



**Office of Inspector General
Annual Report**

Fiscal Year 2016

Prepared by
Office of Inspector General

J. Timothy Beirnes, CPA, Inspector General
Ann E. Haga, Executive Assistant



SOUTH FLORIDA WATER MANAGEMENT DISTRICT

December 28, 2016

Governing Board Members:

Mr. Daniel O'Keefe, Chair
Mr. Kevin Powers, Vice-Chair
Mr. Sam Accursio
Mr. Rick Barber
Mr. Federico Fernandez
Mr. Clarke Harlow
Mr. Mitch Hutchcraft
Mr. James J. Moran
Ms. Melanie Peterson

Re: Annual Report for Fiscal Year 2016

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 2016. This report was prepared by Ann Haga, Executive Assistant, and myself. 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 District management and staff.

Sincerely,

A handwritten signature in blue ink that reads "J. Timothy Beirnes".

J. Timothy Beirnes, Inspector General
Office of Inspector General

C: Peter Antonacci
Executive Management Team

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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, 2016.

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

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.

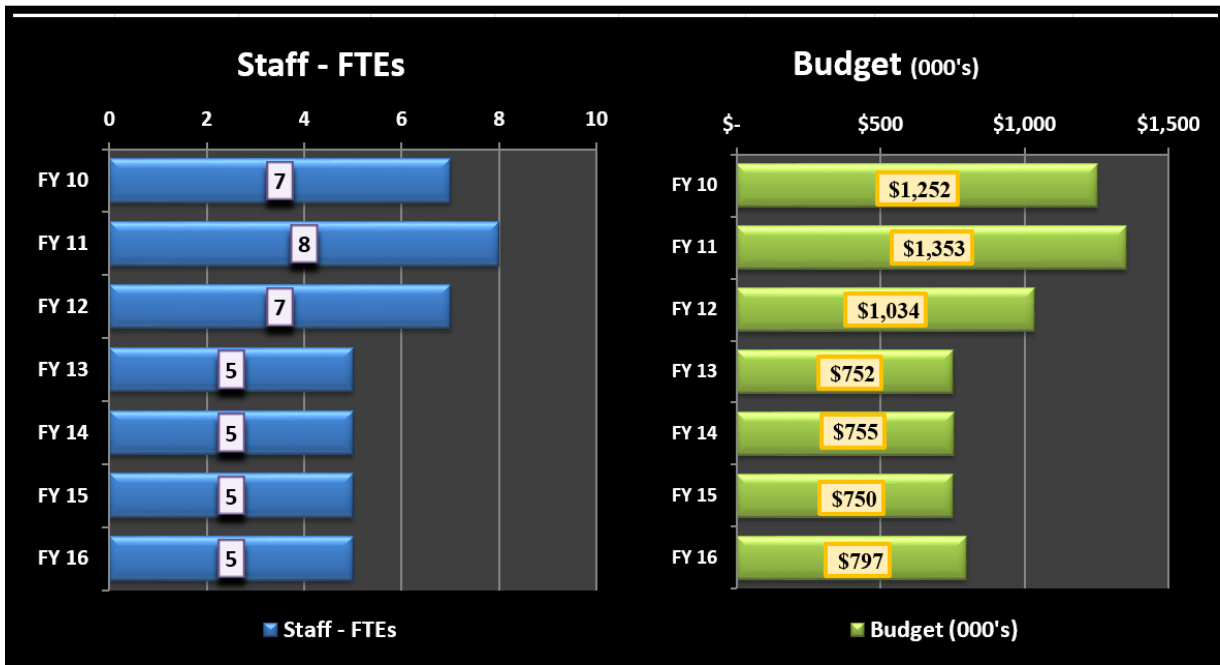
Pursuant to Sections 112.3187 through 112.31895 and Section 20.055, Florida Statutes, the Inspector General is also responsible for investigating Whistle-Blower Act complaints brought by District employees, former employees, agents, contractors, or citizens.

