James W. Holton [b]
Kelly S. Rice
Dustin Rowland
Joel A. Schleicher to 1-2-25 [c]
Robert G. Stern [b]
James "Jim" Turner from 8-22-25 [c]
Nancy H. Watkins

[a] Position vacant 8-30-25, through 1-7-26.
[b] Member continued to serve beyond the end of term, 3-1-26, in accordance with Section 373.073(1)(a), Florida Statutes.
[c] Position vacant 1-3-25, through 8-21-25.

The Auditor General conducts 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.

The team leader was Svetlana V. Izmailova, CPA, and the audit was supervised by Hector J. Quevedo, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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SOUTHWEST FLORIDA WATER MANAGEMENT DISTRICT

SUMMARY

This operational audit of Southwest Florida Water Management District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2024-112. Our operational audit disclosed the following:

Finding 1: District controls over procurement cards could be enhanced.

Finding 2: Twenty employees had unnecessary information technology (IT) user access privileges that increased the risk for unauthorized disclosure, modification, or destruction of District data and IT resources to occur.

Finding 3: District service provider controls could be improved to help protect the availability, confidentiality, and integrity of the District's finance application software and related data resources.

BACKGROUND

The Southwest Florida Water Management District (District) protects and manages water resources in a sustainable manner for the continued welfare of the citizens across the 16 counties it serves. The District is one of five water management districts created under the Florida Water Resources Act of 1972[1] and includes all or part of Charlotte, Citrus, Desoto, Hardee, Hernando, Highlands, Hillsborough, Lake, Levy, Pinellas, Manatee, Marion, Pasco, Polk, Sarasota, and Sumter Counties. Governance lies with a 13-member board, 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

Finding 1: Procurement Cards

The District administers a procurement card (P-card) program to provide a cost-effective, convenient, and decentralized method for employees to make purchases on behalf of the District. According to the District *Procurement Card Procedure (P-card Procedure)*, the District's Chief Procurement Services Officer, or designee, serves as the P-card Administrator and is responsible for monitoring P-card activity, adjusting cardholder profiles, and canceling the P-cards of employees who separate from District employment. District procedures require that:

- The P-card Administrator and the Accounts Payable staff conduct or coordinate periodic audits and reviews of the P-cards. According to District personnel, the audits and reviews include verifying transaction support, account coding, and the public purpose of the P-card transactions.
- Monthly credit limits for each P-card be based on the operational needs of each cardholder's department or section.

[1] Chapter 373, Florida Statutes.

- Upon employment termination, cardholders surrender their P-card to the District and provide all documentation related to unreconciled purchases.

Our examination of District records and discussions with District personnel disclosed that, during the period October 2024 through March 2026, the District had a total of 317 P-cards and incurred P-card expenditures totaling $2.9 million. However, we identified certain controls over P-card use that could be improved. Specifically, the District had not established:

- A separate single-transaction limit for P-cards. While monthly P-card credit limits[2] had been established to safeguard total monthly cardholder purchases, the lack of single-transaction limits increased the risk for cardholders to circumvent District competitive procurement procedures. As part of our audit, we reviewed large-dollar P-card single transactions and related support and did not identify any transactions subject to competitive procurement. Notwithstanding, our procedures do not replace management's responsibility to maintain effective controls over single transactions.
- Procedures for evaluating P-card use and related monthly credit limits to determine whether the limits were reasonable or should be adjusted, nor for determining whether cards with little to no activity should be canceled. We selected 15 P-cards with monthly credit limits of $15,000 or more, compared the limits with monthly P-card activity, and found that the cards were not used for an average of 5 months. For the remaining 7 months, purchases averaged only 15 percent of the P-card credit limits, negating the basis for those limits.
- Procedures prohibiting individual employees from having multiple P-cards. During our examination, we found that 13 employees were each assigned 2 to 5 P-cards, resulting in monthly transaction credit limits of $3,000 to $40,000 and increasing the risk for excessive purchases. In response to our inquiries, District personnel indicated that the cardholders were assigned the multiple cards for different department uses. However, P-card use was not restricted to specific purposes and District records did not demonstrate the benefit for the multiple P-cards. As such, the assignment of multiple P-cards to individual employees was unnecessary.
- Procedures to promptly cancel P-cards for cardholders who separate from District employment. Of the 67 cardholders who separated from District employment, we requested support for 23 selected P-cards and found that 16 cards were not cancelled until 11 to 411 days, an average of 157 days after the cardholders' employment separations.

