

SUNSHINE WATER CONTROL DISTRICT

Prior Audit Follow Up



Sherrill F. Norman, CPA
Auditor General

**Board of Supervisors, District Manager, District Attorney,
And District Engineer**

During the period October 2014 through December 2015, the following served as Sunshine Water Control District Board Supervisors, District Manager, District Attorney, or District Engineer:

Board of Supervisors

Jose "Joe" Morera, President

Jim Maguire, Vice President from 3-11-15, Secretary to 3-10-15

Daniel Prudhomme, Vice President to 3-10-15, Secretary from 3-11-15

District Manager

Wrathell, Hunt and Associates, LLC

District Attorney

Lewis, Longman & Walker, P.A.

District Engineer

Craig A. Smith and Associates, Inc. from 3-11-15

IBI Group, Inc. to 3-10-15

The team leader was Samantha M. Palaigos, CPA, and the audit was supervised by Diana G. Garza, CPA.

Please address inquiries regarding this report to Michael J. Gomez, CPA, Audit Manager, by e-mail at mikegomez@aud.state.fl.us or by telephone at (850) 412-2881.

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SUNSHINE WATER CONTROL DISTRICT

Prior Audit Follow Up

SUMMARY

This operational audit of the Sunshine Water Control District (District) focused on the progress that the District had made, or was in the process of making, in addressing the findings and recommendations in our operational audit report No. 2014-199. Our audit disclosed that the District had corrected 4 findings (Nos. 1, 4, 8, and 11), partially corrected 3 findings (Nos. 2, 3, and 9), had not corrected 2 findings (Nos. 6 and 10), and had no occasion to correct 2 findings (Nos. 5 and 7).

BACKGROUND

The Sunshine Water Control District (District) is a special-purpose local government established in July 1963 by Chapter 63-609, Laws of Florida, under the authority of Chapter 298, Florida Statutes. According to the District, the District has 5,422 acres of canals and right-of-way property that provides drainage and flood protection to 16,850 landowners in the central core of Coral Springs.¹

The District is governed by a three-member Board of Supervisors (Board) elected by property owners in the District for 3-year alternating terms. The Board is responsible for assessing and levying tax assessments, approving budgets and controlling use of District funds, exercising control over facilities and properties, approving personnel actions, and financing improvements. In addition, the Board contracts for certain professional services, such as the District Manager, District Engineer, and District Attorney services, and employs a Field Superintendent and seven staff to perform District water control operations and the District contracts with third-party vendors, as needed.

Pursuant to Section 11.45(3)(a), Florida Statutes, we conducted an operational audit of the District for the period October 2011 through August 2013, and selected actions taken prior and subsequent thereto, and issued our report No. 2014-199 in June 2014. In accordance with State law,² we performed follow-up procedures, as deemed necessary, to determine the District's progress in addressing the findings and recommendations contained within that report.

FINDINGS AND RECOMMENDATIONS

GENERAL MANAGEMENT CONTROLS

Finding 1: Fraud Policies and Procedures

Previously Reported

The District had not adopted policies and procedures for the mitigation, detection, and reporting of fraud.

¹ Sunshine Water Control District Web site.

² Section 11.45(2)(j), Florida Statutes.

We recommended that the Board revise its policies and procedures to identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences of fraudulent behavior.

Results of Follow-Up Procedures

The District corrected this finding. According to District records, in July 2014, the Board approved a fraud policy and the District included the policy in the District *Personnel Manual*. The policy identifies actions constituting fraud; incident reporting procedures that require any suspected or detected fraud be reported immediately to the District Manager, who is responsible for fraud investigations; and consequences of fraudulent behavior.

CONTRACTUAL SERVICES

Finding 2: Acquisition of Professional Services

Previously Reported

District records did not adequately document the basis for selecting the District Manager, District Engineer, and District Attorney to provide professional services. Also, the District had not, since entering into contracts for these services in 2007, 2008, and 2009, respectively, employed a competitive selection process for these services.

