



**Office of Inspector General
Annual Report**

For the Period from October 1, 1996 to September 30, 1997

[Allen Vann, Inspector General](#)

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INTRODUCTION

In accordance with the Inspector General Act of 1994, Chapter 20.055(7) F.S., this report summarizes the activities of the South Florida Water Management District's (the "District") Office of Inspector General (the "OIG") for the fiscal year ended September 30, 1997.

The OIG serves as an independent appraisal function within the District to examine and evaluate its activities. The Inspector General reports directly to the District's Governing Board, (the "Board") through the Board's Audit Committee appointed by the Chairman of the Board. The Audit Committee operates under an Audit Committee Charter established by the Board.

The duties and responsibilities of the Inspector General, as defined by Chapter 20.055, F.S. include:

- advising in the development of performance measures,
- assessing the validity and reliability of performance measures,
- reviewing action taken by the District to improve performance,
- conducting, supervising or coordinating other activities to promote economy and efficiency,
- preventing and detecting fraud and abuse,
- coordinating with other auditors to avoid duplication, and
- ensuring that an appropriate balance is maintained between audits, investigations, and other accountability activities.

Under Chapters 112.3187 through 112.31895 and Chapter 20.055, F.S., the OIG is also responsible for investigating Whistle-Blower Act complaints brought by District employees, ex-employees, agents or contractors.

The Charter establishes an internal audit function within the OIG to provide a central point for coordination of activities that promote accountability, integrity, and efficiency in the operations of the District. The OIG is accorded unrestricted access to District facilities, records and documents and is not limited as to the scope of work.

STAFF

The OIG consists of seven professionals: an Inspector General, four Senior Auditors, one Information Systems Audit Manager, and one Associate Financial Analyst. (See Appendix A, Organization Chart, page 10.) The

Inspector General and all Senior Auditors maintain active Certified Public Accountant licenses.

In response to and support of the recommendation in the "Management Letter" for the year ending September 30, 1996, the Inspector General added the position of Information Systems Auditor Manager to the staff. The Information Systems Audit Manager provides internal support to the audit staff, performs audits of information systems controls and information systems performance. This position is further supported under Chapter 20.055(8) F.S., which states, "Each agency Inspector General shall, to the extent both necessary and practicable, include on his or her staff individuals with electronic data processing auditing experience."

Staff professional affiliations are as follows:

- Association of Inspectors General
- American Institute of Certified Public Accountants
- Florida Institute of Certified Public Accountants
- Institute of Internal Auditors
- Government Finance Officers Association
- National Association of Local Government Auditors
- Association of Certified Fraud Examiners
- Institute of Management Accountants
- Information Systems Audit and Control Association

CONTINUING PROFESSIONAL EDUCATION AND TRAINING

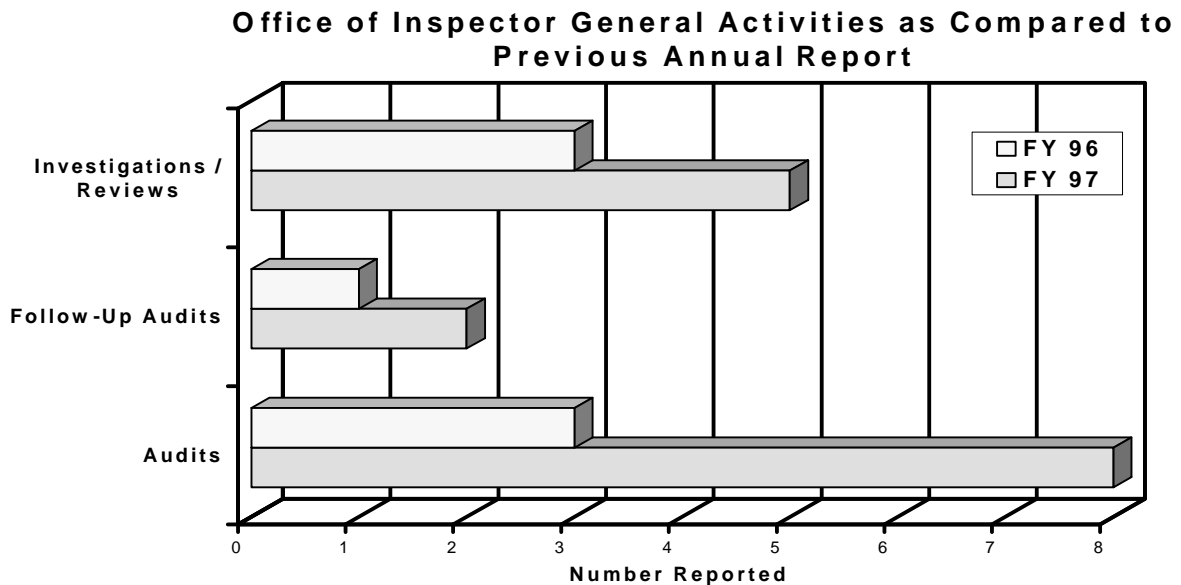
Every fiscal year, the Inspector General provides training for OIG staff. The goal of the program is to cost effectively increase professional knowledge and proficiency, and ensure that staff meet continuing professional education requirements of professional organizations, licensing bodies and the Government Auditing Standards ("the Yellow Book") to maintain licenses and certifications, and to comply with government auditing standards.