  District personnel indicated that the P-card cancellation delays occurred because the P-card administrator position experienced turnover and cardholder employment separations were not timely communicated to the administrator. While our examination of P-card purchases after the employment separations did not disclose any inappropriate expenditures, the untimely cancellation of P-cards increases the risk of misuse and may limit the District's ability to satisfactorily resolve disputed charges.

Subsequent to our audit inquiries, in April 2026 the District documented comparisons of cardholder monthly credit limits and maximum monthly spending amounts. In May 2026, the District Procurement Office began enhancing P-card procedures and conducting cardholder training.

[2] The monthly credit limits ranged from $3,000 to $50,000, including 37 P-cards with monthly credit limits of $15,000 or more.

Recommendation: The District should continue to enhance controls over P-card use. Such enhancements include:

- **Establishing single-transaction limits for each P-card based on documented P-card use.**
- **Conducting periodic comparisons of P-card use and credit limits to determine whether the limits were reasonable or should be adjusted and to identify cards with little to no activity for potential cancellation.**
- **Prohibiting individual employees from having multiple P-cards.**
- **The prompt cancellation of P-cards when cardholders separate from District employment.**

Finding 2: Information Technology - User Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls include granting IT users access privileges to IT resources based on a demonstrated need to view, add, modify, or delete data and restricting employees from performing functions incompatible or inconsistent with their assigned job responsibilities, and provide for documented, periodic evaluations of IT user access privileges.

The District enterprise resource planning (ERP) system includes human resources (HR) and payroll and finance applications, as well as a product setup component that allows for the technical configuration and system administration of both applications. The HR and payroll application includes, for example, the ability to add new employees, adjust pay rates, edit leave balances, and process payroll transactions. The finance application includes, for example, the ability to create and edit vendor information, create and post journal entries, and process payment transactions. The product setup component is used by security administrators to assign IT user access privileges to the applications and setup component.

As part of our audit, we evaluated the appropriateness of access privileges of the 134 users who had access to the critical functions in the District HR and payroll application as of March 2026 and of the 151 users who had access to critical functions in the District finance application as of June 2026. We found that 20 IT users had access that allowed the performance of functions incompatible or inconsistent with their assigned duties. Specifically:

- 12 District employees, such as 3 student employees, 2 procurement specialists, an accountant, and an accounting manager, had IT access privileges in the finance application that allowed them to add and update vendor information through the vendor customer approval workflow, which requires independent approval before changes are posted. However, these employees also had unnecessary access privileges to directly add and update vendor information in the vendor tables within the finance application without approval or timely review.

  According to District personnel, direct access was provided to prevent delays in vendor setup and to allow designated staff to make minor corrections quickly so that procurement documents and related payments are processed accurately without delay. Nonetheless, changes made directly in the vendor tables post immediately in the ERP system and may not be reviewed by the Finance Bureau Chief until the monthly vendor audit log review, which could occur up to a month later.

- 6 HR employees, including 2 professionals, a quality specialist, an administrative assistant, a staffing specialist, and a generalist, had incompatible access privileges in the HR and payroll application to perform user security administration functions that allowed them to directly add and change user access.

- 2 employees, including a payroll accountant lead and a senior payroll accountant, had privileges that allowed them to perform incompatible duties within the HR and payroll application. Their privileges included the ability to add employees, assign salary levels, initiate or update payroll transactions, and process payroll payments. They also had access to the product setup component, which allowed them to perform security administration functions. District personnel stated that such access was needed because these employees were responsible for assigning certain user access related to the timesheet process.