We recommended that the District enhance procedures for acquiring professional services to ensure that evaluation criteria are established, and the ranking and evaluation of individuals or firms are documented in the District's records. In addition, we recommended that the District consider competitively selecting professional services on a periodic basis to evidence that such services are obtained at the lowest cost consistent with desired quality.

Results of Follow-Up Procedures

The District partially corrected this finding. Based on our examination of District records and discussions with District Manager personnel, we determined that the Board solicited requests for District Engineer proposals in November 2014 and each Board member performed and documented the ranking and evaluation of the proposals based on District-established criteria to evaluate the proposals. Subsequent to selection of the District Engineer by the competitive selection process, the District contracted with the District Engineer in March 2015.

According to District Manager personnel, charges for District Manager and District Attorney services have increased slightly since June 2014. For example, the District Manager service fees were based on the Consumer Price Index, which increased approximately 1.5 percent for 2014 and 1.9 percent for 2015, and the District Attorney hourly rate increased from \$275 to \$285 per hour during 2015. However, the District had not, since entering into contracts for District Manager and District Attorney services in 2007 and 2009, respectively, documented the consideration of employing a competitive selection process for procuring these services.

In response to our inquiries, District Manager personnel indicated that periodic competitive selection of the District Manager and District Attorney services is not required by statute and the Board has the power

to terminate the contracts and select new firms at any time if the Board is not satisfied with performance or cost. Notwithstanding this response, competitive procurement processes, as a matter of good business practice, provide an effective means of acquiring services at the lowest cost consistent with desired quality. Absent such processes, the District's ability to demonstrate the fair, equitable, and economical procurement of these services may be limited.

Recommendation: We continue to recommend that the District consider competitively selecting District Manager and District Attorney services on a periodic basis to demonstrate that such services are obtained at the lowest cost consistent with desired quality.

Finding 3: Payments for Services

Previously Reported

Payments to the District Engineer were not always in accordance with rates or positions established in the contract. Also, District records did not evidence the specific basis upon which increases in the District Manager's compensation were determined.

We recommended that the District enhance procedures to ensure that, prior to payment, invoices submitted by the District Engineer are in sufficient detail and compensation amount billed is determined to be in accordance with contract terms. Additionally, we recommended that the District obtain from the District Engineer sufficiently detailed documentation to support payments made and take appropriate action to recover overpayments. We also recommended that the District enhance its procedures to document the specific basis upon which increases in the District Manager's compensation are determined.

Results of Follow-Up Procedures

The District partially corrected this finding. Our discussions with District Manager personnel and examination of District records for the audit period (October 2014 through December 2015), disclosed that the District Manager contract provides for annual compensation adjustments based on changes in the Consumer Price Index and that compensation payments to the District Manager during the audit period were made in accordance with contract terms.

Regarding payments to the District Engineer, District Manager personnel indicated that, upon their request, the former District Engineer reviewed the invoices associated with District payments to the former District Engineer and the former District Engineer contract's hourly rate schedule cited in our report No. 2014-199 and calculated an overpayment amount. The former District Engineer provided documentation supporting the calculation and reimbursed the District \$19,221. As part of our follow-up procedures, we examined the supporting documentation, confirmed the accuracy of the overpayment calculation, and verified that the District received the appropriate amount.

To determine whether payments to the District Engineer during the audit period were made in accordance with applicable contract provisions, we examined the 137 invoices and other District records supporting the 24 payments totaling \$344,356 to the former District Engineer and the 9 payments totaling \$254,249 to the current District Engineer. We found that 79 invoices totaling \$270,936 contained rates that were not in accordance with the contract rate schedule, resulting in overpayments totaling \$15,109 to the

former District Engineer. Further, although we requested, the District could not provide documentation to demonstrate that District Manager personnel reconciled the District Engineer invoice amounts to the contract rate schedule prior to payment. In response to our inquiries, District Manager personnel indicated that, apparently, the former District Engineer made mistakes when billing the District and, as of October 14, 2016, the District was pursuing litigation against the former District Engineer. Absent District procedures to reconcile invoice amounts to the contract rate schedule before payments are made, there is an increased risk that District Engineer services may not be consistent with District expectations and overpayments may occur.

