



Approved Audit Plan For Fiscal Year 2008

Prepared by
Office of Inspector General

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SOUTH FLORIDA WATER MANAGEMENT DISTRICT

MEMORANDUM

To: Governing Board Members

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

Date: October 19, 2007

Subject: Approved Audit Plan for Fiscal Year 2008

I am pleased to present the Approved Audit Plan for Fiscal Year 2008. The development of the plan was shaped using a systematic approach to help us decide what audits need to be done. The planning process helps us to develop the theme for our audits and identify an appropriate mix of various types of audits. The audit plan helps us to determine how we can best allocate our resources and capitalize on our individual strengths.

Effective audit planning is crucial to the success of the Inspector General's Office. Our planning process involved understanding our responsibility, recapping where we have been, and identifying the auditable universe and the risks associated with various programs and activities. A draft of the audit plan was presented to the Audit & Finance Committee on October 9, 2007 and was approved by the full Governing Board on October 11, 2007, as required by the District's Internal Audit Charter.

Our Guidance

The first step in our current planning process was to ask ourselves what is the Inspector General Office's mandate. Our mandate to perform audits is clearly specified in Section 20.055 F.S., *Agency Inspectors General*. It states that in carrying out our audit mandate we should:

1. Review and evaluate the internal controls that ensure fiscal accountability.
2. Review post audit sampling of payments and accounts, where appropriate.
3. Advise in the development of performance measures for evaluating District programs.
4. Conduct financial, compliance, electronic data processing and performance audits of the District.

While the scope and assignment of audits is entirely left to the discretion of the Inspector General, the statute provides that the agency head may, at any time, direct the Inspector General to perform an audit of a program function or organizational unit. In the past, we received a number of requests from both the Governing Board and District staff to perform necessary Inspector General projects. Therefore, executing our work plan necessitates flexibility to accommodate special requests and investigations.

Our Planning Approach

Each year the District updates its working Strategic Plan and develops an annual work plan to guide management and staff in fulfilling the District's mission. The District's annual work plan is the product of the annual strategic planning cycle, which is the approach to establishing priorities, allocating resources, implementing projects, and providing accountability. This is followed by a budget process that allocates resources to accomplish the planned activities.

Our audit planning process began with reviewing the Strategic Plan and the FY 2008 Annual Work Plan to identify those programs, activities and functions that we consider present potential risk to the District. In addition to specific programs, we also focused on identifying processes that are critical to the planning cycle that affect all programs.

The audit plan reflects a consideration of risk and its relationship to the District's mission and objectives. The most ubiquitous risks to the District's mission revolve around spending, operations, data integrity and reliability, disaster recovery/contingency planning, regulatory compliance, and public perception. Some District programs, such as our many restoration projects, depend on land acquisition and construction processes, which represent high risks due to the mere magnitude of the financial resources to be consumed. Others, such as regulation, have inherent risks that are not necessarily related to program expenditures or dollar magnitude but rather represent high risk due to the nature of the function where consistency, objectivity, integrity, and strict adherence to rules and regulations are essential.

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Our audit plan is designed to provide sufficient coverage over time to reach all significant program areas. During FY 2008, we will continue to use our best judgment in prioritizing audit activities so as to be responsive to the most immediate needs of the District's Governing Board and executive management. Our proposed work plan for FY 2008 provides for specific audit projects covering 6 of the 11 major District programs identified in the District's Strategic Plan, which are:

- Comprehensive Everglades Construction Plan (Acceler8)
- Everglades (Acceler8)
- Land Stewardship
- Operations and Maintenance
- Lake Okeechobee
- Mission Support

Provision is also made for following up on the status of implementing prior audit recommendations as required by *Government Auditing Standards* and the District's *Internal Audit Charter*. Additionally, the audit plan provides flexibility to investigate Whistle-blower complaints and for special audit requests from the Governing Board and senior District management.

This year's audit plan also includes an administrative project to fully adopt and implement the Quality Standards for Offices of Inspector General as published and revised by the Association of Inspectors General – commonly referred to as the “Green Book Standards”. Although presently it is not statutorily required in Florida for Inspector Generals to adopt the Green Book Standards, Melinda Miguel, Chief Inspector General for the Office of the Governor, has committed to Governor Crist to have 100% of the Inspector Generals in Florida to have adopted these standards by December 31, 2007. However, proposed legislation for the upcoming 2008 session, if passed, would require Inspector Generals to follow the “Green Book Standards”. Currently, our Office follows the Government Auditing Standards promulgated by the U.S. Government Accountability Office (Yellow Book), which is statutorily required for conducting audits. There is significant overlap between the “Yellow Book” and the “Green Book” standards, thus implementing the “Green Book” standards will only require some minor modifications to our existing process and is not expected to have a significant impact on our Office's resources. The “Green Book” standards could also be formally adopted through revising the Internal Audit Charter.