OFFICE STAFF and BUDGET

During FY 2016, The Office of Inspector General consisted of the following staff:

<u>Position</u>	<u>Certifications</u>
Inspector General	<i>Certified Public Accountant (CPA)</i> <i>Certified Management Accountant (CMA)</i> <i>Certified Information Systems Auditor (CISA)</i> <i>Certified Information Technology Professional (CITP)</i> <i>Certified Inspector General (CIG)</i>
Lead Consulting Auditor	<i>Certified Public Accountant</i>
Lead Consulting Auditor	<i>Certified Internal Auditor</i>
Chief Investigator	<i>Certified Public Accountant</i> <i>Certified Fraud Examiner</i> <i>Certified Inspector General Investigator</i>
Executive Assistant	

The following graphs show the trend in the number of full-time equivalent (FTE) staff and the Office of Inspector General's annual budget for the past several years.



The Office's budget includes the fees for the annual financial statement audit performed by the District's accounting firm. This amount was \$152,000 for FY 2016.

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 2016 the staff received training in such topics as:

- Government Accounting Standards
- Government Auditing
- Quality Assurance
- Information Systems & Security
- Fraud Detection and Investigation
- Management Advisory Services
- Ethics

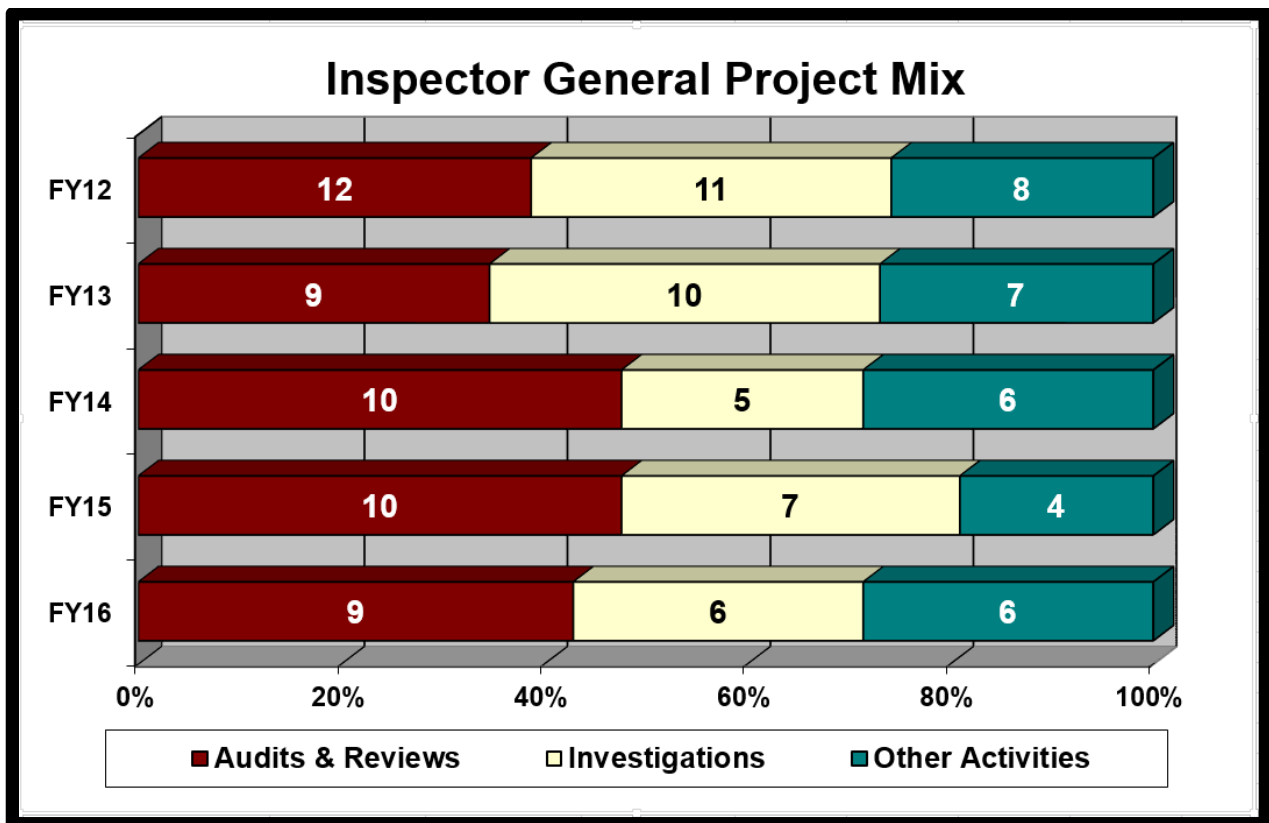
Professional development is provided through affiliations with several professional organizations, including the following:

- 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

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 Annual Budget and 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 during the current and past fiscal years is illustrated in the following graph:



AUDITS & REVIEWS

In FY 2016, the Office of Inspector General focused on performance auditing and completed nine audit and review projects. Performance audits include comments on economy & efficiency, program compliance, and results. A summary of each report follows.

Audit of the Information Technology Resource Approval Process *Project No. 15-06*

The audit focused on the process for purchasing IT hardware, software, and services and obtaining the required resource approval from the IT Bureau. The audit examined how well District departments are complying with the approval requirement. Additionally, the audit reviewed IT software license compliance and utilization. Some of the procedures for this audit were performed in conjunction with the previously issued Audit of Procurement Card Transactions.

We found that the IT Bureau has adequate controls and processes in place to help ensure District departments comply with the policy on acquiring IT resources. However, based on our review and testing, we found that the controls and processes to prevent unauthorized downloading or installation of software could be improved by limiting desktop administrative rights. We found that there were approximately 700 users who had been granted network domain administrative rights. This means that they were able to download and install software, change configurations settings and install drivers, and thereby might be able to bypass controls limiting user installation of hardware and software.

A review of installed software for a sample of 25 users found that 6 had potentially unauthorized software installed which was not listed on the software inventory database. Further analysis of installed software was performed to determine whether the District was in compliance with copyright and licensing requirements. We concluded that the District for the most part was in compliance with copyright and licensing requirements as we found that only 8 licensing units out of 617 total were non-compliant. The analysis also revealed that a number of licenses held exceeded the actual number being used, which suggested that savings could be realized by reducing the number of unneeded licenses. Our follow up of two potential P-Card purchase policy violations determined that one did not require IT approval, while the other was considered an isolated incident.

Audit of the Cash Receipts Process

Project No. 15-07

Our objective of the Audit of the Cash Receipts Process was to determine whether adequate internal controls over cash receipts are in place and functioning properly to ensure that cash collections are safeguarded, deposited in a timely manner and accurately recorded in the District's financial records. We also followed up on recommendations made in the State's Auditor General's performance audit related to the District's cash receipts process to verify implementation of such recommendations.

The District has implemented numerous changes to the system of internal controls related to the cash receipt process. These changes focus on safeguarding and securing cash receipts and mitigating the risk of misappropriation. Another benefit has been an improved cash receipts deposit timeline.

In response to the Auditor General's recommendations, the Finance Bureau implemented procedures to restrictively endorse and date stamp checks received directly by the District's Cashier. However, checks originating from Service Centers were not restrictively endorsed until received by the Regulation Division. As a compensating control, Service Center staff prepares pre-numbered receipts for each permit application check received and mails the pre-numbered receipts with the checks to Regulation Division staff at District Headquarters daily. Notwithstanding these compensating controls, we recommended the District evaluate the benefits of having Service Centers restrictively endorse all checks at the point of collection.

The Finance Bureau has made significant improvements to the cash receipt deposit timeline. The District obtained an automated check scanner from SunTrust that enables the Cashier to make daily check deposits to its SunTrust operating account from the Cashier's office; thus, maximizing interest income and eliminating the risks associated with un-deposited receipts.

We found that under the District's current policies and procedures related to the cellular phone plans the District expended a substantial amount of resources administering reimbursements from employees for personal cellular phone usage that were for the most part nominal. In FY 2014, 187 of the 488 reimbursement transactions were under \$3.00 payments.