Recommendation: The District should establish procedures to require District Manager personnel to reconcile District Engineer invoice amounts to the contract rate schedule before payments are made and ensure that the payments are in accordance with contract terms.

Finding 4: Auditing Services

Previously Reported

The agreements and invoices related to the 2010-11 and 2011-12 fiscal year financial audits were not in accordance with State law.³

We recommended that the District enhance monitoring procedures over auditing services to ensure that, prior to payment, invoices submitted are in sufficient detail and the compensation amount billed is determined to be in accordance with contract terms.

Results of Follow-Up Procedures

The District corrected this finding. According to District records, in December 2013, the District entered into a contract for auditing services for the 2012-13 fiscal year financial audit and, pursuant to the contract terms, renewed the contract for the subsequent two fiscal year financial audits. To determine whether the auditing services invoices submitted were in sufficient detail and the amounts billed and paid were in accordance with contract terms, we examined the three invoices received for the 2013-14 fiscal year financial audit and the related payments totaling \$9,500 during the period May 2015 through July 2015. We found that the invoices were sufficiently detailed and the invoice amounts and payments agreed with the auditing services contract terms.

MAJOR CAPITAL PROJECTS FINANCING

Finding 5: Capital Improvement Plan

Previously Reported

The District did not include all related costs or projects in developing its capital improvement plan (CIP) used as the basis for determining the amount of needed long-term financing.

³ Section 218.391(7), Florida Statutes.

We recommended that the District ensure that all project costs are considered in preparing its 5-year CIP to ensure that adequate funds are available for all needed projects, particularly when long-term financing will be needed.

Results of Follow-Up Procedures

The District had no occasion to correct this finding. The 5-year CIP noted in our prior audit was for the 2010-11 through 2014-15 fiscal years. In response to our inquiries, District Manager personnel indicated that, as of October 2016, an updated CIP for the 2015-16 through 2019-20 fiscal years had not been prepared because no additional capital projects were in progress. District Manager personnel further indicated that cost estimates were, as of October 2016, being developed for the West Outfall Canal Construction Project that would take more than a year to construct and, due to the size and scope of the project, the District Engineer would update the CIP once the cost estimates were finalized.

Timely updates to the 5-year CIP assist in identifying projects to be funded, funding sources, and project expenditures over a specified period. Timely CIP updates also assist in establishing priorities to balance capital needs with all available financing, matching projects with appropriate funding alternatives, ensuring that debt-financed projects do not exceed legally permitted levels of debt issuance, and establishing a plan for debt issuance to meet expenditure requirements.

PUMP STATIONS REPLACEMENT PROJECT

Finding 6: Project Engineering Services

Previously Reported

The District did not procure engineering services for the pump stations replacement project, contrary to State law.⁴

We recommended that the District seek an Attorney General's opinion concerning the applicability of State law for engineering services when estimated project costs exceed the threshold indicated therein.

Results of Follow-Up Procedures

The District did not correct this finding. Our examination of District records and discussion with District Manager personnel disclosed that the District did not enter into a construction project during the audit period that required engineering services with costs exceeding the threshold established by State law and, consequently, the District did not seek an Attorney General's opinion. However, District records indicated that, as of October 2016, the District Engineer was developing cost estimates for the West Outfall Canal Construction Project and, consequently, there remains the need to obtain the Attorney General's opinion to clarify the applicability of State law for engineering services.

Recommendation: We continue to recommend that the District seek an Attorney General's opinion concerning the applicability of Section 287.055, Florida Statutes, for engineering services when estimated project costs exceed the threshold indicated therein.

⁴ Section 287.055, Florida Statutes.