Although District records demonstrated access-privilege evaluations, the evaluations did not identify the inappropriate privileges. District personnel also indicated that compensating controls existed for both the District HR and payroll and finance applications as changes made to employee and vendor information and access permissions are routinely and independently reviewed for propriety, support, and proper recording. Notwithstanding those mitigating controls, several employees had access privileges that were incompatible with their assigned duties. Access that allows employees to perform functions inconsistent with their roles increases the risk that unauthorized disclosure, modification, or destruction of District data may occur without timely detection.

Recommendation: The District should enhance existing controls to ensure that IT access privileges restrict users from performing incompatible functions and are limited to those necessary to perform assigned duties. In addition, the District should enhance evaluations of IT user access privileges to ensure that any inappropriate or unnecessary access privileges are promptly identified and removed.

Finding 3: District Security Management Controls

Effective security management controls include ensuring that activities performed by service providers are adequately secure. Clearly defined activities in a service-level agreement establish a trust relationship between the customer and service provider and enable the monitoring of required security controls and determination of control effectiveness. To allow for proper oversight and performance monitoring, a negotiated and signed agreement between a service provider and customer, among other things, explicitly establishes the levels of support to be provided to the customer, identifies the roles and responsibilities of each party, and provides appropriate security guidelines to ensure the availability and integrity of the customer's application and data based on the customer's control risk assessment. It is important that the service agreement include a provision requiring the service provider to annually furnish an independent Service Organization Controls (SOC) 2 Type 2 report[3] for the customer District to evaluate that the provider's controls are suitably designed.

The Board entered into a hosted software license agreement dated June 28, 2023, with a service provider for the server and application hosting, management, and operations of the District's finance application software. District personnel indicated that as part of a procurement process for services, the District acquires the SOC reports, which are reviewed by District IT personnel to ensure there are no material findings. However, once the District enters into an agreement with a service provider, the District does not have a process to annually obtain and review the service provider's SOC 2 Type 2 reports, nor does

[3] Pursuant to Statement on Standards for Attestation Engagements No. 18, a SOC 2 Type 2 report is an independent service auditor's report to determine whether a service provider's controls were suitably designed and operating effectively during a specified period of time.

the agreement require the provider to provide the District a SOC 2 Type 2 report that discloses the suitability of the design and operating effectiveness of the service provider's controls. As a result, during the period October 2024 through March 2026, the District did not obtain and review the SOC 2 Type 2 report from the service provider.

Subsequent to our inquiry, in July 2026 District personnel obtained the service provider's SOC 2 Type 2 report for the period September 1, 2024, through August 31, 2025, disclosing that the service provider controls were suitably designed and operated effectively. Notwithstanding, our procedures do not substitute for management's responsibility to timely obtain overviews of service provider information security policies and procedures, include provisions in service provider contracts requiring the disclosure of SOC 2 Type 2 reports, and obtain those reports to help verify that service organization controls are operating effectively. Additionally, in July 2026 the District's IT Bureau created a process for the periodic evaluation of SOC 2 Type 2 reports for prospective and active third-party vendors providing hosted solutions to the District.

Recommendation: To increase District assurance that service provider controls are suitably designed to provide protection over the availability, confidentiality, and integrity of the District's application and data, the District should continue efforts to develop and implement procedures requiring an annual review of the service provider's SOC 2 Type 2 reports to evaluate whether service provider controls are operating effectively. In addition, the District should revise the service provider agreement to require annual SOC 2 Type 2 reports from the service provider.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2024-112.

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. State law[4] requires us to conduct at least every 3 years operational audits of the accounts and records of water management districts.

We conducted this operational audit from April 2026 through August 2026 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.

This operational audit of the District focused on selected District processes and administrative activities. For those areas, our audit objectives 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

[4] Section 11.45(2)(f), Florida Statutes.

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 safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2024-112.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those areas included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; 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.

As described in more detail below, 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; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the 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 findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records, as well as events and conditions, occurring during the audit period of October 2024 through March 2026 and selected District actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically 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 management, staff, and vendors and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed the duties and responsibilities administratively assigned to the District and examined documentation such as organizational charts and minutes of Board meetings to determine whether the District complied with Section 373.079, Florida Statutes.