To streamline this process and reduce the cost of administering cellular phone usage, we recommended that the District amend its wireless device procedure to permit reasonable incidental use provided that it is infrequent and brief. We concluded that it would be cost effective for the

District to restrict personal cellular phone use under a revised wireless device procedure and discontinue the employee reimbursement requirement for this use unless it is other than infrequent; however, we also recommended that IT Asset Management Section continue monitoring monthly cellular phone bills to identify non-District use and ensure that employee personal use is incidental. We also recommended as another alternative, to consider phasing out District cellular phone plans and move all remaining employees assigned a cellular phone to the stipend program, which would virtually eliminate the need for District staff to administer and monitor employee cellular phone usage.

Audit of the Permit Application Process ***Project No. 15-08***

Our objective of the Audit of the Permit Application Process primarily focused on examining the consistency of the application review and approval process among District staff and determining whether application fees are assessed and collected in accordance with established statutes, regulations, and guidelines.

To accomplish our objectives, we obtained an understanding of the permit application process by interviewing Regulation Division staff responsible for the permitting process and reviewed applicable laws, rules, and regulations. We analyzed CUPs and ERPs completed during the period October 1, 2013 to March 31, 2015 to determine whether permits were issued within the timeframes prescribed by Statutes and Rules in order to avoid issuance by default. We also determined whether RAI letters were issued within the timeframes prescribed by rules and the District.

We selected a sample of permits to determine whether the permit review and approval process were consistent among staff at different permitting locations throughout the District and whether permitting data maintained on ePermitting contained adequate documentation. We also determined whether correct permit application fees were collected.

Overall, sufficient controls were in place to ensure that the ERPs and CUPs are issued in compliance with rules and regulations. However, our audit disclosed some minor areas for improvement. Audit tests disclosed that after an application is deemed legally completed, final agency action by the District are issued within timeframes required by statutes and rules. Specifically, our analysis of the period October 1, 2013 to March 31, 2015, disclosed that 4,722

permits (99.98%) were issued within the required timeframes. The one exception was a CUP issued eight days after the default date. We also noted an instance where concurrent ERP and CUP applications were being reviewed; however, due to a communication issue the CUP was issued before the ERP application was deemed legally completed. Due to the inseparable nature of these applications, the District processes them concurrently and final action can only be taken when both are deemed legally completed.

Permitting statutes and rules, require the District to send a RAI letter to the permit applicant within 30 days of receipt of the permit application if it is determined that additional information is needed to evaluate the application. The District has a more stringent internal target that requires RAI letters to be sent to applicants within 21 days of the application receipt date. Although, the District's more stringent internal target of 21 days is not always met, it appears to be effective in providing a margin of safety to ensure that the statutory deadline is met since 100% of the RAIs were sent within the 30-day statutory deadline.

We found that permit application are collected in accordance with permitting rules. Specifically, we sampled 112 permit applications that resulted in fees totaling \$215,536. These applications reflected a cross section of permit types and were processed by different reviewers at the various permit office locations. Our audit tests disclosed three instances where ERP applicants should have been refunded \$6,270; however, these refunds had not been issued. During our audit, the refunds were sent to the applicants. We recommend that staff review past permit files to determine whether other applicants were due refunds.

Our audit tests disclosed that permit files maintained on ePermitting contained sufficient documentation and permits were mostly approved by authorized District staff as required. Specifically, as part of our audit tests we selected and reviewed 110 permit application files approved during October 1, 2013 to March 31, 2015, that were processed by different reviewers assigned to various permit office locations. Our review disclosed that two letter modifications for individual ERPs did not contain the required Notice of Rights, which addresses procedures to be followed if the applicant desires a public hearing or other review of the District's proposed action. As a result, we reviewed additional ERP letter modifications to determine whether Notice of Rights were included. Based on our review, we concluded that letter modifications approved by the Orlando Service Center did not always contain the Notice

Of Rights. Specifically, of the 182 letter modifications for individual ERPs reviewed, 87 (48%) did not have Notice of Rights attached to the approval letters transmitted to permittees.