Finding 7: Awarding of Subcontractor Contracts

Previously Reported

District records did not always evidence for the pump stations replacement project that subcontractors were selected, and materials or equipment were purchased, using the competitive bid process required by the construction management company contract. Also, the District did not rebid certain work although the scope of the work significantly changed after the subcontractor was selected.

We recommended that the District revise procedures to require bids received from potential subcontractors and suppliers be retained, and subcontractor services be rebid when the scope of the services substantially changes after the subcontractor is selected.

Results of Follow-Up Procedures

The District had no occasion to correct this finding. Our review of District records and discussion with District Manager personnel disclosed that the District did not use a construction management company and related subcontractor services during the audit period.

Finding 8: Project Change Orders

Previously Reported

The District needed to enhance procedures for monitoring and processing change orders on construction projects.

We recommended that the District ensure that records demonstrate that any needed change orders are reviewed, approved, and signed by all applicable parties prior to commencement of work contemplated by the change orders. Additionally, we recommended that, if it is the Board's intent to allow staff to approve commencement of work pursuant to change orders before Board approval, the Board develop a policy providing the conditions under which such approvals are permitted.

Results of Follow-Up Procedures

The District corrected this finding. Our examination of District records disclosed that in August 2014 the Board approved Resolution 2014-6, which established conditions that permitted the District Engineer, in consultation with the District Manager and Board President, to approve change orders without Board approval. These conditions, for example, permitted District Engineer approval of change orders not to exceed \$100,000 when delayed Board approval would cause a funding source to be lost or diminished or cause an increase in cost above the change order cost. For the audit period, District records indicated that the District had only one significant construction project in progress (\$1.4 million contract) and the Board approved the two change orders totaling \$52,397 for the project in December 2014.

DISBURSEMENTS

Finding 9: Questioned Expenditures

Previously Reported

District records did not adequately document the authorized public purpose served by some expenditures.

We recommended that the District document in its public records the reasonableness of, and public purpose served by, the questioned expenditures totaling \$1,878. Additionally, we recommended that the District take advantage of its sales tax exemption status by making direct purchases of materials when possible.

Results of Follow-Up Procedures

The District partially corrected this finding. From the population of expenditures totaling \$4 million during the audit period, we selected the largest District payment to each of the 11 vendors that received total payments of \$30,000 or more and the largest District payment to 3 other vendors. We examined District documentation supporting the 14 expenditures totaling \$298,818 and found that District records documented the expenditures' public purpose and the District appropriately used the sales tax exemption.

However, our discussions with District Manager personnel and examination of District records also disclosed that, although, District Manager personnel had documented the reasonableness and public purpose served for \$878 of the expenditures totaling \$1,878 questioned in our report No. 2014-199, no efforts were made to document the reasonableness and public purpose of a \$1,000 bonus payment. According to District Manager personnel, the \$1,000 bonus payment was made to the former District Attorney based on his years of District service and the Board deemed the bonus reasonable when it was approved. Notwithstanding Board approval of the bonus, District records did not document the reasonableness of, or public purpose served by, the \$1,000 bonus payment.

Recommendation: We continue to recommend that the District document in its public records the reasonableness of, and public purpose served by the \$1,000 bonus payment.

PERSONNEL ADMINISTRATION

Finding 10: Performance Evaluations

Previously Reported

The District did not always prepare written performance evaluations, contrary to its *Personnel Manual*.

We recommended that the District ensure that performance evaluations are written in accordance with the *Personnel Manual*.

Results of Follow-Up Procedures

The District did not correct this finding. According to District records, in September 2014 the Board deleted the performance evaluation requirement from the *Personnel Manual*. While District Manager

personnel indicated that verbal evaluations are performed, District records did not document these evaluations or how the District and the eight staff members would benefit by deleting the written performance evaluation requirement. Notwithstanding Board action to delete the performance evaluation requirement, timely conducted and documented performance evaluations are important management tools that demonstrate communications with employees about their accomplishments, needed improvements, and training needs, and also help management make and support personnel decisions.

Recommendation: The District should ensure that employee performance evaluations are timely completed and documented in District records.

