

SOUTH FLORIDA WATER MANAGEMENT DISTRICT



**Office of Inspector General  
Annual Report**

**Fiscal Year 2010**

Prepared by  
**Office of Inspector General**

**John W. Williams, Esq., Inspector General  
J. Timothy Beirnes, CPA, Director of Auditing**

**[sfwmd.gov](http://sfwmd.gov)**



# SOUTH FLORIDA WATER MANAGEMENT DISTRICT

November 3, 2010

Governing Board Members:

Mr. Eric Buermann, Esq., Chair  
Mr. Jerry Montgomery, Vice-Chair  
Mr. Joe Collins  
Ms. Sandy Batchelor  
Mr. Charles J. Dauray  
Ms. Shannon A. Estenoz  
Mr. Kevin Powers  
Mr. Glenn Waldman, Esq.

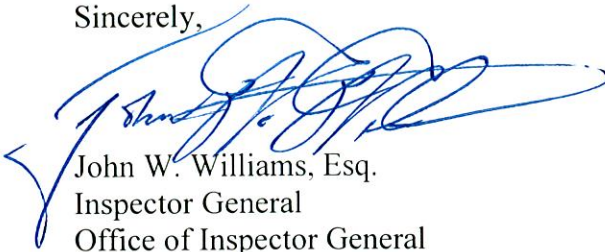
Re: Annual Report for Fiscal Year 2010

In accordance with the Audit and Finance Committee Charter and Section 20.055, Florida Statutes, I am pleased to submit the Office of Inspector General's Annual Report for Fiscal Year 2010. This report was prepared by Tim Beirnes, Director of Auditing. It summarizes the audits and investigations performed, as well as other projects and activities accomplished during the year.

The Office of Inspector General will continue to promote effective controls, evaluate program effectiveness, and identify opportunities to improve efficiencies in operations. We will continue to provide you and District management with quality information to assist in decision making and fulfilling your duties and responsibilities.

We appreciate the support and encouragement of the Governing Board, the Audit and Finance Committee, and the cooperation of the District staff.

Sincerely,



John W. Williams, Esq.  
Inspector General  
Office of Inspector General

C: Carol Wehle  
Tom Olliff  
Sheryl Wood

---

## TABLE OF CONTENTS

<b>INTRODUCTION.....</b>	<b>1</b>
<b>STAFF .....</b>	<b>2</b>
<b>PROFESSIONAL DEVELOPMENT .....</b>	<b>2</b>
<b>INSPECTOR GENERAL ACTIVITIES.....</b>	<b>4</b>
<b>AUDITS &amp; REVIEWS .....</b>	<b>6</b>
Audit of Compliance With Lake Okeechobee Protection Act .....	6
Audit of SCADA Implementation and Operations .....	6
Review of FY 2009 Annual Work Plan Mid-Year Performance Measures.....	8
Survey of Participants in the District’s Small Business Enterprise Program (SBE)....	8
Review of Executive Director’s Travel Expenses	
From January 1, 2009 to September 30, 2009.....	9
Audit of Black & Veatch Contract .....	9
Review of Executive Director’s Travel Expenses	
From October 1, 2009 to December 31, 2009.....	10
Follow-Up Audits	
<i>Follow-Up Audit for 8/29/09 – 12/4/09 .....</i>	<i>10</i>
<i>Follow-Up Audit for 12/4/09 – 3/31/10 .....</i>	<i>11</i>
<i>Follow-Up Audit for 4/1/10 – 6/30/10 .....</i>	<i>11</i>
<b>INVESTIGATIONS.....</b>	<b>13</b>
Investigation of Alleged Collusion With SAP Vendors .....	13
Investigation of Cepemar’s SBE Eligibility .....	13
Investigation of Alleged Fraudulent Reporting of SBE Utilization.....	14
Investigation of Complaint Regarding Inequitable Distribution of Overtime .....	15
Review of Invoices from Miami-Dade County Solid Waste Department .....	15
Investigation of Complaint Alleging Vendor Favoritism and Fraud.....	16
Investigation of Complaint Alleging District Neglect of Land Stewardship Duties ...	17
Investigation Alleging Vendor is Fraudulent and Illegal.....	18
Investigation Regarding Blocking of Private Property in Palmar Area.....	19
Investigation of Complaint Regarding Misuse of Funds to Hire Incompetent Contract Worker.....	19
<b>OTHER PROJECTS .....</b>	<b>20</b>
Assistance to Management .....	20
Peer Review .....	20
Administrative Projects.....	21

---

<b>SPECIAL RECOGNITIONS</b> .....	<b>21</b>
Certifications.....	21
Awards .....	21

**APPENDIX 1** – Follow-Up Audit for 8/29/09 - 12/4/09

**APPENDIX 2** – Follow-Up Audit for 12/4/09 – 3/31/10

**APPENDIX 3** – Follow-Up Audit for 4/1/10 – 6/30/10

---

## INTRODUCTION

In accordance with the Section 20.055, Florida Statutes, 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, 2010.

The OIG serves as an independent appraisal unit 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 & Finance Committee, whose members are appointed by the Chairman of the Board. The Audit & Finance Committee operates under an Audit & Finance Committee Charter established by the Board.

The Internal Audit Charter adopted by the Governing Board established an internal audit function within the Office of Inspector General to provide a central point for coordination of activities that promote accountability, integrity, and efficiency in the operations of the District. The Office of Inspector General is accorded unrestricted access to District facilities, records, and documents and is not limited as to the scope of work.

The duties and responsibilities of the Inspector General, as defined by Sections 373.079 and 20.055, Florida Statutes, 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.

Pursuant to Sections 112.3187 through 112.31895 and Section 20.055, Florida Statutes, the Inspector General is also responsible for investigating Whistle-Blower Act complaints brought by District employees, former employees, agents, contractors, or citizens.

---

## STAFF

The Office of Inspector General currently consists of the following staff:

<b>Position</b>	<b>Certifications</b>
Inspector General	Certified Inspector General Member Florida Bar
Director of Auditing	Certified Public Accountant (CPA) Certified Management Accountant (CMA) Certified Information Systems Auditor(CISA) Certified Information Technology Professional CITP)
Lead Consulting Auditor	Certified Public Accountant
Lead Consulting Auditor	Certified Internal Auditor
Chief Investigator	Certified Public Accountant Certified Fraud Examiner Certified Inspector General Investigator
Lead Information Systems Auditor	Certified Information Systems Auditor(CISA) Certified in Risk Information Systems Control
Engineering Auditor	Professional Engineer
Executive Assistant	

Affiliations with professional organizations are as follows:

- Association of Inspectors General
- American Institute of Certified Public Accountants
- Institute of Internal Auditors
- Association of Local Government Auditors
- Institute of Management Accountants
- Information Systems Audit and Control Association
- Association of Certified Fraud Examiners
- Florida Bar
- Florida Engineering Society
- American Society of Civil Engineers

---

## **PROFESSIONAL DEVELOPMENT**

In order for our Office to comply with the General Accounting Office's *Government Auditing Standards*, the Inspector General ensures that mandatory training requirements are satisfied for the entire Office of Inspector General staff. The goal of the program is to cost effectively increase professional knowledge and proficiency, and ensure that staff meets continuing professional education requirements.

During FY 2010 the staff received training in such topics as:

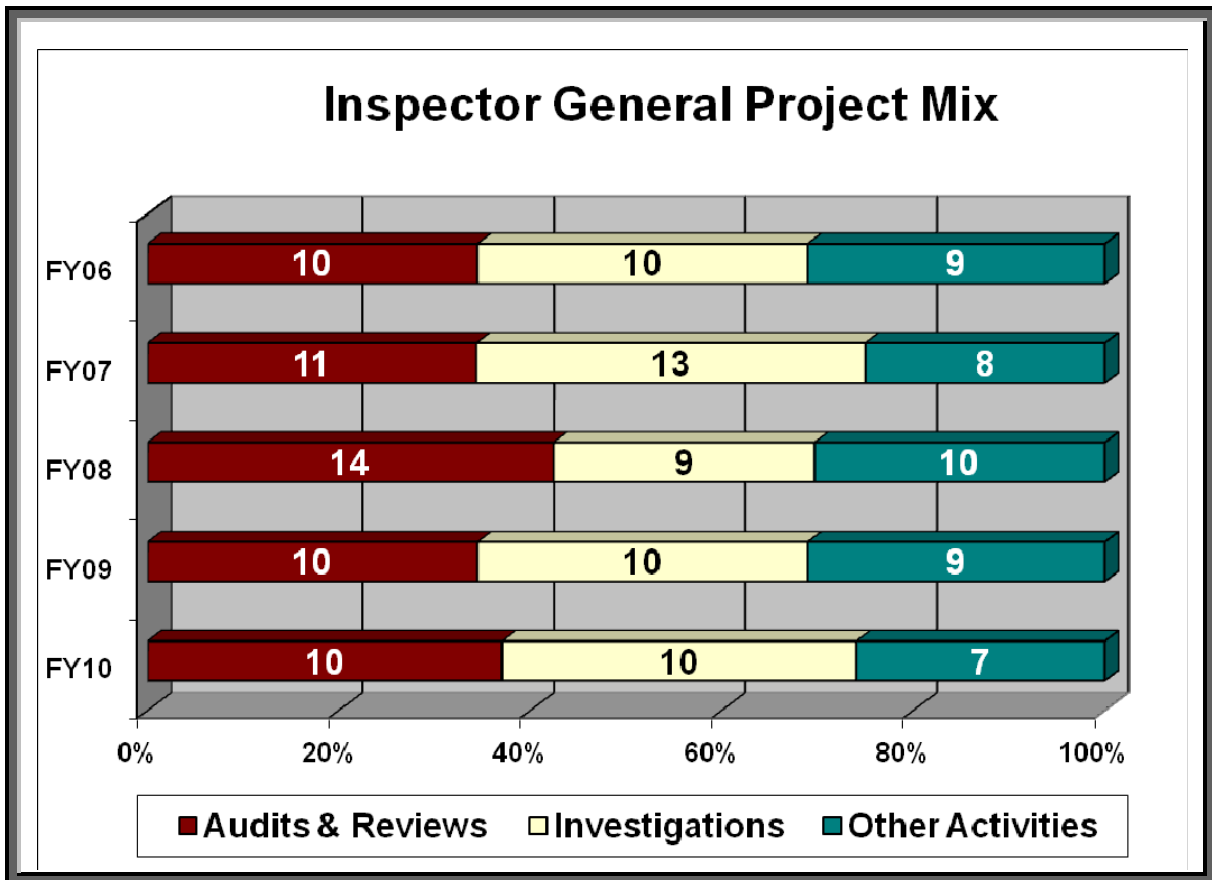
- Government Accounting Standards
- Government Auditing
- Information Systems
- Information Security
- Performance Standards
- Fraud Detection and Investigation

---

## 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 review of the District's Strategic and Annual Work Plans, analysis of financial information, and input from the Audit & Finance Committee and District management, to aid in the development of this plan. The Office of Inspector General continues to identify those programs that pose the greatest challenge to the District, to assist in prioritizing audits, and to ensure the most effective use of staff 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 projects completed in FY 2010 compared to previous fiscal years is illustrated in the following graph:





---

All audits, unless otherwise noted in the report, are conducted in accordance with generally accepted government auditing standards promulgated by the Comptroller General of the United States, which is commonly referred to as the “Yellow Book”. Reviews and investigations, unless otherwise noted in the report, are conducted in accordance with Principles and Standards for Offices of Inspector General promulgated by the Association of Inspectors General, which is commonly referred to as the “Green Book”.

---

## **AUDITS & REVIEWS**

In FY 2010, the Inspector General's Office focused on performance auditing and completed 16 audits and reviews of programs and processes. Performance audits include comments on economy & efficiency, program compliance, and results. A summary of each report follows.