Based on the District's Delegation of Authority and Designation of Responsibilities memorandum, the Assistant Executive Director (AED) is responsible for approving major modifications for certain ERP individual permits and conceptual approval permits; however, audit tests disclosed a major modification of an individual ERP permit in our sample was approved by the Bureau Chief of Environmental Resource Permitting instead of the Assistant Executive Director. As a result, we reviewed similar types of permits to determine whether this was an isolated instance or a practice. Our review disclosed that 14 similar permits were approved by either the Bureau Chief of Environmental Resource Permitting or Service Center Regulatory Administrators. According to ERP permitting staff, it was their intent to authorize the Bureau Chief of Environmental Resource Permitting or Service Center Regulatory Administrators to approve these modifications; however, this is not explicit in the memo. As a result, steps will be taken to explicitly incorporate this authorization in the Delegation of Authority memo.

Audit of Investment Management ***Project No. 15-17***

Our objective was to determine whether adequate internal controls related to investment management are in place and functioning properly to ensure that investment purchases are made in accordance with the Investment Policy and properly recorded in District financial records. Our review period was October 1, 2014 through June 30, 2016.

The District's portfolio primarily consisted of investment with United States Government Sponsored Agencies, United States Government Agencies and Instrumentalities, and Florida Investment Pools, which are all authorized by the Investment Policy. At June 30, 2016, the District's cash and investments balance was \$598 million, of which, 50% was in cash deposits and 50% was in investments. The District's substantial cash position indicates that there may be opportunities to invest in higher yielding investments without significantly increasing risk.

An analysis of District investment yields for fiscal years 2012 through 2016, revealed that District investment yields outperformed both the Merrill Lynch 1-3 Year US Treasury Index and the State of Florida Board of Administration benchmarks; however, improved cash flow forecasting could increase yields and produce more investment earnings. Thus, we recommended that the Treasurer prepare a long and short term cash flow analysis before the beginning of each fiscal year and periodically review it for changes that may occur during the year, which may affect cash needs. Cash flow analysis is essential for determining the amounts available to invest and to select the appropriate securities and maturity dates.

We found that investments were properly recorded in the District's accounting system and internal controls were generally found to be adequate. The process followed by the Treasurer and Accounting staff for fund wire transfers were adequate and provided satisfactory segregation of duties. We also found that the District's Investment Committee has been inactive. To enhance internal controls over the treasury function, best practices recommends that an internal committee review and oversee the treasury function.

The District's Investment Policy contains ambiguous provisions related to mortgage backed securities. We recommended that the Finance Bureau update the Investment Policy to eliminate these ambiguities.

Big Cypress Basin (BCB) Fleet Replacement Analysis ***Project No. 15-21***

At the request of the BCB Chair, we performed an analysis of the fleet replacement needs for the BCB by determining the number of fleet units that met the District's replacement criteria and ascertaining the estimated replacement costs. We concluded that 13 of the 37 units (35%) met the replacement criteria and the associated estimated replacement cost was \$977,000. These results were presented to the BCB Board on October 20, 2015.

Follow-Up Audits

Follow-Up Audit for 7/1/15 – 9/30/15 ***Project No. 16-02***

This report on the implementation status of audit recommendations was for the period July 1, 2015 through September 30, 2015 (the “Fourth Quarter of FY 2015 Reporting Period”). As of June 1, 2015 there were 13 recommendations that were not yet Fully Implemented, consisting of 12 that were In-Process and one (1) that was Partially Implemented. The status of these 13 recommendations remained the same as the prior quarterly reporting period.

During the Fourth Quarter of FY 2015 Reporting Period, four (4) recommendations were added from two (2) newly issued reports. Twenty (20) of these recommendations were either implemented at the time of report issuance or were implemented during the Fourth Quarter of FY 2015 Reporting Period. In total from all reports, 13 recommendations were In-Process of being implemented or had been Partially Implemented as of September 30, 2015.

Our office also continued to monitor the implementation status of the 10 recommendations made in the Operational Audit performed by the State of Florida Auditor General. Nine (9) of these recommendations were Fully Implemented during the prior quarter and one (1) was still in process of Implementation as of September 30, 2015.