CAPITAL ASSETS

Finding 11: Tangible Personal Property

Previously Reported

District policies and procedures over tangible personal property (TPP) needed improvement.

We recommended that, to ensure proper accountability and safeguarding of TPP, the District maintain an adequate record of each property item. Additionally, we recommended that the District conduct an annual complete physical inventory of all TPP and reconcile the physical inventory results to the property records.

Results of Follow-Up Procedures

The District corrected this finding. Our examination of District records for the audit period disclosed that the property records included the information necessary to properly identify and account for District-owned TPP. Additionally, our examination of District records disclosed that the District performed an annual physical inventory of TPP in October 2014 and September 2015 and reconciled the physical inventory results to the property records.

OBJECTIVES, SCOPE, AND METHODOLOGY

Pursuant to Section 11.45(3)(a), Florida Statutes, we conducted an operational audit of the Sunshine Water Control District (District) and issued our report No. 2014-199 in June 2014. Pursuant to Section 11.45(2)(j), Florida Statutes, no later than 18 months after the release of a report on the audit of a local government, we must perform appropriate follow-up procedures as we deem necessary to determine the audited entity's progress in addressing the findings and recommendations contained within our previous report. The objectives of this follow-up audit were to determine the progress the District had made, or was in the process of making, in addressing the findings and recommendations in our report No. 2014-199.

We conducted this follow-up audit from February 2016 to May 2016 in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the follow-up 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 audit was designed to identify, for those programs, activities, or functions included within the scope of the follow-up audit, weaknesses 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.

As described in more detail below, for those programs, activities, and functions included within the scope of our follow-up 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 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 transactions, as well as events and conditions, occurring during the audit period of October 2014 through December 2015, and selected District actions taken prior and subsequent thereto. Our audit included the examination of pertinent District records and transactions, inquiry of District Manager personnel, observation of procedures in practice, and additional follow-up procedures as appropriate. Unless otherwise indicated in this report, records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning the relevant population value or size and quantifications relative to the items selected for examination. Specifically, we:

- Evaluated District fraud policies and procedures to determine whether, as of December 2015, the policies and procedures identified actions constituting fraud, incident reports procedures, responsibility for fraud investigation, and consequences of fraudulent behavior.
- Through discussions with District Manager personnel and examination of District records, evaluated whether the District had established policies and procedures for the competitive selection of District Manager, District Engineer, and District Attorney services. Additionally, we examined District records associated with the competitive selection of the District Engineer to determine whether evaluation criteria was established and used to rank and evaluate the firms considered and District records documented the selection process.
- Examined District records for all 33 engineering service payments totaling \$598,605 during the audit period to determine whether invoices were sufficiently detailed to determine compliance with the contract and whether payments were made in accordance with contract terms. Additionally, we examined District records and held discussions with District Manager personnel to gain an understanding of the actions taken to recover the overpayments noted in our audit report No. 2014-199.
- Examined District records to determine whether the basis for increasing the District Manager's compensation was in accordance with the compensation contract.

