



# **Office of Inspector General Annual Report**

**Fiscal Year 2020-2021**

**Prepared by  
Office of Inspector General**

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

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# SOUTH FLORIDA WATER MANAGEMENT DISTRICT

November 22, 2021

Governing Board Members:

Mr. Chauncey Goss, Chair  
Mr. Scott Wagner, Vice-Chair  
Mr. Ron Bergeron, Sr.  
Mr. Benjamin Butler  
Mr. Carlos "Charlie" E. Martinez  
Ms. Cheryl Meads  
Ms. Charlette Roman  
Mr. Jay Steinle  
Ms. Jacqui Thurlow-Lippisch

Re: Annual Report for Fiscal Year 2020-2021

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 2020-2021. 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: Drew Bartlett, Executive Director  
Senior 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, 2021.

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.

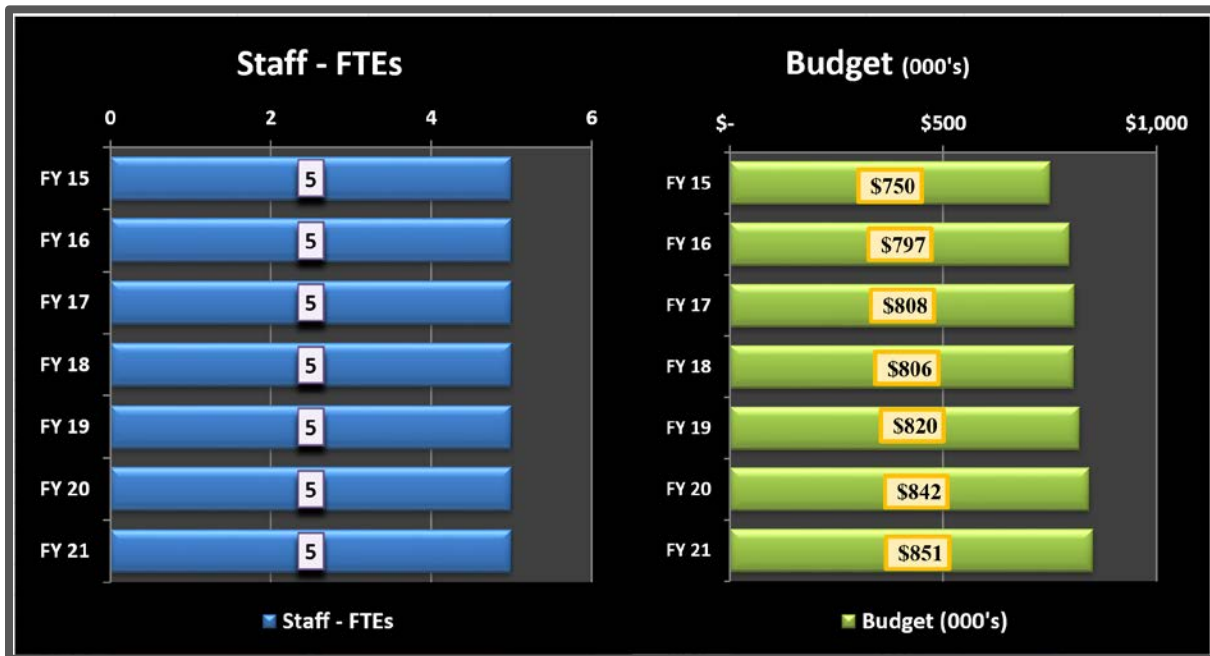
Pursuant to Sections 112.3187 through 112.31895 and Section 20.055, Florida Statutes, the Inspector General is also responsible for investigating Whistle-Blower Act complaints brought by District employees, former employees, agents, contractors, or citizens.

## OFFICE STAFF and BUDGET

During FY 2021, the Office of Inspector General consisted of the following staff:

<u>Position</u>	<u>Certifications</u>
<b>Inspector General</b>	<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>
<b>Lead Consulting Auditor</b>	<i>Certified Public Accountant (CPA)</i>
<b>Lead Consulting Auditor</b>	<i>Certified Information Systems Auditor (CISA)</i>
<b>Chief Investigator</b>	<i>Certified Public Accountant (CPA)</i> <i>Certified Fraud Examiner (CFE)</i> <i>Certified Inspector General Investigator (CIGI)</i>
<b>Executive Assistant</b>	

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 \$160,000 for FY 2021.