During FY 97 the staff received training in such topics as:

- Control Self Assessment
- Basic Governmental Auditing
- Performance Measurements
- Risk Based & Fraud Auditing
- Technology in the Audit Environment
- Ethics and Fraud
- Information Systems Auditing

INSPECTOR GENERAL ACTIVITIES

The Inspector General prepares an annual audit plan that lists the audits and other activities that will be undertaken during the ensuing fiscal year. The Inspector General relies on a risk assessment, long range audit plan, analysis of financial information and input from the Audit Committee and District management to aid in the development of this plan. The OIG continues to identify those programs that pose the greatest risk to the District, to assist in prioritizing audits, and to ensure the most effective use of audit resources. The Inspector General also considers the statutory responsibility to advise in the development of performance measurements, standards and procedures in assessing District program risks. The number of work products prepared in FY 97 increased significantly over FY 96 as illustrated in the following graph.



All audits are conducted in accordance with generally accepted government auditing standards promulgated by the Comptroller General of the United States, commonly referred to as the Yellow Book, and Standards for The Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, Inc. All audit reports issued contain a statement that the audit was conducted in accordance with applicable standards. During FY97, the OIG performed the following audits, reviews, investigations, and analyses.

AUDITS

During FY 97 the OIG finalized eight (8) audit reports and two (2) follow-up audit reports. A summary of each report follows:

Audit of the Human Resources Division. This Audit focused on the effectiveness and efficiency of the operations of the Employment, Equal Employment Opportunity, Employee Relations and Compensation units of the Human Resources Division. The report concluded that the Division staffing and expenditure performance compares favorably with performance measures of benchmark industries and approximates the median industry averages. Additionally, it highlighted potential opportunities to reduce sick leave usage and cost. The report contained fifteen (15) recommendations which management concurred with and indicated steps they will take to implement them.

Audit of the September 1996 Surplus Property Auction. This Audit focused on determining whether the September 1996 Surplus Property Auction was conducted in an efficient and effective manner and in accordance with applicable laws, regulations and District policies. Overall the District's Property Manager and other General Services Division staff complied with applicable District policies and procedures and did an effective job of disposing of surplus property. However, several surplus items were sold without board approval and monitoring of certain provisions of the auctioneer's contract needs to be improved. The report contained ten (10) recommendations; management concurred with nine (9) and indicated steps they will take to implement them. The one remaining recommendation will be tested for feasibility.

Audit of the Palm Beach Tree Farm Liquidation Contract. This Audit was requested by the Director of the Construction and Land Management Department as a result of concerns about the contractor's performance and how the contract was being monitored. The issues raised were that the contract bids were not properly tabulated, contract terms were more favorable to the contractor than what was offered in the bid, contract terms were improperly "renegotiated" by the Project Manager, established controls were circumvented, and the contract was inadequately monitored.