- Examined District records to determine whether the District enhanced monitoring procedures for auditing services to verify that invoices submitted were in sufficient detail and invoice amounts agreed with contract terms prior to payment. We also examined the three invoices submitted for the 2013-14 fiscal year audit and related payments totaling \$9,500 during the period May 2015 through July 2015 to evaluate compliance with contract terms.
- Examined District records and held discussions with District Manager personnel to determine whether the District prepared a 5-year capital improvement plan (CIP) and, if not, whether an updated CIP was needed.
- Through discussions with District Manager personnel and examination of District records, determined whether the District sought and obtained an Attorney General opinion regarding the applicability of Section 287.055, Florida Statutes, for engineering services when estimated projects costs exceed the threshold indicated therein.
- Examined District records and interviewed District Manager personnel to determine whether the District used construction management company services during the audit period.
- Examined District records to determine whether the District appropriately reviewed, approved, and signed, before the commencement of work contemplated by the change orders, the 4 change orders for the one significant capital project in progress during the audit period. Additionally, we determined whether the Board approved a policy that established the conditions permitting the District Engineer, in consultation with the District Manager and Board President, to approve change orders without Board approval.
- From the population of 93 vendors paid \$4 million during the audit period, identified 11 vendors paid \$30,000 or more each, and examined supporting documentation for the highest payment to each vendor to determine whether the District adequately documented the authorized public purpose of the expenditures and took advantage of its sales tax exemption status by making direct purchases of materials when possible. Additionally, we scanned vendor records for unusual payments and examined supporting documentation for the highest payment to 3 other vendors.
- Examined District records to determine whether performance evaluations were timely completed and documented.
- Reviewed tangible personal property (TPP) records to determine whether the District maintained an adequate record of each property item to ensure proper accountability and safeguarding of TPP. We also determined whether the District conducted a complete annual physical inventory of all TPP and reconciled the physical inventory results to the property records for the 2013-14 and 2014-15 fiscal years.
- 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 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(2)(j), Florida Statutes, I have directed that this report be prepared to present the results of our follow-up procedures designed to determine the District's progress in addressing the findings and recommendations included in our operational audit of the Sunshine Water Control District, report No. 2014-199.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



January 12, 2017

Ms. Sherrill Norman, CPA - Auditor General, State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

Enclosed are the Sunshine Water Control District's ("SWCD") responses to the tentative audit findings and recommendations of the Auditor General.

Finding No. 1: Fraud Policies and Procedures: The District had not adopted policies and procedures for the mitigation, detection, and reporting of fraud.

SWCD response : As noted in the report from the Auditor General, the District adopted a Fraud Policy in July, 2014. The District and the Auditor General acknowledge no instances of fraud were detected.

Finding No. 2. Acquisition of Professional Services: District records did not adequately document the basis for selecting the District Manager, District Engineer, and District Attorney to provide professional services. Also, the District had not, since entering into contracts for these services in 2007, 2008, and 2009, respectively, employed a competitive selection process for these services.

SWCD response: For the portion of the finding the Auditor General has noted as not being corrected, there is no statute requiring periodic competitive selection for the District Manager or District Counsel. Since the Board has the power to terminate the contracts with the District Manager and District Counsel, and select new firms, and the Board reviews and approves the budget on an annual basis, adequate opportunity exists for such discussion and action by the Board. As an example and as acknowledged by the Auditor General, the District solicited a request for Qualifications for District Engineering Services in November of 2014 and after following the appropriate procedures, contracted with a new District Engineer in March of 2015.

Finding No. 3. Payments for Services: Payments to the District Engineer were not always in accordance with rates or positions established in the contract. Also, District records did not evidence the specific basis upon which increases in which the District Manager's compensation were determined.

SWCD response: For the findings that have not been corrected related to the district engineer, litigation is pending related to the (former) district engineer which in turn could remediate this finding. Changes in District Management fees occur with Board approval through the budget adoption process and/or through approvals during board meetings. District Management fees for SWCD are consistent with fees paid to outside managers of districts with a similar sized budget.

Finding No. 4. Auditing Services: The agreements and invoices related to the 2010-11 and 2011-12 fiscal year financial audits were not in accordance with Section 218.391, Florida Statutes.

SWCD response: Per the report from the Auditor General, the District corrected this finding. Engagement letters were revised to be flat fee engagements.

Finding No. 5. Capital Improvement Plan: The District did not include all related costs or projects in developing its capital improvement plan used as the basis for determining the amount of needed long term financing.

SWCD response : The District had no occasion to correct this finding. The Sunshine Water Control District is more than fifty (50) years old. Many of the original engineering drawings and final as-built drawings simply no longer exist. Further, original district construction, in many cases, was not completed due to geological conditions (dense cap rock that could not be excavated with available equipment). Hence, current district engineers and contractors were dealing with the unknown in many instances and had no alternative but to adjust design and construction plans, as these conditions were discovered. As of October 2016, preliminary cost estimates were developed for the West Outfall Canal Improvement Project. This project will take more than one year to construct. Due to the size of the project and the time required to complete it, this will be the main component of the 5-year CIP update that is currently underway.