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## 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 2021, the staff received training in such topics as:

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

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

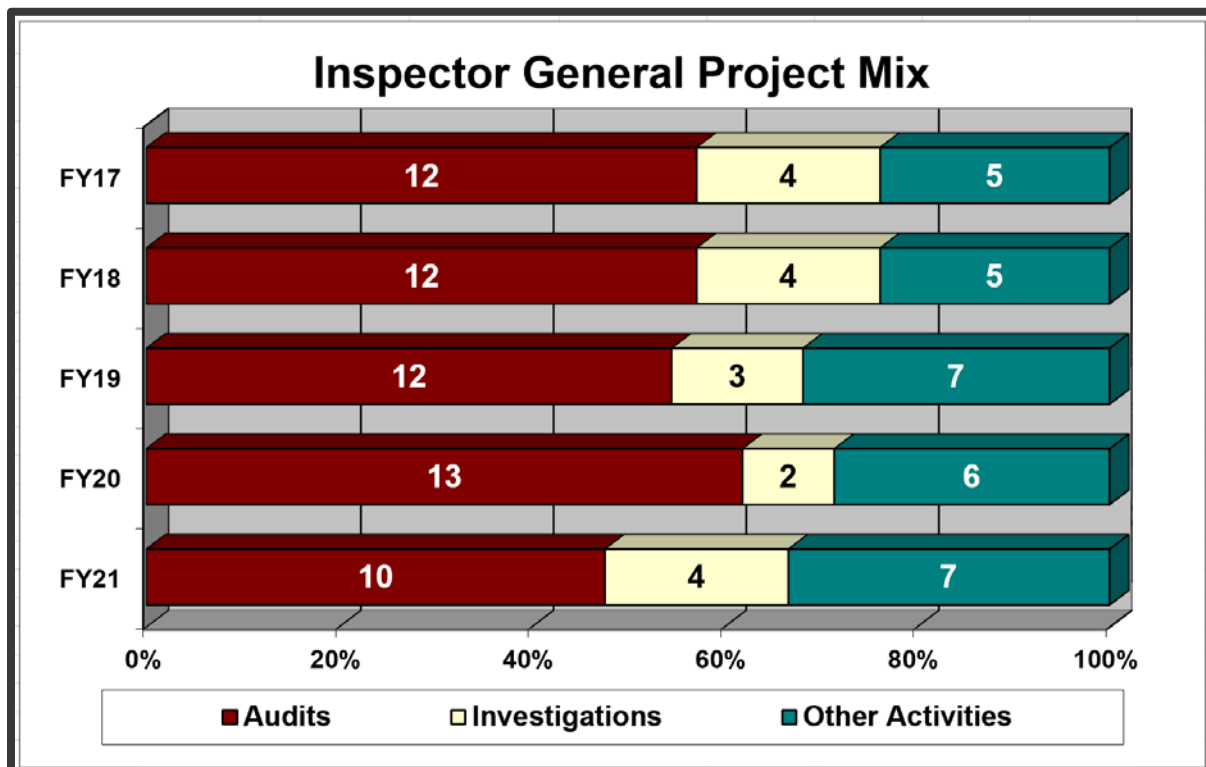
- Association of Inspectors General
- American Institute of Certified Public Accountants
- Institute of Internal Auditors
- Association of Local Government Auditors
- Institute of Management Accountants
- Information Systems Audit and Control Association
- Association of Certified Fraud Examiners

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## 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:



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## AUDITS & REVIEWS

In FY 2021, the Office of Inspector General focused on performance auditing and completed 10 audit and review projects. Performance audits include comments on economy & efficiency, program compliance, and results. A summary of each report follows.

### **Audit of Grant Monitoring** ***Project No. 20-04***

The objective of the Grant Monitoring Audit was to determine that the District's grant monitoring process is sufficient to ensure compliance with grant agreement terms and conditions and fulfillment of contractual obligations. The scope of our audit included an analysis of monitoring activities for fourteen grants with a value of \$10.5 million. These grants were judgmentally selected from 180 open and closed grant agreements with expiration dates after October 1, 2010, and included agreements with federal and state governments, cities, counties, utilities, special districts, and not-for-profits within District boundaries valued at \$55 million.

Overall, District project oversight staff was diligent in ensuring grantee compliance with agreement terms and conditions. Our review of selected grant agreements revealed that grantees complied with contract terms and conditions.

The District has procedures for grants where the District is grantee; however, we recommend updating the procedures to add a section where the District is the grantor. The *State of Florida Contract and Grant User Guide – Department of Financial Services* is a good model that may be used for developing such procedures.

We also found that improvements to the grant contracting process could strengthen grantee compliance with agreement terms and conditions. We noted one agreement that was difficult to monitor due to the inherent limitations in verifying completion of the required deliverables. In these situations, we recommend using alternative contracting methods, such as cost reimbursement.



**Audit of Outsourced Functions**  
**Project No. 20-10**

The objective of the Audit of Outsourced Functions audit was to compare the contractual cost of outsourcing service functions to the cost of using in-house resources to determine the best alternative for the District. Project managers and supervisors overseeing outsourced services assisted us with assessing the District staffing needs and associated salaries to estimate the cost of performing the function in-house. We assessed the reasonableness of management’s estimated in-house staffing and verified the reasonableness of salaries through internet websites for similar position and salary information obtained from the U.S. Bureau of Labor Statistics website. Fringe benefits and leave time, in accordance District policies, were included in calculating in-house labor costs. Non-salary costs such as equipment and supplies were also added to the in-house cost analysis and were verified for reasonableness.