Follow-Up Audit for 10/1/15 – 12/31/15 ***Project No. 16-05***

This report on the implementation status of audit recommendations was for the period October 1, 2015 through December 31, 2015 (the “First Quarter Reporting Period”). As of October 1, 2015, 13 recommendations were not yet Fully Implemented, consisting of 12 that were In-Process and one (1) that was Partially Implemented. During the First Quarter Reporting Period, one (1) of these recommendations was reclassified as No Longer Applicable.

During the Reporting Period 29 recommendations were added from three (3) newly issued reports. In total from all reports, 21 recommendations were In-Process of being Implemented or had been Partially Implemented as of December 31, 2015.

Our office also continued to monitor the implementation status of the 10 recommendations made in the Operational Audit performed by the State of Florida Auditor General. Nine (9) of these recommendations were Fully Implemented during the prior quarter and one (1) was still in process of Implementation as of December 31, 2015.

Follow-Up Audit for 1/1/16 – 3/31/16
Project No. 16-08

This report on the implementation status of audit recommendations was for the period January 1, 2016 through March 31, 2016 (the “Second Quarter Reporting Period”). As of January 1, 2016, 21 recommendations were not yet Fully Implemented, consisting of 20 that were In-Process and one (1) that was Partially Implemented. During the Second Quarter Reporting Period, two (2) of these recommendations were Fully Implemented. In total from all reports, 19 recommendations were In-Process of being Implemented as of March 31, 2016.

Our office also continued to monitor the implementation status of the 10 recommendations made in the Operational Audit performed by the State of Florida Auditor General. Nine (9) of these recommendations were Fully Implemented during the prior quarter and one (1) was still in process of Implementation as of March 31, 2016.

Follow-Up Audit for 4/1/16 – 6/30/16
Project No. 16-14

This report on the implementation status of audit recommendations was for the period April 1, 2016 through June 30, 2016 (the “Third Quarter Reporting Period”). As of April 1, 2016, 19 recommendations were In-Process of Implementation. During the Third Quarter Reporting Period, two (2) of these recommendations were Fully Implemented. In total from all responses, 17 recommendations were In-Process of being Implemented as of June 30, 2016.

Our office also continued to monitor the implementation status of the 10 recommendations made in the Operational Audit performed by the State of Florida Auditor General. Nine (9) of these recommendations were Fully Implemented during the prior quarter and one (1) was still in process of Implementation as of June 30, 2016.

INVESTIGATIONS

Investigation 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 and other State agency Inspectors General's also refer certain cases to our office. During FY 2016 we received a total of six complaints from various sources. A short summary of each complaint follows.

Complaint Regarding Citizen Concerns Over Construction of a Levee in the Corbett Wildlife Area *Project 15-11*

We investigated a complaint alleging that construction of a permanent levee between the Acreage and the J.W. Corbett Wildlife Management Area (JW Corbett) area is unnecessary and wasteful. The Complainant stated that the elevations in the topographic map of the JW Corbett as compared to the Indian Trail Improvement District's (ITID) topographic map do not support the need for a levee. The Complainant contended that simple repairs to the already existing ITID Berm in the same approximate area would be sufficient. The Complainant believed that the funds currently available were sufficient to complete repairs on the ITID Berm but no estimated cost to repair the ITID Berm was included with the complaint. The ITID Berm runs the length of the border between the JW Corbett and the Acreage, along the north side of the M-O Canal. The 60,348 acre JW Corbett is located north of the M-O Canal. The Complainant has also expressed concern that water levels in JW Corbett will be maintained at higher levels after the Corbett Levee was constructed, which the Complainant believed to be problematic for Acreage residents and wildlife.

The estimated cost to construct the levee was \$8 million; however, the State of Florida had funded only \$4 million at the time. As such, construction of the Corbett Levee proceeded, but only about half the levee could be constructed with the available funding. Future funding had not been appropriated for the remaining section of the project. The Complainant contended that the District should fund the remaining project and expressed concern that the District did not request in its budget the remaining funds needed to complete the Corbett Levee.