### **Audit of Compliance With Lake Okeechobee Protection Act *Project No. 09-02***

This audit focused on determining whether the District is complying with its responsibilities specified in the Lake Okeechobee Protection Act and whether it appears that the phosphorous load reduction goal required to be achieved prior to January 1, 2015 will be accomplished. Overall, our audit disclosed compliance with the Lake Okeechobee Protection Act component of the Northern Everglades and Estuaries Protection Program. The District and the coordinating agencies have taken steps and developed plans that will reduce the phosphorous load from the watershed to the Lake to 140 metric tons per year prior to the mandated deadline of January 1, 2015; however; there are concerns that the goal may not be achieved due to certain assumptions and uncertainties such as concerns about funding, legacy phosphorous, and land acquisitions. We made two recommendations that management agreed to implement.

### **Audit of SCADA Implementation and Operations *Project No. 09-07***

The focus of this audit was on providing reasonable assurance on the adequacy of the system of management controls in effect over SCADA Implementation and Operations. Overall, our audit revealed that the SCADA implementation and operation processes are adequate for installing, maintaining, and accounting for SCADA operations. However, we found that processes and controls over parts inventory could be improved, problems relating to expensing capital project costs needed to be researched and corrected, and installation and maintenance costs could be reduced.

---

We found that the SCADA Instrumentation Management and SCADA Engineering Divisions made extensive use of contract workers for the maintenance, upgrade, and installation of SCADA sites. We reviewed and concurred with SCADA management's analysis and estimate that an equivalent of 39 contract workers could be replaced by 25 in-house staff. This would result in potential savings of \$9.254 million through fiscal year 2014, or potential savings of \$1.04 million to \$1.813 million each year.

We also found that the process for awarding project work orders was not as competitive as it could be. Projects are awarded on a rotating basis among eight contractors who were all selected following submissions of Request for Proposals. Since the work orders are not open for bids to all eight firms, but to the contractor next on the rotation list, the process appears to lack competition and may result in greater cost.

In addition, we found that a perpetual inventory of SCADA parts was in the process of being implemented. We were unable to completely review and test the accuracy of the inventory records because they were incomplete at the time of the audit. However, based on the implementation process being 90% completed, and our understanding of the procedures planned to be implemented, it appeared the procedures and controls will be sufficient. SCADA management was encouraged to complete full implementation of the perpetual inventory system.

We also tested project cost accounting and found that the costs associated with six of 10 contractor's installation work orders were expensed instead of capitalized. The capital costs which were incorrectly expensed totaled \$161,857.

In addition, parts supplied to contractors from District inventories could not be easily traced and verified to installation at specific sites in accordance with the work order. Also, there were no procedures in place to ensure parts were released only to authorized individuals. Management concurred with all six recommendations made in the report.

---

**Review of FY 2009 Annual Work Plan  
Mid-Year Performance Measures  
*Project No. 09-20***

The objective of this audit focused on determining whether the status of FY 2009 Annual Work Plan project tasks with first and second quarter completion schedules were accurately reported by the District programs to the Budget Division. Overall, we concluded that the statuses of projects in the District's FY 2009 Annual Work Plan were properly reported. However, our audit did indicate a few minor issues that needed to be addressed in order to further strengthen the Annual Work Plan reporting process.

Based on an examination of documentation substantiating the status of 103 specific tasks with first and second quarter completion dates, we concluded that two tasks should have been reported as yellow (i.e., between 30 and 60 days of the timeframe specified in the Annual Work Plan) and one task should have been reported as red (i.e., behind schedule by more than 60 days). In addition, we noted some other minor discrepancies; however these discrepancies did not affect the status of projects as reported to the Governing Board.

**Survey of Participants in the District's  
Small Business Enterprise Program (SBE)  
*Project No. 09-22***

The purpose of the SBE survey was to obtain feedback from District-certified small businesses participating in the District's Small Business Enterprise Program on various aspects of the Program.

Overall, our survey revealed that small businesses that have performed work for the District benefit from, and are satisfied with, the District's Small Business Enterprise Program. The significant results are as follows:

- Forty two percent (42%) of the respondents participated in District procurement workshops and other outreach events. However, 31% responded that they were not aware of these types of opportunities.

- 
- Eighty eight percent (88%) responded that the Small Business Enterprise Program ensures that they are being utilized effectively and did not have any non-compliance issues.
  - Forty seven percent (47%) of the respondents said that the Small Business Enterprise Program has been effective for their business.

Further, 382 Small Business Enterprise contractors responded to the question asking how they find out about contracting opportunities at the District. Based on our analysis, 254 respondents use the District's website while only 19 check local newspapers and 11 make calls to the District's Bid Hotline. In addition, 139 respondents shared their experience about the Small Business Enterprise Program. It is important to note that only 7 of the 139 (5%) comments about the program were negative.

**Review of Executive Director's Travel Expenses**  
**From January 1, 2009 to September 30, 2009**  
*Project No. 09-27*

The objective of this review was to determine whether travel reimbursements to the Executive Director were made in accordance with District travel policies and procedures and whether reimbursements were adequately substantiated, for the period January 1, 2009 to September 30, 2009. Overall, our review disclosed that travel reimbursements to the Executive Director were made in accordance with the District's travel policies and procedures.

**Audit of Black & Veatch Contract**  
*Project No. 10-09*

At Office of Counsel's request, we conducted an audit of Black and Veatch contract costs associated with South Florida Water Management District contract CN040932. This work order contract dated July 9, 2004 was related to the District's General Engineering Services contract.

---

In total, the District issued twenty-one work orders to Black and Veatch at a cost of \$15.3 million. Black and Veatch's cost are largely related to the EAA Reservoir design. Based on our examination of Black and Veatch employee time records, hours recorded in Project Time Reports appear appropriately supported.

**Review of Executive Director's Travel Expenses  
From October 1, 2009 to December 31, 2009  
*Project No. 10-13***

The objective of this review was to determine whether travel reimbursements to the Executive Director were made in accordance with District travel policies and procedures and whether reimbursements were adequately substantiated, for the period October 1, 2009 to December 31, 2009. Overall, our review disclosed that travel reimbursements to the Executive Director were made in accordance with the District's travel policies and procedures.

**Follow-Up Audits**

***Follow-Up Audit for 8/29/09 –12/4/09  
Project No. 10-08***

This report on the implementation status of audit recommendations was for the period August 29, 2009 through December 4, 2009 (the "First Quarter Reporting Period"). The report revealed that management did a good job of implementing audit recommendations.

As of August 29, 2009 there were six (6) recommendations that were not yet fully implemented, consisting of four (4) that were In-Process and two (2) that were Partially Implemented. During the First Quarter Reporting Period, one (1) of the recommendation's was fully implemented. As of December 4, 2009, five (5) remained in various stages of implementation, consisting of three (3) that were In-Process and two (2) that were Partially Implemented.

---

During the First Quarter Reporting Period, eight (8) recommendations were added from two (2) newly issued reports. As of December 4, 2009, seven (7) of these recommendations had been fully implemented and one (1) had been partially implemented. In total from all reports, there were six (6) recommendations that were In-Process of being implemented or had been Partially Implemented as of December 4, 2009.

***Follow-Up Audit for 12/4/09 – 3/31/10  
Project No. 10-15***

This report on the implementation status of audit recommendations was for the period December 4, 2009 through March 31, 2010 (the “Second Quarter Reporting Period”). The report reveals that management did a good job of implementing audit recommendations.

As of December 4, 2009 there were six (6) recommendations that were not yet fully implemented, consisting of three (3) that were In-Process and three (3) that were Partially Implemented. During the Second Quarter Reporting Period, one (1) of the recommendation’s was fully implemented. As of March 31, 2010, five (5) remained in various stages of implementation, consisting of three (3) that were In-Process and two (2) that were Partially Implemented.

During the Second Quarter Reporting Period, two (2) recommendations were added from one (1) newly issued report and were still in the process of implementation, but progress was on schedule. In total, from all reports, there were seven (7) recommendations that were In-Process of being implemented or had been Partially Implemented as of March 31, 2010.

***Follow-Up Audit for 4/1/10 – 6/30/10  
Project No 10-21***

This report on the implementation status of audit recommendations was for the period April 1, 2010 through June 30, 2010 (the “Third Quarter Reporting

---

Period”). The report reveals that management did a good job of implementing audit recommendations.

As of March 31, 2010, there were seven (7) recommendations that were not yet fully implemented, consisting of five (5) that were In-Process and two (2) that were Partially Implemented. During the Third Quarter Reporting Period, none of these recommendations were fully implemented. As of June 30, 2010, seven (7) remained in various stages of implementation, consisting of five (5) that were In-Process and two (2) that were Partially Implemented.

During the Third Quarter Reporting Period, seven (7) recommendations were added from two (2) newly issued reports. As of June 30, 2010, six (6) of these recommendations were fully implemented. In total from all reports, there were eight (8) recommendations that were In-Process of being implemented or had been Partially Implemented as of June 30, 2010.



---

## **INVESTIGATIONS**

Investigations issues arise from many different sources including: District management, District staff members, vendors, and citizens. The Chief Inspector General for the Office of the Governor also referred certain cases to our Office. We completed 10 investigations during FY 2010. A short summary of each investigation follows.

### **Investigation of Alleged Collusion With SAP Vendors *Project No 09-19***

We investigated an anonymous complaint alleging collusion, kickbacks and vendor favoritism related to the procurement of consulting services for the SAP Solution Center. The complainant contends that the SAP Solution Center Director and the Chief Financial Officer colluded with staffing augmentation firms to defraud the District through excessive billing practices.

We concluded that the allegation of collusion between the SAP Solution Center Director and Chief Financial Officer and staff augmentation firms is not sustained. We also found no evidence of vendor kickbacks to the SAP Solution Center Director or the Chief Financial Officer. We also found that the allegation claiming that the District paid very high rates for consultants was not sustained. Our analysis indicated that the District paid a market rate for its consultants.

### **Investigation of Cepemar's SBE Eligibility *Project No 09-21***

This investigation focused on whether Cepemar had a subsidiary affiliation with a much larger company. We requested certain information from the company, which was never received. While awaiting such information, the firm's SBE certification expired and the company did not reapply to continue its SBE status. Accordingly, we closed the investigation case and no formal report was issued.

---

**Investigation of Alleged Fraudulent  
Reporting of SBE Utilization**  
*Report # 09-24*

Our Office we received a letter from the Director of Procurement requesting an investigation into a complaint alleging that a prime contractor had fraudulently overstated their SBE participation for a certain District contract. The complainant contended that the prime contractor reported a \$50,000 payment to the SBE for the District project but that the payment actually was an advanced payment for a non-District project the prime contractor was performing for the City of Melbourne.

We could not conclusively determine whether the prime contractor's check for \$50,000 payable to the SBE subcontractor represented an advance payment for the City of Melbourne project as the complainant contends or a performance bonus paid to the SBE subcontractor for the District's project, as prime contractor contended. As a result, we could not sustain the complainant's allegation. However, the \$50,000 check, which included the notation, "Melbourne Gabions Advanced Payment", appears to corroborate the complainant's contention that the prime contractor misrepresented the subcontractor's SBE participation and overstated the amount on the SBE Utilization Report. Also, the contractor's explanation for erasing the notation from the check copy that was submitted with their SBE Utilization report, in our opinion, was questionable. Additionally, a \$50,000 performance bonus represented 39% of the \$128,846 work amount. In our opinion, this appeared to be outside the bounds of reasonableness and was also suspect.

Even with including the \$50,000 questionable payment, the prime contractor still fell short of meeting its utilization goal commitment. A contract compliance review conducted by Procurement revealed that the prime contractor materially breached its contract #4600001442, *C-24 Canal Bank Repair*, with the District when the contractor failed to meet its 30% SBE utilization goal and also violated Article 19.3, *Subcontractor Substitution* of the contract. Procurement addressed these issues of non-compliance.