The following summary shows the cost of outsourcing security, mowing, lock tenders, and janitorial functions compared to the cost of providing these services using District FTEs:

<b>Security, Mowing, Lock Tenders &amp; Janitorial Cost Comparison</b>				
<b>Description</b>	<b>Security</b>	<b>Mowing</b>	<b>Lock Tenders</b>	<b>Janitorial</b>
<b>District Positions Needed</b>	<b>7</b>	<b>58</b>	<b>26</b>	<b>15</b>
<b><u>In-house Staff Costs</u></b>				
Salaries	\$ 212,628	\$ 2,415,650	\$ 821,595	\$ 478,400
Benefits	163,762	1,462,287	613,389	354,588
<b>Total Salary and Benefits</b>	<b>\$ 376,390</b>	<b>\$ 3,877,937</b>	<b>\$ 1,433,384</b>	<b>\$ 832,988</b>
<b><u>Non-Salary Costs</u></b>				
Equipment Maintenance	-	\$ 246,079	-	-
Fuel	-	373,152	-	-
Depreciation	-	378,561	-	13,221
Other	9,400	60,000	69,658	9,457
<b>Total Non-Salary Costs</b>	<b>\$ 9,400</b>	<b>\$ 1,057,792</b>	<b>\$ 69,658</b>	<b>\$ 22,678</b>
<b>Total Cost</b>	<b>\$ 385,790</b>	<b>\$ 4,935,729</b>	<b>\$ 1,503,042</b>	<b>\$ 855,666</b>
<b>Annual Contract Costs</b>	<b>(\$ 266,905)</b>	<b>(\$ 2,204,165)</b>	<b>(\$ 682,200)</b>	<b>(\$ 257,800)</b>
<b>Annual Cost Saving (Increased Cost) from Outsourcing</b>	<b>\$ 118,885</b>	<b>\$ 2,731,564</b>	<b>\$ 823,273</b>	<b>\$ 597,860</b>
<b>COMBINED COST SAVINGS</b>	<b>\$ 4,271,582</b>			

Our overall analysis revealed that outsourcing security, mowing, lock tender and janitorial functions is the best alternative and most cost-effective and saves the District approximately \$4.3 million annually. Further, the initial equipment cost estimates to conduct these functions with in-house staff is \$5.7 million; however, it should be noted that the depreciation for this equipment is included in our annualized costs.

The District outsources all invasive plant control operations to contractors at an annual cost of approximately \$18 million. We separately analyzed field station and natural area vegetation management operations and compared the estimated cost of doing the vegetation management work with in-house staff to contractor costs.

A summary of our cost analysis for vegetation management is as follows:

<b>Vegetation Management Cost Comparison</b>		
<b>Description</b>	<b>Natural Areas</b>	<b>Field Stations</b>
<b>Acres Treated</b>	<b>248,401</b>	<b>36,974</b>
<b>Contractor Cost</b>		
Contractor Hours	\$ 453,728	\$ 39,416
Supervisor	4,530,075	1,624,628
Laborer	10,905,392	350,052
Other Contractor Costs	44,345	217,985
<b>Total Contractor Cost</b>	<b>\$ 15,479,812</b>	<b>\$ 2,192,664</b>
<b>District Costs</b>		
District Positions Needed	\$ 272	\$ 24
Salaries	10,986,352	1,029,558
Benefits	6,802,435	609,914
<b>Total Salary and Benefits</b>	<b>\$ 17,788,787</b>	<b>\$ 1,639,472</b>
<b>Non-Salary Costs</b>		
Equipment Maintenance	\$ 128,115	\$ 87,792
Fuel	231,765	163,056
Depreciation	212,325	149,726
<b>Total Non-Salary Costs</b>	<b>\$ 572,205</b>	<b>\$ 400,574</b>
<b>Total District Estimated Cost</b>	<b>\$ 18,360,992</b>	<b>\$ 2,040,046</b>
<b>Contractor Annual Costs</b>	<b>(\$15,479,812)</b>	<b>(\$2,192,664)</b>
<b>Annual Cost Saving (Increased Cost) from Outsourcing</b>	<b>\$ 2,881,180</b>	<b>(\$ 152,618)</b>

The estimated cost to perform field station vegetation management operations is fairly comparable using either contractors or District staff. Additional field station staff may also be

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beneficial to overall field station operations by providing additional staff availability when responding to hurricane recoveries, other emergency conditions, or cross training to assist with other functions during other employee's absences.

Conversely, the District realizes substantial savings of approximately \$2.9 million annually by using contractors in natural areas; thus, using in-house staff is not cost beneficial based on current contract prices. This is due to the labor intensity of treating natural areas, which would require an additional 272 staff to perform this function in-house.

### **Audit of CERP Cost Share** ***Project No. 20-11***

The primary objective of the Comprehensive Everglades Restoration Project (CERP) cost share audit focused on determining whether the District requests credit for all eligible CERP design and construction related expenses and whether adequate supporting documentation is maintained for such expenditures. The audit did not include costs related to land acquisitions, easements, rights-of-way, relocations, and disposal areas since such cost are claimed using a different process and will be addressed in a separate audit project. The Finance Bureau submits construction and design related expenses for WIK credit while the Real Estate Division submits land acquisition related expenses for credit.