The report contained eight (8) recommendations including: assignment of a new Project Manager, disciplinary action against the Project Manager and Contract Administrator, enforcement of all contract provisions, recovery from the contractor of "underpayments" and full accounting of all sales, obtaining

another contractor to liquidate the District's salable trees, performance of an audit of the Contractor's records, enforcement of guidelines to govern the contractor's "start of work," and establishment of guidelines for contract termination clauses. Management concurred with the eight (8) recommendations and has taken steps to implement them.

Audit of the Control and Administration of Overtime in the Operations and Maintenance Department. This Audit focused on determining whether the Operations & Maintenance Department was administering overtime in accordance with applicable laws, regulations and District policies, in a fair and equitable manner, and in a manner consistent with sound fiscal and human resource management principles. This Audit covered the period from October 1, 1995 through September 30, 1996. The Audit found that overtime was not distributed equitably across all positions, exceeded a reasonable maximum for some positions, and some routine overtime practices conflicted with the intent of the overtime policy. The report contained ten (10) recommendations which management concurred with and indicated steps they will take to implement them.

Audit of the District's Year 2000 Compliance Planning. This Audit focused on the District planning in order to bring its technology in line with the requirements of the transition to the year 2000. The Audit found that the District did not have a year 2000 planning document and had not completed the assessment of the potential problems. The report contained twenty-one (21) recommendations which management concurred with and indicated steps they will take to implement them.

Audit of Computer Purchasing and Inventory Control Practices. This Audit focused on determining whether the District was procuring computer equipment in accordance with District Policy, at the best available price for the technology acquired, was utilizing the computer equipment efficiently, and properly accounting for and safeguarding the equipment. The Audit found that, although the current practices were adequate, there were several opportunities for improvement in the budgeting, acquisition, assignment and inventory processes associated with computer equipment. The report contained eleven (11) recommendations. Management concurred with ten (10) recommendations and indicated steps they will take to implement them. Management made one alternative recommendation. The OIG concurred with the alternative recommended.

Payment Voucher Review. This Audit focused on determining whether Voucher payments were made in compliance with District guidelines and

that payments made were accurate and legitimate. The Audit found that the District is complying with established guidelines and payments were properly supported with either electronic or hard copy records. Accounts payable is doing a good job promptly generating checks after receiving properly completed payment requests and taking advantage of payment discounts. The report contained eight (8) recommendations which management concurred with and indicated steps they will take to implement them.

Accounting Survey of South Florida Aquaculture, Inc. At the request of the Director of Land Stewardship, the OIG performed a survey of South Florida Aquaculture's accounting system and internal controls over sales. The company's lease payments to the District are based on sales volume. The OIG found the company's records are adequate for this purpose.

Follow-up Report on the Construction Contract Audit. The initial Audit of Construction Contracts was issued on July 5, 1995, and covered the period from October 1, 1991 to September 30, 1994. The report contained twenty-four (24) findings and thirty-seven (37) recommendations.

Auditing "standards" require that follow-up audits be performed to assess the adequacy, effectiveness, and timeliness of actions taken by management on reported audit findings. The OIG found that of the thirty-seven (37) recommendations in the original audit, twenty-one (21) were implemented, thirteen (13) were partially implemented, two (2) were not implemented and one (1) is no longer applicable.

Second Follow-up Report on the Ten Internal Audits Issued During the Period October 1990 through April 1994. This review represents a second follow-up of the recommendations made in ten (10) previous reports. The first follow-up report was issued on April 1, 1996, and included a review of 122 recommendations. At that time, resolution was complete on 106 recommendations with sixteen (16) remaining as unresolved. The report covered the remaining sixteen recommendations.

Since much of the benefit of audits is in the effective implementation and resolution of recommendations that may result from audit findings, auditing "standards" require internal auditors to perform follow-up audits. Of these sixteen (16) remaining recommendations, nine (9) have been implemented, two (2) have been partially implemented, two (2) are not implemented, and three (3) are no longer applicable.

INVESTIGATIONS

During FY 97 the IOG performed one full Whistle-blower complaint investigation and several other inquiries.