- Evaluated the adequacy of Board policies and District procedures relating to major District functions, such as employee compensation, procurement of goods and services, safeguarding of District assets, cash collections, and motor vehicle usage to determine whether internal controls were designed properly and operating effectively.
- Reviewed internal audit reports, as well as external audit reports, for matters that were significant to the scope of the audit, and considered those matters in planning the audit.
- Reviewed Board information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, disaster recovery, and incident response and recovery.
- Evaluated the adequacy of District procedures for maintaining and reviewing employee access to IT data and resources. We examined selected user access privileges to District enterprise resource planning system finance and human resources (HR) and payroll applications to determine the appropriateness and necessity of the access privileges based on employee job duties and user account functions and whether the access privileges prevented the performance of incompatible duties. Specifically, we evaluated the appropriateness of access privileges granted to the 151 users who had access to selected finance functions and the 134 users who had access to selected HR and payroll functions. We also examined the administrator account access privileges granted and procedures for oversight of administrative accounts for the application to determine whether these accounts had been appropriately assigned and managed.
- Evaluated the effectiveness of Board policies and District procedures related to identifying potential conflicts of interest. We also searched the State of Florida, Division of Corporations, records; statements of financial interests; and District records to determine whether conflicts of interest existed among District employees during the audit period.
- Examined District records to determine whether the District had adopted anti-fraud policies and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals.
- Determined whether the District had established a security plan that identified critical buildings, facilities, or structures as restricted access areas and whether fingerprint-based criminal history checks were conducted for current or prospective employees and other persons allowed regular access to restricted access areas.
- Examined District records and inquired whether the District had any expenditures or entered into any contracts under the authority granted by a state of emergency, declared or renewed during the audit period, to evaluate the reasonableness of District actions.
- Examined District records to determine whether statutorily required positions had been established for a District Ombudsman, Inspector General, Board Secretary, and Board Treasurer, and whether these positions were operating effectively. We also examined District records to determine whether Board Members met the residency and experience requirements of Section 373.073(2), Florida Statutes.
- Examined District records to determine whether the District had established an effective public records request and response process. Specifically, from the population of 3,276 public record requests for the audit period, we examined District records supporting 35 selected requests to evaluate the effectiveness of the District response process.
- Evaluated the adequacy of Board policies governing investments and examined investment activity during the audit period to determine District compliance with applicable laws and Board policies. Also, we evaluated the reasonableness of District procedures for allocating interest earnings to the respective District funds.
- From the population of 180 investment account and 54 bank account reconciliations for our audit period, examined documentation supporting 20 selected investment account and 6 selected bank

account reconciliations to determine whether the reconciliations were timely, complete, and evidenced supervisory review and approval.

- From the population of two land acquisitions totaling $34 million and other small dollar acquisitions during the audit period, examined District records supporting the two land acquisitions to determine whether land was purchased in accordance with Section 373.139, Florida Statutes.
- From the population of 11 significant construction projects with expenditures totaling $7.7 million during the audit period, examined District records supporting 2 significant construction projects with expenditures totaling $5.5 million. For these 2 projects, we examined District records to determine whether the architects, engineers, and construction managers were properly selected in accordance with applicable laws, rules, regulations, and other guidelines.
- Evaluated Board policies and District procedures supporting revenue cash collections. Specifically, from the population of 3,368 receipts totaling $332.6 million, we examined District records supporting 30 selected collections totaling $12.8 million, including 19 collections totaling $3.4 million received by check or money order at the District headquarters and three service office locations.
- From the population of salary payments totaling $62.3 million to 736 employees during the audit period, examined District records supporting salary payments totaling $115,198 to 30 selected employees to determine whether salary expenditures were properly calculated, authorized, and supported by appropriate documentation; were for established positions; and were within the established approved salary range.
- Examined District records to determine whether selected expenses were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State law and Board policies; and applicable vendors were properly selected. Specifically, from the population of 22,241 expenditures totaling $170.9 million for the audit period, we examined documentation supporting 30 selected payments for general expenses totaling $16.3 million, including examining competitive bidding procedures for 4 selected contactor payments totaling $918,783.
- Evaluated the effectiveness of the District procurement card (P-card) program to determine whether the program was administered in accordance with Board policies and District procedures. Specifically, we:
    - For the population of 317 cardholders as of March 2026, examined District records to determine whether the established card limits were reasonable based upon the cardholders' job responsibilities.
    - From the population of 9,837 P-card transactions totaling $2.9 million, examined District records supporting 30 selected transactions totaling $77,722 to determine whether the transactions were reasonable, properly authorized and approved, correctly recorded, adequately documented, and for a valid District purpose.
    - From the population of 67 cancelled P-cards during the audit period, examined P-card records for 23 selected P-cards to determine whether the P-cards were timely canceled upon the cardholder's employment separation.
- From the population of 169 District owned passenger-type motor vehicles during the audit period, examined District records supporting the use of 26 selected motor vehicles to determine whether District vehicle policies and procedures were followed and vehicle assignments were appropriate and adequate records were maintained, and fuel card purchases related to these vehicles were supported and consistent with vehicle logs.