Overall, the District has an adequate process in place to ensure that eligible CERP design and construction expenses are submitted to the USACE for WIK credit and the District maintains sufficient documentation to substantiate claimed expenses. In addition, the status of District WIK credits are mostly accurate on the USACE's and District's tracking spreadsheets; however, we noted some exceptions. Specifically, our audit revealed the following:

- Unclaimed Expenses: We identified approximately \$1.6 million of eligible CERP design and construction related expenses which have not been submitted for WIK credit. Most of the unclaimed expenses were classified as special period expenses (i.e., fiscal year-end closing adjustments) that were not included in the WIK credit requests. The last understated claims due to special period expenses occurred in Fiscal year 2013; thus, it appears that this issue has been resolved for subsequent years.
- Disallowed/Disputed Expenses: Approximately \$10.7 million in CERP design and construction expenses submitted for WIK credit were disallowed, disputed, or

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deferred. Many of these expenses may still be creditable; however, these expenses require the District to research the various issues and resolve them with the USACE.

- Inadequate Supporting Documentation: Approximately \$3.7 million in claimed WIK credit remains unresolved due to inadequate supporting documentation.
- Erroneous Expense Reduction: Approximately \$1.8 million expense reduction was erroneously included in a WIK credit request for an insurance refund that was not CERP related.
- District & USACE Spreadsheet Tracking Differences: Our audit procedures included reconciling the District's design and construction related expenses indicated on the District spreadsheet to the USACE's spreadsheet project totals for the period October 2000 to December 31, 2019. The reconciliation revealed that the District's spreadsheet total expenses were understated by a net amount of approximately \$25.4 million.

These issues are summarized in the following table.

<b>Status</b>		<b>Summary of CERP Cost Share Expense Issues</b>	
<b>Unclaimed Expenditures Fiscal Years 2010 - 2018</b>			
<b>Unclaimed</b>	Design and construction related expenditures		<b>\$ <u>1,585,292</u></b>
<b>Disallowed/Deferred Expenditures by the USACE as of September 30, 2020</b>			
<b>Disallowed/ Disputed</b>	Requires District research/resolve and consultation with USACE		\$ 2,359,740
<b>Approved but Deferred</b>	Mostly expenses approved by the USACE for WIK credit but reflected as deferred on the USACE spreadsheet; thus, not included in cost share total		\$ 8,372,596
<b>Insufficient Documentation</b>	District CERP and Acceler8 expenses disallowed / disputed / deferred by USACE that the District cannot resolve due to lack of adequate District supporting documentation		\$ 3,714,203
<b>Expense Credit Error</b>	WIK erroneous expense reduction (credit) for EAA Reservoir Phase 1		\$ 1,760,465
	<b>Total Disallowed/Deferred Expenditures</b>		<b>\$ <u>16,207,004</u></b>
<b>Understatements on District Cost Share Tracking Spreadsheet, October 1, 2000 – December 31, 2019</b>			
<b>Spreadsheet Tracking Differences</b>	Net District understated expenses on District tracking spreadsheet due to District oversight		<b>\$ <u>25,364,504</u></b>

It is important that CERP design and construction costs on the USACE’s master sheet are accurate since these costs are used by the USACE to determine the cost amount and percentages, and any cash payments due. Further, extra efforts should be taken by the Budget Bureau to ensure that the District tracking spreadsheet amounts are accurate as the costs are used by management as a cost tracking tool.

We made eight recommendations to improve the reporting and tracking of District CERP design and construction related expenses.

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## **Audit of DMV File Security**

### ***Project No. 20-12***

Pursuant to the audit requirements of a Memorandum of Understanding (MOU) with the Florida Department of Motor Vehicles (DMV), our objective of the Audit of DMV File Security was to determine whether District internal controls related to driver license information received from the DMV are adequate to ensure that the DMV records are protected from unauthorized access, distribution, use, modification or disclosure.

The District is required to establish a system of internal controls related to the monthly DMV Report to ensure that driver's license information is secured against unauthorized access, distribution, use, modification or disclosure. Our examination of this system found that adequate internal controls are in place to secure the DMV records. As a result, the District is in full compliance with the MOU.

## **Audit of Construction Change Orders**

### ***Project No. 21-07***

The Audit of Construction Change Orders assessed whether change orders were negotiated in accordance with contract terms and conditions. Audit objectives also included verifying cumulative change order amounts as a percentage of original contract amounts and compared such to industry standards. Our work also included a review of the controls in the eBuilder system to gauge system integrity, as the information that was used in the audit relied heavily on this system. The audit scope covered the change order report which encompassed contracts between 2015 and 2020.

Overall, the controls within the eBuilder system are working effectively to ensure that documentation kept in the system is complete and can be used for accurate reporting. The controls were tested so that we could determine system integrity, as most of the documentation for change orders is being maintained in eBuilder. The Change Order report provided to the Government Board is based largely on information in the eBuilder system. Therefore, having a system which can be relied upon is integral to the reporting function. We noted that older projects were migrated into eBuilder and there were some documents which we were unable

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to find for these projects. However, all documentation for newer projects was located in the system, and authorizations and other controls were tested and determined to be adequate.