Whistle-blower Complaint Investigations. The OIG received three Whistle-blower complaints during Fiscal Year 1997. Two were dismissed because the information disclosed did not demonstrate "reasonable cause" to suspect that a violation, as described in the Whistle-blower's Act Policy, had occurred. We conducted an investigation into the one other complaint and concluded that the allegations were groundless and without merit. The procedures included interviews of appropriate District staff, review of relevant records and applicable laws, regulations and policies.

Investigation of the Laptop Computer Procurement. This investigation focused on the procurement of eight (8) laptop computers by the Electronics Support and Data Acquisition Division under an amendment to a contract with PCS PrimeCo, L.P. It was determined that the procurement was inappropriate and did not comply with District procurement procedures. The report contained three (3) recommendations including "corrective action" against the Project Manager and the Acting Division Director, and changes to the District's contract "boilerplate" language. Management concurred with the recommendations.

Investigation of the Dispute and Pending Protest of the Site One Land Lease RFP. At the request of the Governing Board, we performed an investigation of the procurement process for the Site One Land Lease to address allegations made by one of the proposers that District staff had acted illegally, fraudulently, arbitrarily, and in collusion with the number one ranked firm. The investigation found that the perception of the process was tainted due to prior contacts between the number one ranked firm and District staff. However, there was no evidence that District staff acted illegally, fraudulently, arbitrarily, or in collusion with the number one ranked firm. The investigation also resulted in several recommendations for improvements to the RFP process and the proposal evaluation scoring system.

PERFORMANCE MEASUREMENTS

The OIG participated in a symposium in Tallahassee on Performance Based Program Budgeting (PB²). State agencies are required to implement PB². The OIG and the Office of Enterprise Engineering (OEE) produced a memorandum and presentation summarizing this symposium. The OIG also participated in a three-day on-site seminar that focused on the initial development of District performance measures.

Performance measures can be used to evaluate an agency's performance toward accomplishing its mission, improve coordination, and provide better information to decision-makers. The OIG is continually looking for opportunities at the District to identify cost saving strategies and to evaluate performance. The OIG will continue to monitor the development and implementation of performance measurements. As they are implemented, the OIG will advise the Governing Board and management on their validity and reliability.

OTHER ACTIVITIES

State Auditor General's Report. (Report No. 12821, October 29,1996)

The State Auditor General's Office conducted an Operational Audit of the District for the Fiscal Year October 1, 1994 through September 30, 1995. This audit focused on expenditure compliance with laws and regulations. The report stated ". . . none of the reportable conditions described in the Findings and Recommendations section of this report are material weaknesses in the District's internal control structure." The report contained eight (8) recommendations. The OIG assisted management and helped prepare the District's response to the Auditor General's report. Management concurred with six (6) recommendations and indicated steps they will take to implement them. Alternative controls were reviewed for the remaining two (2) recommendations.

In addition, as a statutory requirement, the OIG performed a follow-up audit of the implementation status of the recommendations made by the Auditor General's report. The follow-up report reflected that of the eight (8) recommendations made by the Auditor General's office, seven (7) were implemented and one (1) was partially implemented.

Reengineering of Procurement System. The Inspector General's Office provided support for the "to-be" procurement system model. A Senior Auditor evaluated internal controls and the Information Systems Audit Manager provided modeling development and testing expertise.

Quality Assurance/Peer Review. The District's Audit Charter requires that an external audit of the activities of the Inspector General's Office be conducted once every three (3) years. The Governing Board authorized the Inspector General to engage the National Association of Local Government Auditors (NALGA) to perform this service. The peer review will be performed in FY 98.

Information Guide on the Office of Inspector General. An informational pamphlet and WEB pages containing: Mission, Vision, Principles, Goals, Authority, Types of Audits, Audit Process, and Standards for the Inspector General's Office was completed and made available.

Assistance to Other Departments. The OIG periodically receives requests from District departments to consult with and provide advice on various projects. Such projects may entail examination or investigation of specific matters. This support may involve financial analysis, performance reviews, information systems reviews, review of rule or policy changes, or serving in an advisory capacity to assist in the decision making process regarding specific projects.

Appendix A [Click on picture or name to link to personnel profile page](#))

**SOUTH FLORIDA WATER MANAGEMENT DISTRICT
OFFICE OF INSPECTOR GENERAL**