---

**Investigation of Complaint Regarding  
Inequitable Distribution of Overtime**  
*Project No. 09-29*

We received a complaint that a certain administrative assistant was consistently allowed 1½ hours per day of overtime while others were excluded. We examined payroll records and concluded that there was one administrative assistant that consistently worked overtime on average of about 1 hour per day. We concluded that this was a management issue and relayed the information to human resources and management to determine whether the overtime was justified. No formal report was issued.

**Review of Invoices from Miami-Dade  
County Solid Waste Department**  
*Report # 10-02*

At the request of Operations and Maintenance (O&M) management, we reviewed Miami-Dade County Solid Waste Department invoices and payments to determine whether the District unknowingly paid assessments for solid waste pick-up in Miami-Dade County. According to the O&M South Field Operations Department Director, property owners in Miami-Dade County (including the District) were being held responsible for Miami-Dade County Solid Waste Department clean-up fees related to trash pick-up on District property, other non-District property, and County owned land. The District had received numerous invoices for violations and fines associated with solid waste pick-up on Miami-Dade County and District property but management did not believe that any invoices had been paid.

Miami-Dade County assessed liens against District property to enforce collection of assessments for trash pick-up. The District's Office of Counsel initiated legal action against Miami-Dade County Solid Waste Department to remove the assessments and to have this invoicing practice discontinued.

Our objective was to determine whether the District paid Miami-Dade County Solid Waste Department invoices related to trash pick-up on County owned land. We reviewed Miami-Dade County Solid Waste Department invoices for a period June 2006 through September 2009.

---

We found that Miami-Dade County Solid Waste Department invoices totaling \$336,000 for the period June 2006 through September 2009 represented legitimate landfill fees incurred by the Miami-Dade and Homestead Field Stations. We also found two payments totaling \$3,045 in FY 2008 that appeared related to Miami-Dade County Solid Waste Department assessments for debris pick up in the 8.5 Square Mile Area. These assessments were poorly documented for which we recommended the District may want to consider seeking reimbursement or credit.

**Investigation of Complaint Alleging  
Vendor Favoritism and Fraud  
*Report # 10-03***

We received a complaint alleging fraud and favoritism in connection with the issuance of work orders to pre-qualified contractors under the 2006 District's Science and Technology Service contract. According to the complainant, work orders issued under 2006 Science and Technology Service contract had "very irregular contract assignment criteria". The complainant added that work order awards were not distributed equally among qualified service providers. They referenced the Procurement Department work order award statistics, which in the complainant's opinion indicated that their firm did not receive an equal distribution of work while two other firms had received an extraordinary amount of work order awards. The complainant attributed the disproportionate amount of work received by the other two firms to the relationship between District staff and two former District employees who now work for these companies.

We found that the allegation contending fraud and favoritism in assigning work orders under the 2006 District's Science and Technology Service contract is not sustained. Overall, we conclude that the District distributed work orders under the Science and Technology Services contract in an equitable manner and noted no irregularities in work order assignments.

We found no support for the complainant's contention that the two other firms received a disproportionate amount of work because of the relationships between District staff and the two former District employees who subsequently went to work for these companies. The companies were pre-qualified in multi-disciplines and both firms were

---

contractors in high dollar volume disciplines. Moreover, we found that the internal controls over the distribution of work orders in the Chemistry Discipline appeared to function as prescribed.

**Investigation of Complaint Alleging District Neglect of Land Stewardship Duties**  
***Report # 10-05***

We investigated a complaint that the Chief Inspector General of the Office of the Governor forwarded to our Office. The complainant alleged that the District was neglecting its land stewardship duties by allowing cattle grazing on the leased Yates Marsh property, which the complainant contended was purchased for a restoration project and should be preserved. The complainant contended that the cows were destroying the property by completely eating up the pasture and rooting up the ground. He further contended that the cattle were very aggressive, which was creating a dangerous situation for public users. According to the complainant, he was attacked by cattle three separate times while on District property. One of those attacks allegedly resulted in an overnight stay at the hospital emergency room. He claims to have placed many complaints with the District and called numerous times to alert staff of these concerns but the District had been non-responsive. He also claims that our Office would not provide the name of the Yates Marsh lessee.

The allegation contending that the District neglected its land management oversight responsibility by allowing cattle to degrade the land was unfounded. We found that the District had established an effective program that provides natural resource protection, opportunities for appropriate agricultural uses while allowing recreational uses on designated public lands. The complainant's contention that cattle grazing creates a dangerous situation for public users is not sustained.

We also found that District staff and the FWC officer were very responsive to the complainant's concerns and spoke to the complainant on many occasions prior to him filing a complaint with the Chief Inspector General for the Office of the Governor. The complainant's contention that the District's Inspector General would not provide the name of the Yates Marsh lessee is unfounded. The complainant had never requested such

---

information from the Inspector General. Such information is public record and would have been provided if the complainant had requested it.

We could not corroborate that the alleged incident in which the complainant was injured or the purported incident in which his shotgun was damaged occurred while on District property. However, we recommended that the District's Risk Management Division and Office of Counsel review the circumstances of the incidents and determine whether the District had any liability.

**Investigation Alleging Vendor is  
Fraudulent and Illegal  
*Report # 10-12***

We received a complaint from a former employee alleging that the District contracted with a "fraudulent, illegal and non-credible" information technology forensic services company to conduct a forensic examination of his District assigned computer.

We conclude that the allegation contending that the District deliberately contracted with the technology company knowing that the company was fraudulent was unfounded. The company had a history of providing service to the District as a subcontractor since 2004. Moreover, IT Security has dealt with the owner of the company many times and found the owner to be competent and very knowledgeable.

However, our review of documents related to the company revealed that it was not registered with the Florida Division of Corporations or an approved District vendor, which is a prerequisite for doing business with the District. The Procurement Department found that the Business Registration Application, which was filed by the company after the forensic work was completed, contained erroneous representations. The company was requested to correct these representations. We recommended, assuming that these errors were corrected and the company registered with the Florida Division of Corporations, that the Procurement Department also evaluate the background issues of the company's owners before authorizing the company as an approved vendor.

---

**Investigation Regarding Blocking of  
Private Property in Palmar Area**  
*Report # 10-16*

We received a complaint referred to us from the Office of the Chief Inspector General, Office of the Governor, alleging that the District was blocking access to his property. Our Office had previously investigated the same complaint by the same complainant and concluded that the allegations were unfounded.

While it was understood that the complainant was not in agreement with our conclusion, we reviewed all documentation the complainant presented with this new complaint and determined that it contained no new information than what was reviewed and considered in the original investigation. Hence, we concluded that no further investigation work was warranted.

**Investigation of Complaint Regarding Misuse of  
Funds to Hire Incompetent Contract Worker**  
*Report # 10-25*

We received a complaint, through the Office of Governors of the Chief Inspector General that requested our Office investigate allegations of mismanagement and waste in accordance with Section 112.3189, Florida Statutes (the “Whistle-blower’s Act”). The complainant alleged that management from the SCADA Installation and Support Division engaged an incompetent contractor to do unnecessary work that resulted in gross mismanagement and gross waste of public funds. The complainant was a former District employee that was terminated who was employed as the Site Registration Administrator in the SCADA Installation and Support Division. According to the letter of separation, the complainant exhibited a history of misconduct and performance issues that included insubordination, failing to perform, and the inability to follow simple instructions. Our review of personal file documentation indicated that the complainant was subject to numerous counseling sessions and corrective actions before final separation. Nevertheless, the complainant believes that he was wrongly discharged and requested reinstatement to his old position as Site Registration Administrator with the District.

---

We found that there was an essential business purpose for the contractor that the complainant determined, in their mind, was unnecessary and a waste of public funds. We concluded that the allegations were unfounded and that the employee's termination was handled properly.

## **OTHER PROJECTS**

### **Assistance to Management**

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

### **Peer Review**

The peer review for our Office was completed on March 12, 2010 covering the three year period ended December 31, 2009. Florida State statutes require inspector generals to perform audits in accordance with *Government Auditing Standards* promulgated by the Comptroller General of the United States. One of those standards requires an external independent peer review once every three years to assess the audit organization's conformance with applicable professional standards.

The review was performed through the Association of Local Government Auditors peer review program. Our peer review team members were; Carlos Holt, Internal Audit Manager, Metro Nashville and Davidson County, Nashville, Tennessee; and Lyndon Remias, City Auditor, City of Virginia Beach, Virginia Beach, Virginia.

The peer review process can result in one of three levels of compliance: Full, Satisfactory, or Noncompliance. Our Office received a Full Compliance report, which means that in the reviewers opinion our quality control system was suitably designed and



---

operating effectively to provide reasonable assurance of compliance with applicable *Government Auditing Standards*.

## **Administrative Projects**

During FY 2010 our Office completed the following administrative projects:

- Developed FY 2011 Audit Plan.
- Completed the Office of Inspector General Annual Report for FY 2009.
- Maintained and updated the Office of Inspector General Web Site.
- Prepared a white paper outlining the Audit and Finance Committee Charter and Internal Audit Charter authorities and responsibilities.
- Managed the contract with McGladrey & Pullen, LLP, for External Independent Auditing Services. The District received an unqualified opinion on its financial statements for the year ended September 30, 2009.

## **SPECIAL RECOGNITIONS**

We congratulate the following OIG staff members for their accomplishments:

### **Certifications:**

- Kit Robbins, Lead Information Systems Auditor, earned the Certified in Risk Information Systems Control designation.
- Dan Sooker, Chief Investigator, was awarded the designation of Certified Inspector General Investigator by successfully completing the program by the Association of Inspectors General.

### **Awards**

- Bob Howard, Engineering Auditor, received a Recognition of Excellence Award from Colonel Pantano, Commander of the Jacksonville District Corp of Engineers, for his efforts on behalf of the District's relationship with the Corps.

## APPENDIX 1

SOUTH FLORIDA WATER MANAGEMENT DISTRICT



### **Audit Recommendations Follow-Up Report For the Period August 29, 2009 Through December 4, 2009**

**Project #10-08**

**Prepared by  
Office of Inspector General**

**John W. Williams, Esq., Inspector General  
J. Timothy Beirnes, CPA, Director of Auditing**


**[sfwmd.gov](http://sfwmd.gov)**



# SOUTH FLORIDA WATER MANAGEMENT DISTRICT

## Memorandum

**To:** Audit and Finance Committee Members:  
Mr. Charles J. Dauray, Chair  
Mr. Eric Buermann, Member  
Mr. Michael Collins, Member  
Mr. Joe Collins, Member

**From:** John W. Williams, Esq., Inspector General  
Office of Inspector General 

**Date:** December 28, 2009

**Subject:** Audit Recommendations Follow-Up Report -  
For the Period August 29, 2009 Through December 4, 2009  
Project No. 10-08

---

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. Enclosed is the subject report that was conducted to assess the progress made in implementing audit recommendations.

In our efforts to continue to improve the audit process we utilize an audit recommendations tracking database as an integral part of monitoring the implementation status of audit recommendations. This database contains the basic audit information and recommendations. This system provides us with a vehicle to communicate and gather feedback on the status of the audit recommendations with the Governing Board, District management and the audited department/office.

Tim Beirnes, Director of Auditing, prepared this report. Should you have any questions concerning the enclosed report, please feel free to call me at (561) 682-6128.