The change order report provided to us contained 99 contracts, effective between 2015 and 2020. We reviewed the documentation for a sample of 34 of these contracts, totaling \$255,655,114. Our review comprised of 60 change orders, totaling \$3,936,205. Documentation included, but was not limited to change order authorizations, correspondence, quotes, and contract terms. We concluded that the 4.0% change order percentage that was presented to the Board were accurately calculated; however, the report did not include the total calculations of all projects. Certain projects were considered outliers, and thus were excluded from the reported average percentage, which had higher percentage amounts. Had these outlier projects been included in the reported amount, the total average change order percentage would have been approximately 6.3%, which is still well below the industry average of 8-14%. In our opinion, both percentages provide meaningful information for management and the Governing Board. To ensure full disclosure, we recommended that future reports to management or the Governing Board include both change order percentages, with and without the outlier items, with explanations of any outlier change orders.

### **Audit of Fleet Utilization and Replacement**

***Project No. 21-09***

Our Audit of Fleet Utilization and Replacement primarily focused on determining whether: the fleet size is adequate to carry out the District's mission, fleet units meeting replacement requirements are replaced in a timely manner, rentals are cost effective, vehicle/equipment are adequately utilized, and fleet purchases are procured using state and other government contracts.

Overall, the District has a process in place to ensure that vehicles/equipment are being adequately utilized but some improvements are needed, the fleet size is adequate to carry out the District's mission, and fleet purchases are procured using State and government contracts to obtain the best prices.

Due to limited funding and other District priorities over the past several years, the District has not been able to replace its fleet that met certain replacement criteria. Consequently, the number of vehicle/equipment meeting the replacement criteria increases each year along with repair costs for the aging fleet. Specifically, during Fiscal Year 2016 to Fiscal Year 2021 (August 2021) about \$16.6 million has been spent on replacing existing vehicle/equipment (an average of \$2.8 million annually); however, this amount has been insufficient to have any impact on the amount needed for replacements, which keeps increasing each year. Specifically, in Fiscal Year 2021, an estimated \$24.4 million was needed just to replace vehicles and equipment meeting replacement criteria; however, only \$3.1 million was allocated. The following table summarizes funding needs and the projected funding for Fiscal Year 2022.

<b>Fleet Replacement Funding Summary</b>	
<b>Fleet Replacement / Funding Data</b>	<b>Amount</b>
Fiscal Year 2020 Analysis of Fleet Replacement Funding Required to Replace Vehicle/ Equipment Meeting Replacement Criteria in Fiscal Year 2021 – <i>20% of the Fleet needs Replacement</i>	\$ 24,425,434
Fiscal Year 2021 Fleet Funding Allocated to Replace Units Identified in Fiscal Year 2020	\$ 3,116,050
Deferred Fleet Fiscal Year 2021 Replacements	\$ 21,309,384
<b><i>Note: Deferred Replacement Amount will be Increased by Fleet Unit's Fiscal Year 2021 Replacement Analysis.</i></b>	
Budgeted Funding for Fiscal Year 2022 Fleet Replacement <i>(Decrease of \$991,769 (32%) from Fiscal Year 2021)</i>	\$ 2,124,281



Further, our analysis disclosed that Fiscal Years' 2019 and 2020 light truck utilization levels appeared adequate and adequate justifications for low utilizations were provided by cost centers. Utilization levels of other units appeared inadequate, as summarized in the following table.

<b>Utilization Summary for Fiscal Years 2019 and 2020</b>									
<b>Vehicle/Equipment Classifications</b>	<b>Fiscal Year 2019</b>					<b>Fiscal Year 2020</b>			
	<b>Adequate Utilization</b>					<b>Adequate Utilization</b>			
	<b>Yes</b>		<b>No</b>			<b>Yes</b>		<b>No</b>	
<b>Light Trucks</b>	<b>408</b>					<b>387</b>			
	350	86%	58	14%	308	80%	79	20%	
<b>Medium Trucks</b>	<b>62</b>					<b>66</b>			
	37	60%	25	40%	38	58%	28	42%	
<b>Heavy Trucks</b>	<b>59</b>					<b>59</b>			
	10	17%	49	83%	14	24%	45	76%	
<b>Construction Equipment</b>	<b>84</b>					<b>92</b>			
	15	18%	69	82%	7	8%	85	92%	
<b>Tractors</b>	<b>20</b>					<b>21</b>			
	2	10%	18	90%	3	14%	18	86%	

In some instances, cost centers provided reasons for low utilizations while in other instances the reasons were either not provided or were too vague. Fleet Unit staff plans to improve utilization monitoring; for example, hiring another fleet analyst, monitoring utilization more closely, and analyzing whether the entire fleet of bulldozers is needed.

We made 10 recommendations to improve the fleet utilization and replacement process.