- Examined District records for the audit period to determine whether District procedures ensured that vendor and employee information changes, such as address and bank information changes, were properly authorized, documented, and verified before payments were made.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading ***MANAGEMENT'S RESPONSE***.

AUTHORITY

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



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

Southwest Florida Water Management District
2379 Broad Street, Brooksville, Florida 34604-6899
(352) 796-7211 or 1-800-423-1476 (FL only)
WaterMatters.org

An Equal Opportunity Employer

Bartow Office
170 Century Boulevard
Bartow, Florida 33830-7700
(863) 534-1448 or
1-800-492-7862 (FL only)

Sarasota Office
78 Sarasota Center Boulevard
Sarasota, Florida 34240-9770
(941) 377-3722 or
1-800-320-3503 (FL only)

Tampa Office
7601 U.S. 301 North
Tampa, Florida 33637-6759
(813) 985-7481 or
1-800-836-0797 (FL only)

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Nancy Watkins
Hillsborough, Pinellas

Brian J. Armstrong, P.G.
Executive Director

November 12, 2026

Ms. Sherrill F. Norman, C.P.A., Auditor General
Claude Denson Pepper Building, G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Subject: Management's Response to Preliminary and Tentative Audit Findings

Dear Ms. Norman:

This letter provides the District's written statement of explanation concerning the list of preliminary and tentative audit findings and recommendations included with your letter to the District dated October 14, 2026 (preliminary report). It is being provided in compliance with the requirements of Section 11.45(4)(d), Florida Statutes. The Operational audit of the Southwest Florida Water Management District for the period of October 2024 through March 2026 completed by your office resulted in three tentative findings. The District's responses to the findings are addressed in the order that they appear in your preliminary report.

Finding No. 1: To address this finding, the District will continue to enhance controls over P-Card use, including:

- Establishing single-transaction limits for P-Cards based on documented business needs.
- Periodically reviewing card usage and credit limits to determine whether adjustments or card cancellations are appropriate.
- Limiting the issuance of multiple P-Cards to individual employees except where justified by operational needs.
- Enhancing processes to promote the prompt cancellation of P-Cards when cardholders separate from District employment.

Finding No. 2: To address this finding, the District has removed access privileges in the human resources and payroll and finance applications that did not align with job responsibilities. Additional corrective actions are underway, which include a review of human resources office positions for alignment of access to duties, development of guidance documents for system role assignments, and implementation of a system access request form to document and approve access.

Finding No. 3: To address this finding, the District is updating its service provider review procedures to incorporate a formal risk and significance analysis to provide protection over the District's applications and data. Moving forward, the District will maintain documentation and review of recurring annual security credentials to ensure they are suitably designed, including active GovRAMP, FedRAMP, SOC 2 Type 2 reports, or equivalent as determined by management's determination of level of significance and risk. Additionally, the District will update agreement terms to ensure service provider controls operate effectively.

The District's Inspector General is responsible for monitoring the implementation of the District's response to any operational audit. The Inspector General will ensure the District complies with both statutory and policy requirements.

Thank you for your time and effort.

Sincerely,

Paul J. Bispham
Governing Board Chair