C: Carol Wehle  
Tom Olliff

---

**TABLE OF CONTENTS**

**EXECUTIVE SUMMARY .....1**

**EXHIBIT 1: Summary of Recommendations Status .....3**

**EXHIBIT 2: Reports With Implementation of Recommendations in Progress .....4**

**EXHIBIT 3: Detail of In-Process and Partially Implemented Audit  
Recommendations .....5**

**EXHIBIT 4: Status of Recommendations Not Fully Implemented.....10**

---

## **EXECUTIVE SUMMARY**

Audit recommendations target the economy and efficiency of District operations and compliance with our policies and statutory responsibilities. Our recommendations also focus on providing District management with suggestions that facilitate their achievement of program goals and objectives. To be effective, audit recommendations must be implemented. Additionally, *Government Auditing Standards* require following up on audit recommendations in previously issued audit reports. Accordingly, the Inspector General's Office periodically surveys departments to determine the implementation status of recommendations and to encourage their completion. This information is maintained in the Inspector General's audit recommendation tracking database. The system allows each audit staff member to update the recommendation's "status" after reviewing information provided by the departments and offices.

This report on the implementation status of audit recommendations is for the period August 29, 2009 through December 4, 2009 (the "Reporting Period"). As shown in Exhibit 1, as of August 29, 2009 there were six (6) recommendations that were not yet fully implemented, consisting of four (4) that were In-Process and two (2) that were Partially Implemented. Since then, one (1) of these recommendations has been fully implemented. As of December 4, 2009, five (5) remain in various stages of implementation, consisting of three (3) that are In-Process and two (2) that are Partially Implemented.

During the Reporting Period, 8 recommendations were added from two (2) newly issued reports. As of December 4, 2009, seven (7) of these recommendations have been fully implemented and one (1) has been partially implemented. In total from all reports, there are currently six (6) recommendations that are In-Process of being implemented or have been Partially Implemented as of December 4, 2009.

---

There were no recommendations changed to the “No Longer Applicable” status during the current Reporting Period. The “No Longer Applicable” category includes items where conditions have changed subsequent to issuance of the audit report that rendered the recommendation no longer relevant, such as:

- Alternative compensating controls have been put in place.
- A decision was made to implement a new system that will address the issue making it impractical to retrofit the existing system.
- The policy, statute, or rule has changed.
- Change in strategic direction.

No recommendations fell into the “Not Implemented” category for the current and the previous report.

Following is a brief description of the attached exhibits:

- **Exhibit 1:** This Exhibit displays a summary of recommendation statuses for all audit reports with recommendations in process of implementation. Exhibit 1 also shows the changes in the status of recommendations from the beginning of the period to the end of the period.
- **Exhibit 2:** This Exhibit shows a summary of the changes in the status of recommendations by each audit report. Exhibit 2 shows only those audit reports that contained one or more recommendations that had not been fully implemented at the beginning of the reporting period.
- **Exhibit 3:** This exhibit displays detail information regarding the status of each audit recommendation. This includes the status of the recommendation for the prior reporting period and the status at the end of the current period. The comment column provides narrative information regarding implementation progress.
- **Exhibit 4:** This exhibit is a report printed directly from our Access database that contains additional information.

**EXHIBIT 1**  
**Summary of Recommendations Status**

As of December 4, 2009

	In	Partially	
<b>Prior Period Reports</b>	<b>Process</b>	<b>Implemented</b>	<b>Total</b>
Status Beginning of Period	4	2	6
Implemented or Partially Implemented During Period	(1)	-	(1)
Remaining Recommendations to be Fully Implemented	3	2	5
<b>Reports Issued During Current Period</b>			
New Recommendations*	8	-	8
Implemented or Partially Implemented	(8)	1	(7)
Remaining Recommendations to be Fully Implemented	-	1	1
<b>Current Status</b>			
<b>Remaining Recommendations to be Fully Implemented</b>	<b>3</b>	<b>3</b>	<b>6</b>

\* Initial Status is set as "In-Process"

**EXHIBIT 2**  
**Audit Reports With Implementation of Recommendations in Progress**  
**As of December 4, 2009**

Audit No.	Audit Title	No. of Recs		In Process	Partially Implemented	No Longer Applicable	Implemented	
	<b>Recommendations - Prior Period Reports</b>							
06-19	Audit of the KRR Restoration Project In-Kind Credit Request Process	10	Prior Period Status	1	1	0	8	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	1	0	8	
07-36	Audit of the Information Technology Department	2	Prior Period Status	1	0	0	1	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	1	
08-12	Review of the GEPS Services Contracts	3	Prior Period Status	1	0	0	2	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	2	
08-18	Audit of the Administration of Wireless Communication Devices	7	Initial Status	1	0	0	6	Complete
			Change in Status	-1	0	0	1	
			Current Period Status	0	0	0	7	
08-23	Audit of the Procurement Card Program	6	Initial Status	0	1	0	5	Open
			Change in Status	0	0	0	0	
			Current Period Status	0	1	0	5	
	<b>Recommendation - Report Issued During Current Period</b>							
08-09	Review of Internal Controls Over Fuel Inventory	5	Initial Status	5	0	0	0	Open
			Change in Status	-5	1	0	4	
			Current Period Status	0	1	0	4	
09-15	Review of the General Engineering and Professional Services Contracts	3	Initial Status	3	0	0	0	Complete
			Change in Status	-3	0	0	3	
			Current Period Status	0	0	0	3	
	<b>Recommendations - All Reports</b>							
	<b>TOTAL</b>	36	Prior/Initial Status	12	2	0	22	
Change in Status			-9	1	0	8		
Status Current Period			3	3	0	30		
	<b>Number of Recommendations Remaining to Be Fully Implemented</b>	<b>6</b>		<b>3</b>	<b>3</b>			

Prior Period = As of August 28, 2009



**EXHIBIT 3**  
**Detail of In-Process and Partially Implemented Audit Recommendations**  
As of December 4, 2009

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
06-19	5	Audit of the KRR Restoration Project In-Kind Credit Request Process	In Process	In Process	12/31/2007	3/31/2010	Determine the amount of unclaimed expenses incurred for environmental assessments and submit a claim for these expenses as construction costs.	Each Critical Restoration Project is covered by a separate Project Cooperative Agreement, which outlines cost-sharing responsibilities for the project. Currently, there is no provision to balance the 50/50 cost-share across all of the projects. This sets up a situation where the USACE is required to request cash contributions for some projects and provide reimbursement for others. In the upcoming Water Resource Development Acts or Appropriation Bills, the District will attempt to get Congress to authorize the USACE to balance the 50/50 cost-share across all projects with the District. This would eliminate the need for cash contributions and reimbursements	Finance staff has been assisting the Kissimmee Division in preparing their USACE construction costs submission, including environmental risk assessment costs. The changeover to SAP in 2004-2005 posed a minor challenge to reconciling costs, but it is anticipated that submissions from 2005-2009 will be provided to the USACE by the early 2010 if not sooner.
06-19	10	Audit of the KRR Restoration Project In-Kind Credit Request Process	Partially Implemented	Partially Implemented	12/31/2007	3/31/2010	Reconcile total expenditures charged to the KRR program per the District's financial system ("F" program code) to total expenditures claimed for in-kind credit (or will be claimed in the future under the established process.)	Agree. Watershed Management now uses P3E project management software for the Kissimmee River Restoration Project and updates are made monthly to reflect budget expenditures.	The changeover to SAP in 2004-2005 posed a minor challenge to reconciling costs, but it is anticipated that submissions from 2005- 2009 will be provided to the USACE by the early 2010 if not sooner.
07-36	1	Audit of the Information Technology Department	In Process	In Process	10/30/2009	Unable to Determine	Consider hiring full time employees for IT positions considered permanent and ongoing.	We agree that the addition of the 39 FTEs to cover core functions that are currently performed by contractors would result in a savings of approximately \$2.6 million dollars per year on an ongoing basis. We would prefer to have FTEs performing these core functions because we believe our staffing model would be more stable. We also recognize that there may be limitations to the number of FTEs that can be added at this time.	The IT Department agrees with this recommendation; however, the Executive Office is in discussion regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
08-09	1	Review of Internal Controls Over Fuel Inventory	In Process	Implemented	9/30/2009	9/30/2009	Finalize District fueling procedures to include a requirement that fuel truck driver reattaches the hose to the truck's emptied fuel compartment to ensure that all fuel is unloaded.	Operations and Maintenance management communicated to all District staff receiving fuel that fuel truck drivers must reattach the hose to the truck's emptied fuel compartment to ensure that all fuel is unloaded. This has been added to our processes and procedures.	Recommendation implemented by time of final report issuance.
08-09	2	Review of Internal Controls Over Fuel Inventory	In Process	Partially Implemented	9/30/2009	9/30/2010	Implement physical security measures that were identified by Emergency/Security Management.	Fencing repairs will be done in FY2010. New fences will be deferred to future years due to FY2010 budget constraints. For security systems, we will coordinate with Security Management to have them budget for these systems in future years.	Management Response: Sixty two (62) sites were surveyed for physical security measures with a focus on fencing and lighting. Eighty nine percent (89 %) of sites are now compliant and progress is being made on others. Field stations will continue fencing and lighting efforts in FY10. O&M will partner with security managers to assure that reasonable, economical measures are taken to assure security of our facilities.
08-09	3	Review of Internal Controls Over Fuel Inventory	In Process	Implemented	9/30/2009	9/30/2009	Establish an account in the General Ledger to record all fuel adjustments resulting from system reconciliations.	Currently, there is a SAP report which segregates the gallons and the dollar value of each adjustment from reconciliations that was made to the fuel accounts. Through this report, Operations and Maintenance management can oversee the fuel accounts and monitor these adjustments. An additional general ledger account is not needed.	Recommendation implemented by time of final report issuance.
08-09	4	Review of Internal Controls Over Fuel Inventory	In Process	Implemented	9/30/2009	9/30/2009	Conduct monthly fuel account reconciliations. Amend fuel inventory procedures for O&M management to conduct year-end inventories of fuel at all field and pump stations.	Reconciliation spreadsheets are prepared monthly to verify fuel balances. Accounting and the Operations and Maintenance Department will coordinate year end fuel inventories.	The monthly fuel account reconciliations are performed as noted below for Item #5 and are considered adequate for the year-end inventory control.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
08-09	5	Review of Internal Controls Over Fuel Inventory	In Process	Implemented	9/30/2009	9/30/2009	Identify all District fuel tanks and reconcile tank quantities monthly. Excessive variances between fuel measured by the District's automated tracking system and the contractor's bill of lading should be researched.	Operations and Maintenance management will monitor adjustments to fuel accounts. Any excessive variances between fuel measured by the District's automated tracking system and the contractor's bill of lading will be researched.	Monthly fuel reconciliation are performed on District tanks. TRAK software system is used for reconciliation of Field Station dispensing of fuel vs. SAP. Pump station fuel delivery reconciliation is accomplished by delivery tickets vs. the automated Veedor Root system. Any variances greater than 50 gallons per 3000 gallons are reported to the Inspector General and investigated.
08-12	3	Review of the GEPS Services Contracts (2008)	In Process	In Process	11/1/2010	Unable to Determine	Consider seeking authorization for additional staff positions in order to replace higher cost contractor workers, that are performing on-going activities, with employees.	Management concurs with this recommendation; however, the addition of Full Time Employees (FTEs) to the District's authorized staffing levels is being coordinated between the Executive Office and the Governor's Office.	Procurement agrees with this recommendation; however, the Executive Office is in discussions regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.
08-18	1	Audit of the Administration of Wireless Communication Devices	In Process	Implemented	8/14/2009	9/30/2009	Complete developing and implementing formal written policies and procedures pertaining specifically for cell phones, Blackberries, and air cards. In addition, ensure employees and contract workers have a clear understanding of the policies and procedures.	The Information Technology Department has developed a written procedure that pertains specifically to cell phones, Blackberries, and air cards. The IT staff will work with Creative Services to publicize the procedure through the "News You Can Use" and post the procedure on the District's internal website. In addition, we will suggest that a new section regarding wireless devices use and responsibilities be added to the New Employee Orientation program.	The Wireless Device Use procedure was approved by the Executive office on September 2, 2009 and was sent to the external vendor Municipal Code Corporation for posting by the District Clerk's Office on September 9, 2009.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
09-15	1	Review of the GEPS Services Contracts (2009)	In Process	Implemented	3/31/2010	3/31/2010	Take steps to ensure that project managers and Procurement's contract specialists verify that all work order costs are calculated accurately. In addition, remind project managers and contract specialist to use the correct labor rates and that direct costs should be itemized and not be based on a percentage of labor costs.	Management agrees with the audit findings. Management plans to continue requiring multiple reviews of costs proposals and other work order cost related documentation by technical staff and contract specialists to prevent future errors. In addition, Procurement has instructed all contract specialists that all direct costs should be itemized and reviewed for compliance with the contract.	Procurement agrees with the audit findings and notes the following:  <u>WO 4600000773-WO02</u> In accordance with District practice, the contract specialist and the four member technical team reviewed the cost proposal spreadsheet submitted by the consultant. Not one of the five was able to detect an error which occurred because of a formula error in one cell. It is our recommendation that duplicate checks and reviews continue to be made to cost proposals submitted by consultants.  <u>WO 4600000774-WO01</u> The labor category title in this work order is similar to two titles in the contract rate schedule. A chief consulting engineer rate was used instead of a chief consulting geotechnical engineer rate. Once detected, appropriate steps were taken to correct the error and no overcharges occurred. Again, multiple reviews by technical staff and the contract specialist should eliminate this type of error.  <u>WO 460000933-WO01 &amp; WO02</u> The Department will work on consistency in reviewing cost proposals. However, if a consultant submits a proposal using an earlier year's rate for both years, we do not necessarily correct cost submittals for work crossing fiscal years.  <u>WO 4600000895-WO02</u> The Department has instructed all contract specialists that all direct costs will be itemized and reviewed for compliance with the contract. A percentage of total costs will not be used to determine direct costs.
08-23	4	Audit of the Procurement Card Program	In Process	Partially Implemented	3/30/2009	3/31/2010	Include procedures covering emergency cards in the User's Manual and the Article II Procurement Card Procedures.	Procurement concurs with this recommendation. Staff will add written emergency card usage procedures to the User's Manual. Written procedures will also be added to the Procurement Manual.	Procurement concurs with this recommendation. Staff will add written emergency card usage procedures to the User's Manual and Article II of the Procurement Card Procedures. Additionally, these written procedures will also be added to the Procurement Manual. Since the recommendation will require Governing Board approval, staff is currently seeking DLT direction as to whether to take this single procedure change to the Governing Board or wait to group this with some other items that would also require Governing Board approval.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
09-15	2	Review of the GEPS Services Contracts (2009)	In Process	Implemented	9/30/2011	9/30/2011	Consider taking appropriate action to ensure that prime contractors who are behind falling their SBE utilization goals will increase utilization in future work orders. Further, develop a more effective method for monitoring prime	Management agrees with audit findings and recommendation. Procurement's SBE Section has adopted the Inspector General's General Engineering and Professional Services SBE Utilization Excel spreadsheet as a tool to track proposed SBE subcontractor utilization by work order. In addition, utilization of SBE subcontractors are monitored as work orders are issued and via an SBE subcontractor payment verification process. Further, the SBE Office is continuing to pursue customized SAP functionality to enable SBE staff to monitor, analyze, and report SBE utilization.	Procurement's SBE Section has adopted the Inspector General's (IG) General Engineering and Professional Services (GEPS) SBE Utilization Excel spreadsheet as a tool to track proposed SBE subcontractor utilization by work order. This spreadsheet compares the SBE contract goal to the SBE work order goal. However, it should be noted that the District tracks payments to the prime and reported payments to SBE subcontractors to calculate SBE utilization over the entire contract. Monitoring prime contractor's SBE subcontractor participation includes two areas: (1) proposed SBE subcontractor utilization by work order process and (2) reported SBE subcontractor payments verification process.
09-15	3	Review of the GEPS Services Contracts (2009)	In Process	Implemented	10/31/2009	10/31/2009	Take appropriate steps to ensure project managers are completing contractors' performance evaluations as required.	Management agrees with the audit findings and recommendation. In addition to elevating the status of overdue performance evaluations to the project manager's supervisor and refusing assignments of additional work orders for project managers until existing evaluations are up to date, Procurement staff will provide a monthly report to the Procurement Director and Deputy Executive Director of Corporate Resources on overdue performance evaluations. The report may then be provided to other resource area directors to enforce contractor performance evaluation requirements. It is not anticipated that this requirement will be included as part of the annual performance review process.	Procurement is elevating the status of overdue performance evaluations to the project manager's supervisor and refusing assignments of additional work orders for project managers until existing evaluations are up to date. In October, 2009 the department began providing a monthly report to the Procurement Director and Deputy Executive Director of Corporate Resources on overdue performance evaluations. At this time, no additional actions are expected to be implemented.