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## **Audit Recommendations Follow-Up Reports**

### ***Audit Recommendations Follow-Up Report for 7/1/20 – 9/30/20 Project No. 21-01***

This report on the implementation status of audit recommendations is for the period July 1, 2020 through September 30, 2020 (the “Fourth Quarter of FY 2020 Reporting Period”). As of June 30, 2020, for previously issued audit report there were 14 recommendations that were not yet Fully Implemented, including one (1) recommendation that was Partially Implemented. During the Fourth Quarter of FY2020, three (3) recommendations were fully implemented and one (1) additional recommendation was Partially Implemented. Ten (10) recommendations were added from two (2) newly issued audit reports, of which four (4) of these recommendations were implemented during the Fourth Quarter of FY2020 Reporting Period. In total from all reports, 15 recommendations were In-Process of being implemented and two (2) had been Partially Implemented as of September 30, 2020.

### ***Audit Recommendations Follow-Up Report for 10/1/20 – 12/31/20 Project No. 21-06***

This report on the implementation status of audit recommendations is for the period October 1, 2020 through December 31, 2020 (the “First Quarter of FY2021 Reporting Period”). As of September 30, 2020, for previously issued audit reports, there were 17 recommendations that were not yet Fully Implemented, including two (2) recommendations that were Partially Implemented. During the First Quarter of FY2021 Reporting Period, one (1) of the Partially Implemented recommendations was fully implemented. Seven (7) recommendations were added from three (3) newly issued audit reports, of which four (4) of these recommendations were implemented during the First Quarter of FY2020 Reporting Period. In total from all reports, 18 recommendations were In-Process of being implemented and one (1) had been Partially Implemented as of December 31, 2020.

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***Audit Recommendations Follow-Up Report for 1/1/21 – 3/31/21***  
***Project No. 21-11***

This report on the implementation status of audit recommendations is for the period January 1, 2021 through March 31, 2021 (the “Second Quarter of FY2021 Reporting Period”). As of December 31, 2020, for previously issued audit report 19 recommendations were not yet Fully Implemented, including one (1) recommendation that was Partially Implemented. During the Second Quarter of FY2021 Reporting Period, five (5) recommendations were fully implemented. In total from all reports, 13 recommendations were In-Process of being implemented and one (1) had been Partially Implemented as of March 31, 2021.

Commencing with the Second Quarter of FY2021 Reporting Period follow-up report, our office also monitored the implementation status of the five (5) recommendations made in the Operational Audit performed by the State of Florida Auditor General, issued in January 2021 (Report No. 2021-102). As of March 31, 2021, two (2) of the recommendations had been fully implemented and one (1) had been partially implemented.

***Audit Recommendations Follow-Up Report for 4/1/21 – 6/30/21***  
***Project No. 21-14***

This report on the implementation status of audit recommendations is for the period April 1, 2021 through June 30, 2021 (the “Third Quarter of FY2021 Reporting Period”). As of March 31, 2021, for previously issued audit reports, 13 recommendations were not yet Fully Implemented, including one (1) recommendation that was Partially Implemented. During the Third Quarter of FY2021 Reporting Period, five (5) recommendations were Fully Implemented. One recommendation was added from one (1) newly issued audit report. This one (1) recommendation was Fully Implemented at the time of report issuance. In total from all reports, eight (8) recommendations were In-Process of being implemented and one (1) had been Partially Implemented as of June 30, 2021.

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Our office also continues monitoring the implementation status of the five (5) recommendations made in the Operational Audit performed by the State of Florida Auditor General, issued in January 2021 (Report No. 2021-102). As of June 30, 2021, two (2) of the recommendations had been Fully Implemented, two (2) had been Partially Implemented, and one recommendation was In Process of being implementation.

## **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. Our office may also be requested to review other matters throughout the year. The following sections including a short summary of each of these projects.

### **Governor's Executive Order 20-44** *Project No. 21-12*

On February 20, 2020, the Governor issued Executive Order Number 20-44 (EO 20-44) regarding sole-source, public-private agreements and other specific contracts and agreements. The executive order applied to all state agencies as well as water management districts. EO 20-44 required the District to provide the following information:

- A list of all entities named in the statutes with which the agency must form a sole source, public-private agreement; and
- A list of all entities that, through contract or other agreements with the State [District], annually receives 50% or more of their budget from the State [District] or from a combination of State [District] and Federal funds.
- For each entity identified that meets the above criteria, determine the amount of compensation paid to the contractor's executive leadership team for the past year.
- If the compensation totals exceed limits set forth in federal or state law and regulations, the matter shall be referred to the Office of the Chief Inspector General for investigation and appropriate action.

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- The EO 20-44 also requires an annual update covering new executive agreements.

We coordinated with Administrative Services and the Procurement Bureau to identify any District contractual agreements that may be applicable to EO 20-44. The review did not identify any contracts or other agreements that were of the nature or met the criteria thresholds specified in the Governor’s Executive Order 20-44.

### **Investigation of Sewell’s Point Road Improvement Project Complaint** *Project No. 21-03*

We received a complaint dated October 1, 2020, from a Sewell’s Point resident alleging that the District did not comply with its permitting process when it issued permit number 43-102189-P, effective October 23, 2019 through October 23, 2024, for the South Sewell’s Point Road Improvement project. Sewell’s Point is a peninsula located in Martin County between the St. Lucie River and the Indian River Lagoon.