The District became involved in this project as part of the State of Florida's response to Tropical Storm Isaac, which was a 1-in-100-year storm that brought unprecedented rainfall to the area. At Governor Rick Scott's direction, the District took immediate action in response to flooding from Tropical Storm Isaac and also was asked to convene a working group to develop a long term solution to address infrastructure deficiencies and improve flood protection for the Acreage and surrounding areas. Our objective was to determine whether the construction of the Corbett Levee is unnecessary and wasteful.

We concluded that the Complainant's contention that the Corbett Levee construction was unnecessary and wasteful to be unfounded. We found the collective effort of the District, Palm Beach County, the ITID, Florida Fish & Wildlife Conservation Commission and Florida Department of Environmental Protection to develop a long term flood protection plan and construct the Corbett Levee addressed infrastructure deficiencies identified after Tropical Storm Isaac and improved flood protection in the Acreage and the surrounding area. As such, it was a prudent use of public funds.

Further, although sufficient funds were not yet available to complete the entire levee, Phase 1 of the project addressed the most critical areas and provided beneficial flood protection to the Acreage. The end result was that the combination of the flow-way and weir, the ITID Berm, and the Corbett Levee improved existing flood protection for the Acreage and surrounding area residents. The standards established by the District and the US Army Corps of Engineers that were used to construct the Corbett Levee made it significantly more reliable in a storm event than the ITID Berm.

Complaint Regarding Unpermitted Wells in Loxahatchee *Project 15-15*

We received a complaint that unpermitted wells had been drilled in the Loxahatchee area. We requested the Complainant to provide additional information, such as well locations. Such details were not provided; thus, this case was closed without a formal investigation.

**Investigation of Complaint Alleging SBE Subcontractor
Improprieties Related to the L-8 Reservoir Project**
Project 15-19

We investigated a complaint alleging Small Business Enterprise (SBE) program fraud related to the Design Build L-8 Reservoir, Pump Station and Inflow Structure Project (L-8 Reservoir Project). The Complainant contended that a SBE subcontractor assigned its work to a non-SBE engineering firm and intentionally misrepresented its SBE utilization to the District in violation of the District's SBE Contracting Rule. Our objective was to determine whether a SBE subcontractor engaged a non-SBE engineering firm to do their contracted work for the L-8 Reservoir Project, which resulted in the intentional misrepresentation of SBE utilization.

The allegation that Nova Consulting collaborated with Stanley Consultants to fraudulently misrepresent SBE utilization at L-8 Reservoir Project was unfounded. We confirmed through our testing of Nova Consulting financial records that employees assigned to the L-8 Reservoir Project were bona-fide Nova Consulting employees. We also confirmed that Nova Consulting had not engaged or paid Stanley Consultants for any work related to the L-8 Reservoir Project.

Nova Consulting and Stanley Consultants were providing construction management services at the District's L-8 Reservoir Project under separate subcontracts with Carollo Engineers, Inc. Further review of Carollo's SBE utilization reports remitted with its invoices dated July 2015 through December 2015 indicated no reporting irregularities.

Investigation of Complaint Alleging Procurement Irregularities
Project 15-23

We received a complaint alleging procurement irregularities related to the assignment process for work orders issued under the Professional Engineering Services for Restoration Projects. The Complainant took exception to the District's method of work order distribution contending that the Procurement Bureau Chief was steering contracts to associates of Florida Crystals Corporation (Florida Crystals) and to other consulting firms through work order assignments under the Professional Engineering Services for Restoration Projects in violation of the CCNA Statute.

During our audit of *Procuring Professional Engineering Services for Restoration Projects #16-01*, we addressed the work order assignment process. Our audit concluded that the District complied with applicable Florida Statutes and Procurement policies and procedures by soliciting full service engineering firms to submit qualifications and technical proposals to provide engineering services for the District's Restoration Projects, evaluation of submittals by a District panel, and then distributing work order assignments as equally as possible to professional engineering firms awarded contracts.

In this report, we investigated the Complainant's allegations that the Procurement Bureau Chief was steering contracts to associates of Florida Crystals and to other consulting firms through work order assignments under the Professional Engineering Services for Restoration Projects. The Complainant also contended that a former District Project Manager had undue influence over the assignment of work orders to HDR Engineering for the C-44 Project. Lastly, the Complainant also alleged District ethics violations related to contracts and subcontracts with the Wantman Group and a former District Executive Director.