## Exhibit 4

### Status of Recommendations Not Fully Implemented

Audit No.	Audit Name		
Recommendation	Current Status	Auditor's Comment	
<b>06-19</b>	<b>Audit of the KRR Restoration Project In-Kind Credit Request Process</b>		
<b># 5</b>	Determine the amount of unclaimed expenses incurred for environmental assessments and submit a claim for these expenses as construction costs.	<b>In Process</b>	Finance staff has been assisting the Kissimmee Division in preparing their USACE construction costs submission, including environmental risk assessment costs. The changeover to SAP in 2004-2005 posed a minor challenge to reconciling costs, but it is anticipated that submissions from 2005- 2009 will be provided to the USACE by the early 2010 if not sooner.
	Original Due Date: 12/31/2007		Auditor Update: 12/20/2009
	Revised Due Date: 3/31/2010		
<b># 10</b>	Reconcile total expenditures charged to the KRR program per the District's financial system ("F" program code) to total expenditures claimed for in-kind credit (or will be claimed in the future under the established process.)	<b>Partially Implemented</b>	The changeover to SAP in 2004-2005 posed a minor challenge to reconciling costs, but it is anticipated that submissions from 2005- 2009 will be provided to the USACE by the early 2010 if not sooner.
	Original Due Date: 12/31/2007		Auditor Update: 12/22/2009
	Revised Due Date: 3/31/2010		
<b>07-36</b>	<b>Audit of the Information Technology Department</b>		
<b># 1</b>	Consider hiring full time employees for IT positions considered permanent and ongoing.	<b>In Process</b>	The IT Department agrees with this recommendation; however, the Executive Office is in discussion regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.
	Original Due Date: 10/30/2009		Auditor Update: 12/17/2009
	Revised Due Date: 10/1/2010		
<b>08-09</b>	<b>Review of Internal Controls Over Fuel Inventory</b>		
<b># 2</b>	Implement physical security measures that were identified by Emergency/Security Management.	<b>Partially Implemented</b>	Management Response: Sixty two (62) sites were surveyed for physical security measures with a focus on fencing and lighting. Eighty nine percent (89 %) of sites are now compliant and progress is being made on others. Field stations will continue fencing and lighting efforts in FY10. O&M will partner with security managers to assure that reasonable, economical measures are taken to assure security of our facilities.
	Original Due Date: 9/30/2009		Auditor Update: 12/21/2009
	Revised Due Date: 9/30/2010		

<b>Audit No.</b>	<b>Audit Name</b>
------------------	-------------------

<b>Recommendation</b>	<b>Current Status</b>	<b>Auditor's Comment</b>
-----------------------	-----------------------	--------------------------

<b>08-12</b>	<b>Review of the GEPS Services Contracts</b>	
--------------	--	--

<b># 3</b>	Consider seeking authorization for additional staff positions in order to replace higher cost contractor workers, that are performing on-going activities, with employees.	<b>In Process</b>	Procurement agrees with this recommendation; however, the Executive Office is in discussions regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.
	Original Due Date: 1/1/2010		Auditor Update: 12/17/2009
	Revised Due Date: 9/30/2010		

<b>08-23</b>	<b>Audit of the Procurement Card Program</b>	
--------------	--	--

<b># 4</b>	Include procedures covering emergency cards in the User's Manual and the Article II Procurement Card Procedures.	<b>Partially Implemented</b>	Procurement concurs with this recommendation. Staff will add written emergency card usage procedures to the User's Manual and Article II of the Procurement Card Procedures. Additionally, these written procedures will also be added to the Procurement Manual. Since the recommendation will require Governing Board approval, staff is currently seeking DLT direction as to whether to take this single procedure change to the Governing Board or wait to group this with some other items that would also require Governing Board approval.
	Original Due Date: 3/30/2009		Auditor Update: 12/17/2009
	Revised Due Date: 3/31/2010		

## APPENDIX 2

SOUTH FLORIDA WATER MANAGEMENT DISTRICT



### **Audit Recommendations Follow-Up Report For the Period December 4, 2009 Through March 31, 2010**

**Project #10-15**

**Prepared by  
Office of Inspector General**

**John W. Williams, Esq., Inspector General  
J. Timothy Beirnes, CPA, Director of Auditing**

**[sfwmd.gov](http://sfwmd.gov)**






# SOUTH FLORIDA WATER MANAGEMENT DISTRICT

## Memorandum

**To:** Audit and Finance Committee Members:  
Mr. Charles J. Dauray, Chair  
Mr. Eric Buermann, Member  
Mr. Joe Collins, Member

**From:** John W. Williams, Esq., Inspector General  
Office of Inspector General 

**Date:** April 14, 2010

**Subject:** Audit Recommendations Follow-Up Report -  
For the Period December 4, 2009 Through March 31, 2010  
Project No. 10-15

---

This audit was performed pursuant to the Inspector General's authority set forth in Section 20.055, F.S. Enclosed is the subject report that was conducted to assess the progress made in implementing audit recommendations.

In our efforts to continue to improve the audit process we utilize an audit recommendations tracking database as an integral part of monitoring the implementation status of audit recommendations. This database contains the basic audit information and recommendations. This system provides us with a vehicle to communicate and gather feedback on the status of the audit recommendations with the Governing Board, District management and the audited department/office.

Tim Beirnes, Director of Auditing, prepared this report. Should you have any questions concerning the enclosed report, please feel free to call me at (561) 682-6128.

C: Carol Wehle  
Tom Olliff

---

**TABLE OF CONTENTS**

**EXECUTIVE SUMMARY .....1**

**EXHIBIT 1: Summary of Recommendations Status .....3**

**EXHIBIT 2: Reports With Implementation of Recommendations in Progress .....4**

**EXHIBIT 3: Detail of In-Process and Partially Implemented Audit  
Recommendations .....5**

**EXHIBIT 4: Status of Recommendations Not Fully Implemented.....8**

---

## **EXECUTIVE SUMMARY**

Audit recommendations target the economy and efficiency of District operations and compliance with our policies and statutory responsibilities. Our recommendations also focus on providing District management with suggestions that facilitate their achievement of program goals and objectives. To be effective, audit recommendations must be implemented. Additionally, *Government Auditing Standards* require following up on audit recommendations in previously issued audit reports. Accordingly, the Inspector General's Office periodically surveys departments to determine the implementation status of recommendations and to encourage their completion. This information is maintained in the Inspector General's audit recommendation tracking database. The system allows each audit staff member to update the recommendation's "status" after reviewing information provided by the departments and offices.

This report on the implementation status of audit recommendations is for the period December 4, 2009 through March 31, 2010 (the "Reporting Period"). As shown in Exhibit 1, as of December 4, 2009 there were six (6) recommendations that were not yet fully implemented, consisting of three (3) that were In-Process and three (3) that were Partially Implemented. Since then, one (1) of these recommendations has been fully implemented. As of March 31, 2010, five (5) remain in various stages of implementation, consisting of three (3) that are In-Process and two (2) that are Partially Implemented.