The water quality/flood control project will raise portions of South Sewell’s Point Road an average of 1.5 feet and includes water quality and drainage improvements to manage runoff from the road and private property (here after referred to as the “Project”). The Complainant’s property is located on the west side of the road situated between River Road and South Sewell’s Point Road. Project construction has recently started. The Complainant’s allegations were as follows:

- The water quality/flood control improvements to the road, when constructed, will act as a dam and flood residential lots on the road’s west side and benefit eastern waterfront interest.
- The District, Federal and State agencies, and local governments have collectively failed to protect private property and permitted a project that will basically be an impoundment on residential lots on the west side of South Sewell’s Point Road.
- The project is designed to subsidize the higher valued waterfront property owners on the backs of the westerly property owners.

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- The Town of Sewall's Point and the engineer of record have insufficient reserves, insurances and bonding to pay the potential damages and all such consideration has come after the Project was submitted to the District and after Permit issuance.
  - That the District's current Director of Regulation's objectivity may have been impaired in the permit process due to a long-standing professional relationship between her father-in-law and the Project's engineer of record.

The Complainant further asserts that: "there is no reasonable assurance provided that the Project will not have significant negative impacts on properties. Reasonable assurances would include requiring the applicant for the Project to have presented at 100% of plan along with:

- 1) Available and Platted R/W and Available and Platted or Legally Conveyed Easement,
- 2) Thorough Basin and lot analysis for existing and future stormwater and groundwater flows and impacts to establish water levels and change in storage capacity considering current legal and illegal flows and fills by an independent engineer with respective technical certification,
- 3) Evaluation of finish floor impacts for creation of non-conformities and the impacts to the property owners on property value, resale and financing by a certified financial analyst,
- 4) Several years of tidal height and duration monitoring including a flooding event from named storms,
- 5) Several years of the results of monitoring of groundwater levels,
- 6) Analysis of foundation types and impacts from a higher water table by a Structural Engineering Practice with requisite technical certification, scaled insurance and bonding,
- 7) Analysis of septic system conditions and impacts of a higher water table by Structural Engineering Practice with requisite technical certification, scaled insurance and bonding,

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- 8) Well-established, permanent and sufficient source of funding to cover operation and maintenance,
  - 9) Not using exfiltration trench in fill and counting voids below the water table, and et al.”

The Complainant requested that the District withdraw the permit until reasonable assurances and adequate disclosures were provided to all parties. The Complainant acknowledged that South Sewell’s Point Road currently floods in sections during king tides and heavy rain but contended that a full and proper study was not completed to determine the project’s impact. Further, in the Complainant’s view, adequate disclosure of these impacts had not been disseminated to all affected parties and compensation for negative impacts had not been determined for affected property owners.

We have no jurisdiction over other governmental entities and private utilities; thus, our investigation did not address the Complainant’s allegations pertaining to those entities. The scope of our investigation addressed whether any improprieties were perpetrated in reviewing and approving the ERP permit for the Project. We concluded that District staff adhered to the District’s permit process, rules, and regulations, in reviewing and approving the permit for the South Sewell’s Point Road Project and; therefore, conclude that all the Complainants allegations pertaining to the District’s permit review process are unfounded.

### **Investigation of Allapattah Land Purchase** ***Project No. 21-13***

We received a complaint dated July 2, 2021, from a Martin County resident, contending that the District’s land acquisitions and site selection related to the C-23 to C-44 Interconnect Canal Project (the Project) were unnecessary, costly and influenced by a former Governing Board member. According to the Complainant, there were more cost-effective alternatives available that were not considered.

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This Project is part of the 2004 Indian River Lagoon South (IRL-S) Integrated Project Impementation Report/Environmental Impact Statement (PIR), which specified a diversion project to move excess flow from the C-23 Canal to the C-44 Reservoir and STA rather than discharge harmful flows to tide. For the Project, the District acquired 108.53 acres of a 1,717.45-acre agricultural property located in Martin County from Turner Groves Limited Partnership (Turner Groves).

### **Allegations**

The Complainant made four allegations which are as follows:

- 1) The District did not consider alternatives before selecting the current Project's site. A more cost-effective alternative would have been for the District to expand an existing canal that crosses the District owned Allapattah property to connect the C-23 and C-44 canals rather than acquiring the Turner Grove property and constructing a new canal. The Project land was purchased for \$46,000 per acre from Turner Grove, which the Complainant contends was significantly above fair market value.
- 2) The Complainant claimed that the remaining 1,608.92-acre Turner Grove property was recently sold for approximately \$13,000 per acre proving that the \$46,000 per acre paid by the District was excessive. This high valuation was primarily due to the appraiser specifying the highest and best use of the property as residential development. The Complainant contended that it would be highly unlikely for the Martin County Commissioners to approve a residential development in this area.
- 3) A former District Governing Board member may have had undue influence over the District's purchase of land for this project. The former Governing Board member is employed by the entity that sold the property to the District.
- 4) Nearby property owners were not notified that the District was looking to acquire property in the area.