The allegation that the Procurement Bureau Chief directed work order contracts to associates of Florida Crystals and to other consulting firms that were awarded contracts under the Professional Engineering Services for Restoration Projects was unfounded. Internal controls over the work order assignment process segregate approval authority by requiring that the Bureau Chiefs of the Procurement and the Engineering and Construction Bureaus and Procurement's Contract Specialist to approve work order assignments so that no one individual has total authority over the assignments. Thus, the Procurement Bureau Chief is part of a group that approves work order assignments and is not the sole decision maker. We found no evidence to indicate that these controls were circumvented.

The allegation that the Wantman Group's volume of work with Florida Crystals created a conflict of interest for the District is unfounded. Our review of applicable District policies and procedures and Florida Statutes indicated that the District did not violate ethics and/or Florida Statutes by contracting with the Wantman Group.

The Complainant also implied that a former District Executive Director who was working on a District project as a subcontractor of a prime contractor, is an ethics violation. Our review of District's ethics policy revealed no provisions that would preclude the former Executive

Director, who left the District in April 2011, from working as a subcontractor. The District has no control over a prime contractor's choice of subcontractor or the authority to direct subcontractor selection.

The Complainant also claimed that the work order assignment to HDR Engineering, Inc. for C-44 Restoration Project's Engineering During Construction (EDC) was unduly influenced by a former District Project Manager who was assigned to this project before leaving the District to join HDR Engineering, Inc. The implication being that the relationship between HDR Engineering, Inc. and the former District project manager was something other than professional and that the former project manager was looking out for her own interest and/or the interest of her future employer rather than the District's interests.

We discussed the former project manager work record with Procurement and Construction Management staff and found that she was highly regarded by her District peers and supervisors. Our review of her last three performance evaluations indicated that she received high grades as the project manager. We also examined a sample of C-44 Restoration Project invoices from HDR Engineering, Inc. that were reviewed by the former project manager while working for the District. Overall, we found the former project manager's review of these invoices was thorough. Specifically, we noted adjustments to the HDR Engineering, Inc. rates and other review changes that resulted in reductions to the invoice totals, which indicated that the former project manager was fulfilling her oversight responsibilities and protecting the District's interest. We found no undue influence by the former project manager related to the EDC work assignment to HDR Engineering, Inc.

Concern Regarding Employee Merit Compensation ***Project 16-13***

A District employee contacted us regarding the criteria for merit compensation. We determined that this was a matter for the Human Resources Bureau and recommended they contact the bureau regarding their concern.

Complaint Regarding Lakeside Storm Water Treatment Area Contractor *Project 16-13*

We received a complaint from a subcontractor of the prime contractor that was performing work on the Lakeside Ranch Stormwater Treatment Area (STA) project. The subcontractor complained that they had not been permitted on the job site due to unresolved differences. We concluded that this was a contractual dispute between the prime contractor and subcontractor and informed the complainant that this matter would need to be settled through a legal resolution process.

OTHER PROJECTS

Administrative Projects

During FY 2016 our Office completed the following administrative projects:

- Developed the FY 2017 annual audit plan
- Completed the Office of Inspector General Annual Report
- Maintained and updated the Office of Inspector General Web Site
- Managed the contract with RSM, US, LLP, for External Independent Auditing Services. The District received an unqualified opinion on its financial statements for the year ended September 30, 2015
- Oversight of a FEMA contract close-out review

Peer Review

The peer review for our Office was completed on April 28, 2016 covering the three year period ended December 31, 2015. Florida State statutes require inspector general's 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 Leader was James Yerich, Director of Internal Audit, Fulton County Schools, Atlanta, Georgia; assisted by Team Member, Pamela Swinney, Senior Auditor, City of Chattanooga Office of Internal Audit.

The peer review process can result in three levels of compliance: 1) Pass, 2) Pass with Deficiencies, or 3) Failure. Our Office received a “Pass” 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* for audits completed during the period January 1, 2013 through December 31, 2015.