During the Reporting Period, 2 recommendations were added from one (1) newly issued report and are still in the process of implementation, but progress in on schedule. In total from all reports, there are currently seven (7) recommendations that are In-Process of being implemented or have been Partially Implemented as of March 31,2010.

---

There were no recommendations changed to the “No Longer Applicable” status during the current Reporting Period. The “No Longer Applicable” category includes items where conditions have changed subsequent to issuance of the audit report that rendered the recommendation no longer relevant, such as:

- Alternative compensating controls have been put in place.
- A decision was made to implement a new system that will address the issue making it impractical to retrofit the existing system.
- The policy, statute, or rule has changed.
- Change in strategic direction.

No recommendations fell into the “Not Implemented” category for the current and the previous report.

Following is a brief description of the attached exhibits:

- **Exhibit 1:** This Exhibit displays a summary of recommendation statuses for all audit reports with recommendations in process of implementation. Exhibit 1 also shows the changes in the status of recommendations from the beginning of the period to the end of the period.
- **Exhibit 2:** This Exhibit shows a summary of the changes in the status of recommendations by each audit report. Exhibit 2 shows only those audit reports that contained one or more recommendations that had not been fully implemented at the beginning of the reporting period.
- **Exhibit 3:** This exhibit displays detail information regarding the status of each audit recommendation. This includes the status of the recommendation for the prior reporting period and the status at the end of the current period. The comment column provides narrative information regarding implementation progress.
- **Exhibit 4:** This exhibit is a report printed directly from our Access database that contains additional information.

**EXHIBIT 1**  
**Summary of Recommendations Status**  
As of March 31, 2010

	In	Partially	
<b>Prior Period Reports</b>	<b>Process</b>	<b>Implemented</b>	<b>Total</b>
Status Beginning of Period	3	3	6
Implemented or Partially Implemented During Period	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Remaining Recommendations to be Fully Implemented	<u>3</u>	<u>2</u>	<u>5</u>
<b>Reports Issued During Current Period</b>			
New Recommendations*	2	-	2
Implemented or Partially Implemented	<u>-</u>	<u>-</u>	<u>-</u>
Remaining Recommendations to be Fully Implemented	<u>2</u>	<u>-</u>	<u>2</u>
<b>Current Status</b>			
<b>Remaining Recommendations to be Fully Implemented</b>	<u><u>5</u></u>	<u><u>2</u></u>	<u><u>7</u></u>

\* Initial Status is set as "In-Process"

**EXHIBIT 2**  
**Audit Reports With Implementation of Recommendations in Progress**  
**As of March 31, 2010**

Audit No.	Audit Title	No. of Recs		In Process	Partially Implemented	No Longer Applicable	Implemented	
<b>Recommendations - Prior Period Reports</b>								
06-19	Audit of the KRR Restoration Project In-Kind Credit Request Process	10	Prior Period Status	1	1	0	8	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	1	0	8	
07-36	Audit of the Information Technology Department	2	Prior Period Status	1	0	0	1	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	1	
08-09	Review of Internal Controls Over Fuel Inventory	5	Initial Status	0	1	0	4	Open
			Change in Status	0	0	0	0	
			Current Period Status	0	1	0	4	
08-12	Review of the GEPS Services Contracts	3	Prior Period Status	1	0	0	2	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	2	
08-23	Audit of the Procurement Card Program	6	Initial Status	0	1	0	5	Complete
			Change in Status	0	-1	0	1	
			Current Period Status	0	0	0	6	
<b>Recommendation - Report Issued During Current Period</b>								
09-02	Audit of Compliance with Lake Okeechobee Protection Act	2	Initial Status	2	0	0	0	Open
			Change in Status	0	0	0	0	
			Current Period Status	2	0	0	0	
<b>Recommendations - All Reports</b>								
<b>TOTAL</b>		28	Prior/Initial Status	5	3	0	20	
			Change in Status	0	-1	0	1	
			Status Current Period	5	2	0	21	
<b>Number of Recommendations Remaining to Be Fully Implemented</b>		<b>7</b>		<b>5</b>	<b>2</b>			

Prior Period = As of December 4, 2009

**EXHIBIT 3**  
**Detail of In-Process and Partially Implemented Audit Recommendations**  
As of March 31, 2010

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
06-19	5	Audit of the KRR Restoration Project In-Kind Credit Request Process	In Process	In Process	12/31/2007	9/30/2010	Determine the amount of unclaimed expenses incurred for environmental assessments and submit a claim for these expenses as construction costs.	Each Critical Restoration Project is covered by a separate Project Cooperative Agreement, which outlines cost-sharing responsibilities for the project. Currently, there is no provision to balance the 50/50 cost-share across all of the projects. This sets up a situation where the USACE is required to request cash contributions for some projects and provide reimbursement for others. In the upcoming Water Resource Development Acts or Appropriation Bills, the District will attempt to get Congress to authorize the USACE to balance the 50/50 cost-share across all projects with the District. This would eliminate the need for cash contributions and reimbursements	Expenses were submitted in February through 2008. Presently staff is working with the USACE on questions resulting from these submittals. Finance has just completed 2009 internal audit and these expenses will be submitted in the next few months. Recognizing the FY 11 budget process in now underway, completion will take an additional 6 months.
06-19	10	Audit of the KRR Restoration Project In-Kind Credit Request Process	Partially Implemented	Partially Implemented	12/31/2007	3/31/2010	Reconcile total expenditures charged to the KRR program per the District's financial system ("F" program code) to total expenditures claimed for in-kind credit (or will be claimed in the future under the established process.)	Agree. Watershed Management now uses P3E project management software for the Kissimmee River Restoration Project and updates are made monthly to reflect budget expenditures.	Expenses were submitted in February through 2008. Presently staff is working with the USACE on questions resulting from these submittals. Finance has just completed 2009 internal audit and these expenses will be submitted in the next few months. Recognizing the FY 11 budget process in now underway, completion will take an additional 6 months to answer questions and submit 2009 expenses.
07-36	1	Audit of the Information Technology Department	In Process	In Process	10/30/2009	Unable to Determine	Consider hiring full time employees for IT positions considered permanent and ongoing.	We agree that the addition of the 39 FTEs to cover core functions that are currently performed by contractors would result in a savings of approximately \$2.6 million dollars per year on an ongoing basis. We would prefer to have FTEs performing these core functions because we believe our staffing model would be more stable. We also recognize that there may be limitations to the number of FTEs that can be added at this time.	The IT Department agrees with this recommendation; however, the Executive Office is in discussion regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
08-09	2	Review of Internal Controls Over Fuel Inventory	Partially Implemented	Partially Implemented	9/30/2009	9/30/2010	Implement physical security measures that were identified by Emergency/Security Management.	Fencing repairs will be done in FY2010. New fences will be deferred to future years due to FY2010 budget constraints. For security systems, we will coordinate with Security Management to have them budget for these systems in future years.	The fencing and lighting repairs and/or new installation have been done with in all of the Field Stations that were identified by the Emergency Security Management. The exceptions are 5 sites that are in the Okeechobee area and this is because there is additional construction work that needs to be done and the fencing and lighting was added to the construction project. If we were to put up the fencing and lighting it would need to be removed and reinstalled due to the additional work being done at the sites. They will be budgeted for FY2011 and 2012.
08-12	3	Review of the GEPS Services Contracts (2008)	In Process	In Process	11/1/2010	Unable to Determine	Consider seeking authorization for additional staff positions in order to replace higher cost contractor workers, that are performing on-going activities, with employees.	Management concurs with this recommendation; however, the addition of Full Time Employees (FTEs) to the District's authorized staffing levels is being coordinated between the Executive Office and the Governor's Office.	Procurement agrees with this recommendation; however, the Executive Office is in discussions regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.
08-23	4	Audit of the Procurement Card Program	Partially Implemented	Implemented	3/30/2009	3/31/2010	Include procedures covering emergency cards in the User's Manual and the Article II Procurement Card Procedures.	Procurement concurs with this recommendation. Staff will add written emergency card usage procedures to the User's Manual. Written procedures will also be added to the Procurement Manual.	New procedure were developed to add the Emergency Procurement Card provisions; approved by Carol Wehle on 3/2/10 and provided to the IG's office on 3/25/10.



Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
09-02	1	Audit of compliance with Lake Okeechobee Protection Act	In Process	In Process	1/31/2011	1/31/2011	Carefully analyze the reasons why an updated Lake Okeechobee Protection Plan Evaluation Report for 2010 may not be necessary. If it is determined that a reevaluation is not necessary then request approval from the legislature not to submit the Lake Okeechobee Protection Plan Evaluation Report for 2010.	The amendments to the 2007 legislature created the Northern Everglades Protection Program which required an update to the Lake Okeechobee plan in 2008. Recognizing the report is due tri-annually, staff is working on the 2011 Update for the Northern Everglades and Estuaries Protection Plan.	On Schedule
09-02	2	Audit of compliance with Lake Okeechobee Protection Act	In Process	In Process	1/31/2011	1/31/2011	Alert senior management about the potential issues that could delay reducing the phosphorus load to 140 metric tons per year prior to the January 1, 2015 legislative mandate.	This action is in progress	On Schedule

## Exhibit 4

### Status of Recommendations Not Fully Implemented

Audit No.	Audit Name		
Recommendation	Current Status	Auditor's Comment	
<b>06-19</b>	<b>Audit of the KRR Restoration Project In-Kind Credit Request Process</b>		
<p><b># 5</b> Determine the amount of unclaimed expenses incurred for environmental assessments and submit a claim for these expenses as construction costs.</p> <p>Original Due Date: 12/31/2007 Revised Due Date: 9/30/2010</p>	<p><b>In Process</b></p>	<p>Expenses were submitted in February through 2008. Presently staff is working with the USACE on questions resulting from these submittals. Finance has just completed 2009 internal audit and these expenses will be submitted in the next few months. Recognizing the FY 11 budget process is now underway, completion will take an additional 6 months.</p> <p>Auditor Update: 3/31/2010</p>	
<p><b># 10</b> Reconcile total expenditures charged to the KRR program per the District's financial system ("F" program code) to total expenditures claimed for in-kind credit (or will be claimed in the future under the established process.)</p> <p>Original Due Date: 12/31/2007 Revised Due Date: 9/30/2010</p>	<p><b>Partially Implemented</b></p>	<p>Expenses were submitted in February through 2008. Presently staff is working with the USACE on questions resulting from these submittals. Finance has just completed 2009 internal audit and these expenses will be submitted in the next few months. Recognizing the FY 11 budget process is now underway, completion will take an additional 6 months to answer questions and submit 2009 expenses.</p> <p>Auditor Update: 3/31/2010</p>	
<b>07-36</b>	<b>Audit of the Information Technology Department</b>		
<p><b># 1</b> Consider hiring full time employees for IT positions considered permanent and ongoing.</p> <p>Original Due Date: 10/30/2009 Revised Due Date: 10/1/2010</p>	<p><b>In Process</b></p>	<p>The IT Department agrees with this recommendation; however, the Executive Office is in discussion regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.</p> <p>Auditor Update: 12/17/2009</p>	
<b>08-09</b>	<b>Review of Internal Controls Over Fuel Inventory</b>		
<p><b># 2</b> Implement physical security measures that were identified by Emergency/Security Management.</p>	<p><b>Partially Implemented</b></p>	<p>The fencing and lighting repairs and/or new installation have been done with in all of the Field Stations that were identified by the Emergency Security Management. The exceptions are 5 sites that are in the Okeechobee area and this is because there is additional construction work that needs to be done and the fencing and lighting was added to the construction project. If we were to put up the fencing and lighting it would need to be removed and reinstalled due to the additional work being done at the sites. They will be</p>	