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***Allegation 1 was unfounded.*** The District evaluated four Project alternatives before determining the best site solution. We also found that the approved appraisal valued the property at \$15,000 per gross acre not \$46,000 per acre. However, the partial acquisition of 108.52 acres required consideration for damages to the remainder of the property plus tree inventory and irrigation system repairs. The final purchase price was approximately \$5 million, which included fee acquisition plus damages as follows:

<b>Acquisition Components</b>	<b>Cost</b>
Acquisition of 108.53 Acres at \$15,000/Acre	\$1,627,950
Tree Farm Inventory and Irrigation Repairs	478,182
Total Cost to Cure	2,897,183
<b>Market Value of the Acquisition</b>	<b>\$5,003,315</b>

***Allegation 2 was unfounded.*** Our review of the appraisal revealed that the highest and best use was AgTEC and not residential. The AgTEC designation resulted in a market value of \$15,000 per acre. This amount is adjusted for the cost to cure of \$2,897,183 and \$478,182 for tree inventory and irrigation repairs.

***Allegation 3 was unfounded.*** We found no evidence of undue influence related to the District’s property acquisition for the C-23 to C-44 Interconnect Canal Project. The acquisition is supported by an analysis of four alternatives, in which, the property owned by Turner Groves was determined to be the best solution.

***Allegation 4 was exonerated.*** The District did not notify nearby property owners of the intended acquisition. There are no policies or procedures requiring the District to notify property owners in the area of its planned land purchases.

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## **Investigation of Alleged House Damage**

### ***Project No. 21-15***

We received a complaint from a North Palm Beach resident claiming that a District contractor's construction activities caused damage to the Complainant's house during work on the District's S-44 Structure. The Complainant alleged damage to the Complainant's home, located near the S-44 Structure, included cracks in the foundation of her house, damage to the roof, plumbing system, drywall cracks, and other issues. The Complainant alleged that the damage was caused from the vibrations during the installation of wood pilings behind the Complainant's home on the C-17 Canal. The Complainant also made other allegations of District staff improprieties, which are enumerated below.

Harry Pepper and Associates, Inc. (Harry Pepper) was awarded a District contract for just over \$10 million to replace gates and concrete repairs on the S-40, S-41 and S-44 structures. The S-44 Structure piling installations were completed in July 2020 and the initial complaint was filed with the District's Ombudsman in December 2020.

### **Allegations**

The Complainant's allegations were as follows:

1. Vibration from the S-44 Structure construction activities caused damage to the Complainant's house.
2. District staff did not respond to the Complainant's public records request for a copy of Harry Pepper's Insurance Certificate.
3. District used an unlicensed contractor, Harry Pepper, to perform the construction work.
4. District project manager falsified report logs.
5. No geological survey was conducted before work began.
6. No calibration reports on vibration monitoring equipment.
7. S-44 construction work was unpermitted.

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***Allegation #1 No Conclusion.*** Without the necessary expertise, the Office of Inspector General is unable to provide an independent conclusion as to whether the S-44 construction activities caused any damage to the Complainant’s house; however, in the Inspector General’s opinion, District staff’s conclusion appeared to be reasonable and sufficiently supported by vibration monitoring reports and established industry standards.

***Allegation #2 was unfounded.*** The Public Records Office sent the requested insurance information to the Complainant on June 29, 2021.

***Allegation #3 was unfounded.*** Harry Pepper submitted a valid general contractor’s license with its bid for the S-40, S-41, S-44 Gate Replacement and Concrete Repairs contract.

***Allegation #4 was unfounded.*** We requested but did not receive any information from the Complainant proving that drill logs were falsified.

***Allegation #5 was exonerated.*** Soil borings were not performed as part of the S-44 design as this work was not required or warranted for the scope of work to be completed.

***Allegation #6 was unfounded.*** Calibration was conducted on equipment used during installation of wood piling on June 17, 2020 and July 1, 2020.

***Allegation #7 was exonerated.*** The District is exempt from local municipality permit applications on its works and rights-of-way.

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## **OTHER PROJECTS**

### **Auditor General Audit Coordination**

#### ***Project No. 20-08***

In March 2020, the Auditor General commenced an operational audit of the District covering the period from October 1, 2018 through December 31, 2019. Due to the COVID-19 pandemic, all the audit work was performed remotely through electronic means. After completion of fieldwork, the Auditor General staff held a virtual audit exit conference with District personnel on August 25, 2020. The final report was issued in January 2021. The Inspector General served as the liaison with the Auditor General during this audit.

Section 11.45(2)(f), Florida Statutes, was amended in 2011 to add water management districts to the list of agencies that the Auditor General is required to audit at least every 3 years. Although the Auditor General previously had the authority to audit water management districts at their discretion, this statutory change makes it a mandatory requirement. This was the third audit of the District since the statute was amended.

### **Administrative Projects**

During FY 2021, our Office completed the following administrative projects:

- Developed the Audit Plan for Fiscal Year 2021-2022 and Long-Term Audit Plan for Fiscal Years 2023-2027.
- Completed the Office of Inspector General Annual Report.
- Maintained and updated the Office of Inspector General Web Site.
- Managed the District's 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, 2020.
- Provided advisory support to the Finance Bureau regarding implementation of Governmental Accounting Standard 87 (GASB 87) implementation.
- Reviewed a vendor's analysis proposing leasing instead of owning District fleet.