Finding No. 6. Project Engineering Services: The District did not procure engineering services for the pump stations replacement project, contrary to Section 287.055, Florida Statutes.

SWCD response : SWCD will take the Auditor General's recommendations on this matter under advisement for future projects.

Finding No. 7. Awarding of Subcontractor Contracts: District records did not always evidence for the pump stations replacement project that subcontractors were selected, and materials or equipment purchased, using the competitive bid process required by the construction management company contract. Also, the District did not rebid certain work although the scope of the work significantly changed after the subcontractor was selected.

SWCD response: The District had no occasion to correct this finding. The vast majority of the bids were retained by SWCD and supplied to the Auditor General. For those instances bids were not retained, SWCD will adhere to your recommendations for future projects.

Finding No. 8. Project Change Orders: The District needed to enhance its procedures for monitoring and processing change orders on construction projects.

SWCD response: Per the report from the Auditor General, the District corrected this finding. The Board approved Change Order Resolution 2014-6 on August 13, 2014 setting in place procedures for revisions to ongoing projects. All change orders will be reviewed, approved and signed by all applicable parties, prior to commencement of work. Under special circumstances where immediate action is required, Board President and District Manager have authority to allow work to begin with formal change order review process to follow at next meeting.

Finding No. 9. Questioned Expenditures: District records did not adequately document the authorized public purpose served by some expenditures.

SWCD response: SWCD recognizes the Auditor General's recommendation regarding the bonus awarded to the former District General Counsel and will keep under advisement.

Finding No. 10. Performance Evaluations: The District did not always prepare written performance evaluations, contrary to its Personnel Manual.

SWCD response: Employee reviews for average, above average, below average and not acceptable performances are given verbally. Based on the number of employees and type of work performed, SWCD believes this process is the most effective manner to conduct reviews.

Finding No. 11. Tangible Personal Property: The District's policies and procedures over tangible personal property needed improvement.

SWCD response: Per the report from the Auditor General, the District corrected this finding.

In closing, SWCD recognizes and appreciates the findings and recommendations of the Auditor General. Perhaps, part of this Operational Audit process should dedicate a section of the Auditor General's report to outlining the fact that the SWCD has dramatically improved the functionality of the District's drainage system originally built nearly fifty (50) years ago. SWCD replaced two (2) antiquated liquid propane powered pump stations, built in the 1960s, that could not be manned and safely operated during hurricane force winds, thus shutting down the District's ability to provide flood control during the most critical times. SWCD is in the process of excavating and widening its main drainage canals, which were not initially constructed according to the original design specifications and had multiple decades worth of silt buildup impeding water flows. SWCD also removed large trees and vegetation from canal banks that were blocking the District's ability to access vital canals for on-going maintenance, excavation, and widening work. Moreover, the vegetation that was illegally placed on Sunshine canal ROW has been removed to ensure that during high-wind hurricane events, those obstructions will not fall into vital main drain canals and impede or completely block critical drainage. Furthermore, the two 84" culverts, referenced in the Operational Audit, that were installed and were not a part of the District Engineer's original Capital Improvement Plan, were key components to drastically improving drainage flow to the main drain canals leading to one of the two SWCD pump stations. Moreover, all of the work described herein, will dramatically improve drainage in the Westchester area of the City of Coral Springs. Lastly, all of the work undertaken by SWCD was reviewed by the City of Coral Springs City Engineer in the summer of 2013. The City Engineer concurred with the SWCD Capital Improvement Plan being implemented. It is the mission of the Sunshine Water Control District to protect the life, health, safety, and property of its constituents, business owners, City Hall, and critical City public safety facilities. We are proud to say, under our watch, that our mission is well on the way of being accomplished!

Best regards,



Joe Morera
President
Sunshine Water Control District

Encl.

cc: Board of Supervisors District Counsel