<b>Audit No.</b>	<b>Audit Name</b>
------------------	-------------------

<b>Recommendation</b>	<b>Current Status</b>	<b>Auditor's Comment</b>
Original Due Date: 9/30/2009 Revised Due Date: 9/30/2011		budgeted for FY2011 and 2012. Auditor Update: 12/21/2009

<b>08-12</b>	<b>Review of the GEPS Services Contracts</b>
--------------	--

<b># 3</b> Consider seeking authorization for additional staff positions in order to replace higher cost contractor workers, that are performing on-going activities, with employees.	<b>In Process</b>	Procurement agrees with this recommendation; however, the Executive Office is in discussions regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.
Original Due Date: 1/1/2010 Revised Due Date: 9/30/2010		Auditor Update: 12/17/2009

<b>09-02</b>	<b>Audit of Compliance with Lake Okeechobee Protection Act</b>
--------------	--

<b># 1</b> Carefully analyze the reasons why an updated Lake Okeechobee Protection Plan Evaluation Report for 2010 may not be necessary. If it is determined that a reevaluation is not necessary then request approval from the legislature not to submit the Lake Okeechobee Protection Plan Evaluation Report for 2010.	<b>In Process</b>	On Schedule
Original Due Date: 1/31/2011 Revised Due Date: 1/31/2011		Auditor Update: 3/31/2010
<b># 2</b> Alert senior management about the potential issues that could delay reducing the phosphorus load to 140 metric tons per year prior to the January 1, 2015 legislative mandate.	<b>In Process</b>	On Schedule
Original Due Date: 1/31/2011 Revised Due Date: 1/31/2011		Auditor Update: 3/31/2010

## APPENDIX 3

SOUTH FLORIDA WATER MANAGEMENT DISTRICT



### **Audit Recommendations Follow-Up Report For the Period April 1, 2010 Through June 30, 2010**

**Project #10-21**

**Prepared by  
Office of Inspector General**

**John W. Williams, Esq., Inspector General  
J. Timothy Beirnes, CPA, Director of Auditing**

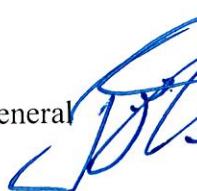
**[sfwmd.gov](http://sfwmd.gov)**



# SOUTH FLORIDA WATER MANAGEMENT DISTRICT

## Memorandum

**To:** Audit and Finance Committee Members:  
Mr. Charles J. Dauray, Chair  
Mr. Eric Buermann, Member  
Mr. Joe Collins, Member  
Mr. Glenn Waldman, Member

**From:** John W. Williams, Esq., Inspector General  
Office of Inspector General 

**Date:** August 11, 2010

**Subject:** Audit Recommendations Follow-Up Report -  
For the Period April 1, 2010 Through June 30, 2010  
Project No. 10-21

---

This audit was performed pursuant to the Inspector General's authority set forth in Section 20.055, F.S. Enclosed is the subject report that was conducted to assess the progress made in implementing audit recommendations.

In our efforts to continue to improve the audit process we utilize an audit recommendations tracking database as an integral part of monitoring the implementation status of audit recommendations. This database contains the basic audit information and recommendations. This system provides us with a vehicle to communicate and gather feedback on the status of the audit recommendations with the Governing Board, District management and the audited department/office.

Tim Beirnes, Director of Auditing, prepared this report. Should you have any questions concerning the enclosed report, please feel free to call me at (561) 682-6128.

C: Carol Wehle  
Tom Olliff

---

**TABLE OF CONTENTS**

**EXECUTIVE SUMMARY .....1**

**EXHIBIT 1: Summary of Recommendations Status .....3**

**EXHIBIT 2: Reports With Implementation of Recommendations in Progress .....4**

**EXHIBIT 3: Detail of In-Process and Partially Implemented Audit  
Recommendations .....5**

**EXHIBIT 4: Status of Recommendations Not Fully Implemented.....10**

---

## **EXECUTIVE SUMMARY**

Audit recommendations target the economy and efficiency of District operations and compliance with our policies and statutory responsibilities. Our recommendations also focus on providing District management with suggestions that facilitate their achievement of program goals and objectives. To be effective, audit recommendations must be implemented. Additionally, *Government Auditing Standards* require following up on audit recommendations in previously issued audit reports. Accordingly, the Inspector General's Office periodically surveys departments to determine the implementation status of recommendations and to encourage their completion. This information is maintained in the Inspector General's audit recommendation tracking database. The system allows each audit staff member to update the recommendation's "status" after reviewing information provided by the departments and offices.

This report on the implementation status of audit recommendations is for the period April 1, 2010 through June 30, 2010 (the "Reporting Period"). As shown in Exhibit 1, as of March 31, 2010 there were seven (7) recommendations that were not yet fully implemented, consisting of five (5) that were In-Process and two (2) that were Partially Implemented. Since then, none of these recommendations have been fully implemented. As of June 30, 2010, seven (7) remain in various stages of implementation, consisting of five (5) that are In-Process and two (2) that are Partially Implemented.

During the Reporting Period, seven (7) recommendations were added from two (2) newly issued reports. As of June 30, 2010, six (6) of these recommendations have been fully implemented. In total from all reports, there are currently eight (8) recommendations that are In-Process of being implemented or have been Partially Implemented as of June 30, 2010.

---

There were no recommendations changed to the “No Longer Applicable” status during the current Reporting Period. The “No Longer Applicable” category includes items where conditions have changed subsequent to issuance of the audit report that rendered the recommendation no longer relevant, such as:

- Alternative compensating controls have been put in place.
- A decision was made to implement a new system that will address the issue making it impractical to retrofit the existing system.
- The policy, statute, or rule has changed.
- Change in strategic direction.

No recommendations fell into the “Not Implemented” category for the current and the previous report.

Following is a brief description of the attached exhibits:

- **Exhibit 1:** This Exhibit displays a summary of recommendation statuses for all audit reports with recommendations in process of implementation. Exhibit 1 also shows the changes in the status of recommendations from the beginning of the period to the end of the period.
- **Exhibit 2:** This Exhibit shows a summary of the changes in the status of recommendations by each audit report. Exhibit 2 shows only those audit reports that contained one or more recommendations that had not been fully implemented at the beginning of the reporting period.
- **Exhibit 3:** This exhibit displays detail information regarding the status of each audit recommendation. This includes the status of the recommendation for the prior reporting period and the status at the end of the current period. The comment column provides narrative information regarding implementation progress.
- **Exhibit 4:** This exhibit is a report printed directly from our Access database that contains additional information.



**EXHIBIT 1**  
**Summary of Recommendations Status**

As of June 30, 2010

	In	Partially	
<b>Prior Period Reports</b>	<b>Process</b>	<b>Implemented</b>	<b>Total</b>
Status Prior Period (March 31, 2010)	5	2	7
Implemented or Partially Implemented During Period	-	-	-
Remaining Recommendations to be Fully Implemented	5	2	7
<b>Reports Issued During Current Period</b>			
New Recommendations*	7	-	7
Implemented or Partially Implemented	(6)	-	(6)
Remaining Recommendations to be Fully Implemented	1	-	1
<b>Current Status</b>			
<b>Remaining Recommendations to be Fully Implemented</b>	<b>6</b>	<b>2</b>	<b>8</b>

\* Initial Status is set as "In-Process"

**EXHIBIT 2**  
**Audit Reports With Implementation of Recommendations in Progress**  
**As of June 30, 2010**

Audit No.	Audit Title	No. of Recs		In Process	Partially Implemented	No Longer Applicable	Implemented	
<b>Recommendations - Prior Period Reports</b>								
06-19	Audit of the KRR Restoration Project In-Kind Credit Request Process	10	Prior Period Status	1	1	0	8	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	1	0	8	
07-36	Audit of the Information Technology Department	2	Prior Period Status	1	0	0	1	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	1	
08-09	Review of Internal Controls Over Fuel Inventory	5	Initial Status	0	1	0	4	Open
			Change in Status	0	0	0	0	
			Current Period Status	0	1	0	4	
08-12	Review of the GEPS Services Contracts	3	Prior Period Status	1	0	0	2	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	2	
09-02	Audit of Compliance with Lake Okeechobee Protection Act	2	Initial Status	2	0	0	0	Open
			Change in Status	0	0	0	0	
			Current Period Status	2	0	0	0	
<b>Recommendation - Report Issued During Current Period</b>								
09-07	Audit of SCADA Impelmentation and Operations	6	Initial Status	6	0	0	0	Open
			Change in Status	-5	0	0	5	
			Current Period Status	1	0	0	5	
09-20	Audit of FY 2009 Mid-Year Annual Work Plan Reporting	1	Initial Status	1	0	0	0	Complete
			Change in Status	-1	0	0	1	
			Current Period Status	0	0	0	1	
<b>Recommendations - All Reports</b>								
<b>TOTAL</b>			Prior/Initial Status	12	2	0	15	
			Change in Status	-6	0	0	6	
			Status Current Period	6	2	0	21	
<b>Number of Recommendations Remaining to Be Fully Implemented</b>		<b>8</b>		<b>6</b>	<b>2</b>			

Prior Period = As of March 31, 2010

**EXHIBIT 3**  
**Detail of In-Process and Partially Implemented Audit Recommendations**  
As of June 30, 2010

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
06-19	5	Audit of the KRR Restoration Project In-Kind Credit Request Process	In Process	In Process	12/31/2007	9/30/2010	Determine the amount of unclaimed expenses incurred for environmental assessments and submit a claim for these expenses as construction costs.	Each Critical Restoration Project is covered by a separate Project Cooperative Agreement, which outlines cost-sharing responsibilities for the project. Currently, there is no provision to balance the 50/50 cost-share across all of the projects. This sets up a situation where the USACE is required to request cash contributions for some projects and provide reimbursement for others. In the upcoming Water Resource Development Acts or Appropriation Bills, the District will attempt to get Congress to authorize the USACE to balance the 50/50 cost-share across all projects with the District. This would eliminate the need for cash contributions and reimbursements	Expenses were submitted in February through 2008. Presently staff is working with the USACE on questions resulting from these submittals. Finance has just completed 2009 internal audit and these expenses will be submitted in the next few months. Recognizing the FY 11 budget process in now underway, completion will take an additional 6 months.
06-19	10	Audit of the KRR Restoration Project In-Kind Credit Request Process	Partially Implemented	Partially Implemented	12/31/2007	3/31/2010	Reconcile total expenditures charged to the KRR program per the District's financial system ("F" program code) to total expenditures claimed for in-kind credit (or will be claimed in the future under the established process.)	Agree. Watershed Management now uses P3E project management software for the Kissimmee River Restoration Project and updates are made monthly to reflect budget expenditures.	Expenses were submitted in February through 2008. Presently staff is working with the USACE on questions resulting from these submittals. Finance has just completed 2009 internal audit and these expenses will be submitted in the next few months. Recognizing the FY 11 budget process in now underway, completion will take an additional 6 months to answer questions and submit 2009 expenses.
07-36	1	Audit of the Information Technology Department	In Process	In Process	10/30/2009	Unable to Determine	Consider hiring full time employees for IT positions considered permanent and ongoing.	We agree that the addition of the 39 FTEs to cover core functions that are currently performed by contractors would result in a savings of approximately \$2.6 million dollars per year on an ongoing basis. We would prefer to have FTEs performing these core functions because we believe our staffing model would be more stable. We also recognize that there may be limitations to the number of FTEs that can be added at this time.	The IT Department agrees with this recommendation; however, the Executive Office is in discussion regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
08-09	2	Review of Internal Controls Over Fuel Inventory	Partially Implemented	Partially Implemented	9/30/2009	9/30/2010	Implement physical security measures that were identified by Emergency/Security Management.	Fencing repairs will be done in FY2010. New fences will be deferred to future years due to FY2010 budget constraints. For security systems, we will coordinate with Security Management to have them budget for these systems in future years.	The fencing and lighting repairs and/or new installation have been done with in all of the Field Stations that were identified by the Emergency Security Management. The exceptions are 5 sites that are in the Okeechobee area and this is because there is additional construction work that needs to be done and the fencing and lighting was added to the construction project. If we were to put up the fencing and lighting it would need to be removed and reinstalled due to the additional work being done at the sites. The FY11 budget includes \$200,000 for ongoing security upgrades and will be concentrating on completing work at those five Okeechobee sites (S-127, 129, 131, 133, 135), where paving work was not yet completed.
08-12	3	Review of the GEPS Services Contracts (2008)	In Process	In Process	11/1/2010	Unable to Determine	Consider seeking authorization for additional staff positions in order to replace higher cost contractor workers, that are performing on-going activities, with employees.	Management concurs with this recommendation; however, the addition of Full Time Employees (FTEs) to the District's authorized staffing levels is being coordinated between the Executive Office and the Governor's Office.	Procurement agrees with this recommendation; however, the Executive Office is in discussions regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.
09-02	1	Audit of Compliance with Lake Okeechobee Protection Act	In Process	In Process	1/31/2011	1/31/2011	Carefully analyze the reasons why an updated Lake Okeechobee Protection Plan Evaluation Report for 2010 may not be necessary. If it is determined that a reevaluation is not necessary then request approval from the legislature not to submit the Lake Okeechobee Protection Plan Evaluation Report for 2010.	The amendments to the 2007 legislature created the Northern Everglades Protection Program which required an update to the Lake Okeechobee plan in 2008. Recognizing the report is due tri-annually, staff is working on the 2011 Update for the Northern Everglades and Estuaries Protection Plan.	On Schedule

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
09-02	2	Audit of Compliance with Lake Okeechobee Protection Act	In Process	In Process	1/31/2011	1/31/2011	Alert senior management about the potential issues that could delay reducing the phosphorus load to 140 metric tons per year prior to the January 1, 2015 legislative mandate.	This action is in progress	On Schedule
09-07	1	Audit of SCADA Implementation and Operations	In Process	In Process	3/31/2011	3/31/2011	Consider hiring full time employees to perform SCADA work that is considered permanent and ongoing.	Management concurs with recommendation. SCADA staff developed a staffing analysis that showed a need for 25 FTEs to replace site installation contractors with a cost savings of \$1 million per year once implemented. The FY09 budget included authorization to hire 10 staff to replace contractors. This was part one of a multi-year proposed replacement of contractors with FTEs for long-term ongoing core work efforts. No new positions were included in the FY10 budget. Staff is reviewing the contractor transition plan and will propose additional FTEs in FY11. Until the transition is complete, the District will have to continue to rely upon some level of contracting to provide SCADA installation and maintenance/repair services.	O&M has requested (and the Governing Board is considering) an additional 10 new positions in FY11 to continue internalizing currently contracted SCADA maintenance.
09-07	2	Audit of SCADA Implementation and Operations	In Process	Implemented	9/30/2010	9/30/2010	Allow all approved contractors the opportunity to bid on each work order, and select the lowest bidder to ensure the best possible price is obtained.	Management concurs with recommendation. Operations Control and Hydro Data Management Department will work with the Procurement Department to develop a procedure where all contractors are invited to meet with staff at sites where installation or maintenance work will be available and submit bids for each work order. Management anticipates that implementing this process may reduce the contracted cost due to additional competition. It could also provide the additional benefit of reducing the amount of time required if the selected contractor cannot perform the work, because we will already have bids from other vendors and the opportunity to go to the next lowest bidder.	Procurement has implemented this process, which was communicated to all vendors at a meeting on 06/08/2010 with Procurement and SCADA staff.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
09-07	3	Audit of SCADA Implementation and Operations	In Process	Implemented	9/30/2010	9/30/2010	<p>Research SCADA projects completed since the District's conversion to SAP to determine whether or not they were properly capitalized, and make corrections where necessary. In addition, written procedures for creating SAP Internal Orders and Asset Master Records should be communicated to appropriate parties to ensure future project costs are capitalized and not expensed.</p>	<p>Management agrees that new SCADA site installations should be captured and capitalized as part of the District's fixed asset records. Internal orders have been created (order type ZAUC) in order to capture and capitalize new SCADA site installations.</p> <p>District standards for creating SAP internal orders and asset master records are being incorporated into O&amp;M's standard operating procedures and work process flows for new SCADA site installations, which includes a step to request an internal order for each new site to be installed.</p> <p>However, management does not believe that there is a benefit to be derived from going back and posting adjustments to capitalize equipment costs that have been expensed in a prior year because 1) the costs are immaterial to the financial statements and 2) not having this equipment as part of our fixed asset records will in no way impede our ability to track and control this equipment because it is currently in service and collecting data.</p>	All new installations in FY10 are captured utilizing a new ZAUC internal order code. A matrix (attached) was also developed to guide use of internal orders versus work orders for all future work.
09-07	5	Audit of SCADA Implementation and Operations	In Process	Implemented	9/30/2010	9/30/2010	<p>Create a link in SAP tying the Internal Order number for the District provided materials to the Purchase Requisition number for the installation contract, to ensure the location of the parts is able to be tracked and appropriate responsibility is assigned and maintained.</p>	<p>Management concurs with the recommendation. By including the practice of creating a separate internal order for each new site installation in the revised SCADA work flow process for new site installations, the costs of both the parts and the service contract will be captured via that site internal order.</p>	SCADA is utilizing an updated process that incorporates this practice.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
09-07	6	Audit of SCADA Implementation and Operations	In Process	Implemented	9/30/2010	9/30/2010	Develop procedures to provide warehouse personnel with a list of persons authorized to receive parts and materials released from the warehouse.	Management concurs with the recommendation to set formal controls for who can receive District parts or materials. Staff will work with Procurement to add to each purchase/work order the name of the person or persons authorized to receive parts or materials on behalf of the contractor for that specific work order. Warehouse staff will release parts or materials to only those persons designated by the vendor.	Language requiring list of authorized persons has been added to PO boilerplate and contractors have been notified per the Deputy Department Director.
09-20	1	Audit of FY 2009 Mid-Year Annual Work Plan Reporting	In Process	Implemented	5/31/2010	5/31/2010	Take steps to ensure that the statuses of projects in the Annual Work Plan are well-defined and reported accurately to the Budget Division. Further, ensure that changes to project tasks are approved and are reflected in the Annual Work Plan.	Management agreed with the audit finding. It appears that the Annual Work Plan Change Control Document was not updated with the new end date of 4th Quarter. Of the 299 Change Control Requests managed during FY 2009, this one was not represented in the Annual Work Plan and a quality control process activity will be developed to ensure that this does not occur again.	Through a reorganization, the Division Director was reassigned to start a new BMP program for the St. Lucie River Basin.

## Exhibit 4

### Status of Recommendations Not Fully Implemented

Audit No.	Audit Name		
Recommendation	Current Status	Auditor's Comment	
<b>06-19</b>	<b>Audit of the KRR Restoration Project In-Kind Credit Request Process</b>		
<p><b># 5</b> Determine the amount of unclaimed expenses incurred for environmental assessments and submit a claim for these expenses as construction costs.</p> <p>Original Due Date: 12/31/2007 Revised Due Date: 9/30/2010</p>	<p><b>In Process</b></p>	<p>Expenses were submitted in February through 2008. Presently staff is working with the USACE on questions resulting from these submittals. Finance has just completed 2009 internal audit and these expenses will be submitted in the next few months. Recognizing the FY 11 budget process is now underway, completion will take an additional 6 months.</p> <p>Auditor Update: 7/28/2010</p>	
<p><b># 10</b> Reconcile total expenditures charged to the KRR program per the District's financial system ("F" program code) to total expenditures claimed for in-kind credit (or will be claimed in the future under the established process.)</p> <p>Original Due Date: 12/31/2007 Revised Due Date: 9/30/2010</p>	<p><b>Partially Implemented</b></p>	<p>Expenses were submitted in February through 2008. Presently staff is working with the USACE on questions resulting from these submittals. Finance has just completed 2009 internal audit and these expenses will be submitted in the next few months. Recognizing the FY 11 budget process is now underway, completion will take an additional 6 months to answer questions and submit 2009 expenses.</p> <p>Auditor Update: 7/28/2010</p>	
<b>07-36</b>	<b>Audit of the Information Technology Department</b>		
<p><b># 1</b> Consider hiring full time employees for IT positions considered permanent and ongoing.</p> <p>Original Due Date: 10/30/2009 Revised Due Date: 10/1/2010</p>	<p><b>In Process</b></p>	<p>The IT Department agrees with this recommendation; however, the Executive Office is in discussion regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.</p> <p>Auditor Update: 7/28/2010</p>	
<b>08-09</b>	<b>Review of Internal Controls Over Fuel Inventory</b>		
<p><b># 2</b> Implement physical security measures that were identified by Emergency/Security Management.</p>	<p><b>Partially Implemented</b></p>	<p>The fencing and lighting repairs and/or new installation have been done with in all of the Field Stations that were identified by the Emergency Security Management. The exceptions are 5 sites that are in the Okeechobee area and this is because there is additional construction work that needs to be done and the fencing and lighting was added to the construction project. If we were to put up the fencing and lighting it would need to be removed and reinstalled due to the additional work being done at the sites. The FY11 budget</p>	



<b>Audit No.</b>	<b>Audit Name</b>
------------------	-------------------

<b>Recommendation</b>	<b>Current Status</b>	<b>Auditor's Comment</b>
Original Due Date: 9/30/2009 Revised Due Date: 9/30/2011		includes \$200,000 for ongoing security upgrades and will be concentrating on completing work at those five Okeechobee sites (S-127, 129, 131, 133, 135), where paving work was not yet completed.  Auditor Update: 7/28/2010

<b>08-12</b>	<b>Review of the GEPS Services Contracts</b>
--------------	--

<b># 3</b> Consider seeking authorization for additional staff positions in order to replace higher cost contractor workers, that are performing ongoing activities, with employees.	<b>In Process</b>	Procurement agrees with this recommendation; however, the Executive Office is in discussions regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.
Original Due Date: 1/1/2010 Revised Due Date: 9/30/2010		Auditor Update: 7/28/2010

<b>09-02</b>	<b>Audit of Compliance with Lake Okeechobee Protection Act</b>
--------------	--

<b># 1</b> Carefully analyze the reasons why an updated Lake Okeechobee Protection Plan Evaluation Report for 2010 may not be necessary. If it is determined that a reevaluation is not necessary then request approval from the legislature not to submit the Lake Okeechobee Protection Plan Evaluation Report for 2010.	<b>In Process</b>	On Schedule
Original Due Date: 1/31/2011 Revised Due Date: 1/31/2011		Auditor Update: 7/28/2010
<b># 2</b> Alert senior management about the potential issues that could delay reducing the phosphorus load to 140 metric tons per year prior to the January 1, 2015 legislative mandate.	<b>In Process</b>	On Schedule
Original Due Date: 1/31/2011 Revised Due Date: 1/31/2011		Auditor Update: 7/28/2010

<b>09-07</b>	<b>Audit of SCADA Implementation and Operations</b>
--------------	---

<b># 1</b> Consider hiring full time employees to perform SCADA work that is considered permanent and ongoing.	<b>In Process</b>	O&M has requested (and the Governing Board is considering) an additional 10 new positions in FY11 to continue internalizing currently contracted SCADA maintenance.
Original Due Date: 3/31/2011 Revised Due Date: 3/31/2011		Auditor Update: 7/28/2010