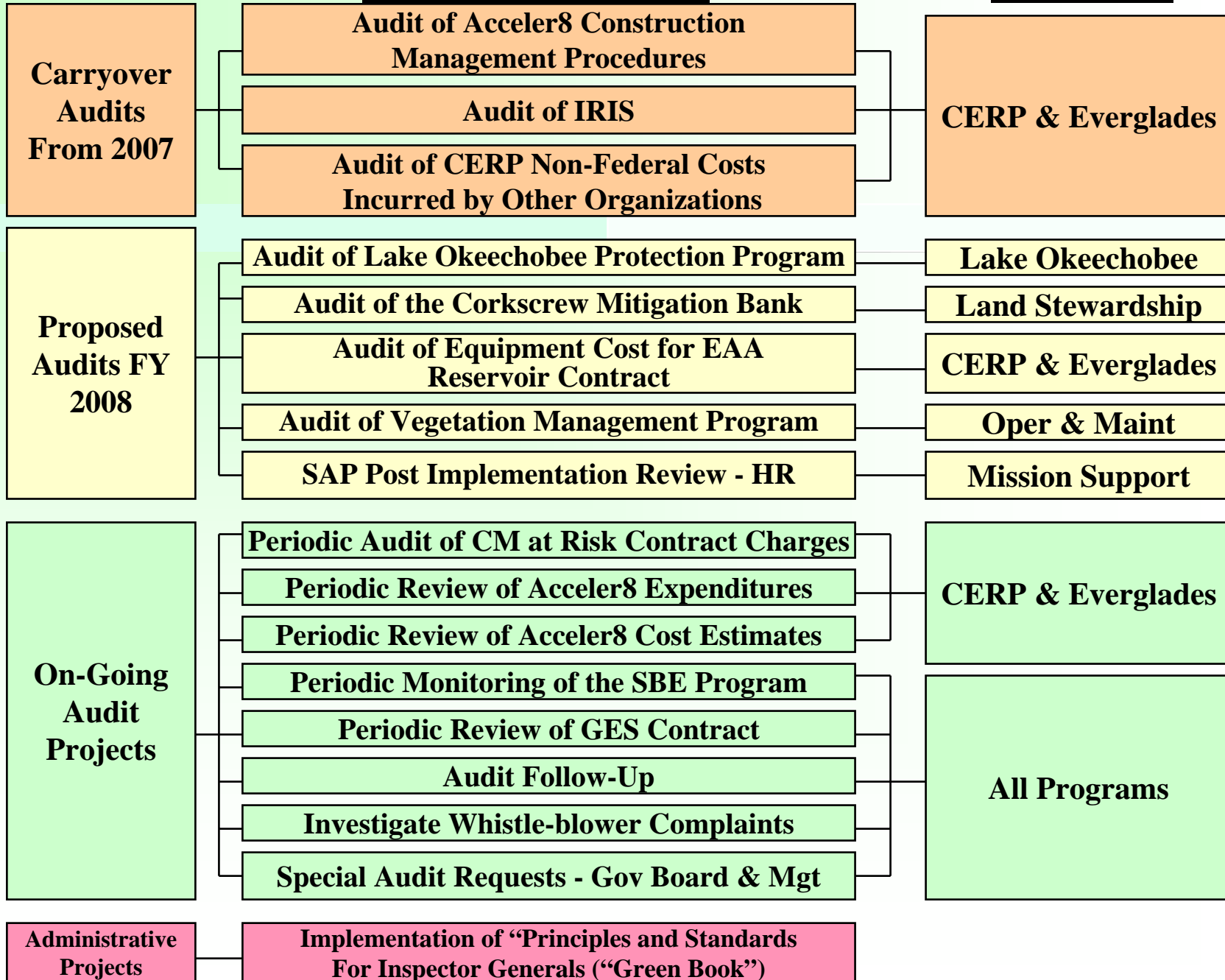
The attached schedule details of our proposed Audit Plan for Fiscal Year 2008.

Attachments

c: Carol Wehle
Tom Olliff
Sheryl Wood

Approved Projects

Programs



**South Florida Water Management District
Office of Inspector General
Audit Plan for Fiscal Year 2008**

Program	Resource Area	Dept/Division	Title of Project	Background	Objectives
Carryover Audits From 2007					
Acceler8 (CERP & Everglades)	Everglades Restoration	Acceler8 Project Office	Audit of Compliance With Acceler8 Construction Management Procedures	The Acceler8 Project Office developed a Construction Management Manual outlining the processes and procedures for District staff and contract workers to follow for monitoring Acceler8 projects. At management's request, our Office reviewed the procedures and found them to be good strong controls. However, we determined that an audit should be performed periodically to ensure that the controls are adhered to.	We will determine whether Acceler8 projects are being managed in accordance with the procedures outlined in the Acceler8 Construction Management Manual.
CERP	Everglades Restoration	All CERP Departments & Finance and Administration	Audit of CERP Non-Federal Costs Incurred by Other Organizations	CERP Program costs are to be shared 50/50 with Federal and Non-Federal funds. Organizations other than the District may be providing assets and other resources directly to the project, which may not be reflected in the District's accounting records.	We will assess the process for identifying and requesting in-kind credit for CERP costs Incurred by other organizations.
CERP, KRR & Mission Support	CERP / Mission Support	Land Resources / Information Technology	Audit of the Integrated Real Estate Information System (IRIS)	Land Resources recently implemented the Integrated Real Estate Information System (IRIS) to manage and account for land acquisitions and land management activities. IRIS is an enterprise system and replaces the former ATLAS system.	We will perform a post implementation review to ensure that: (1) Projected benefits of the system were achieved. (2) Physical computer assets are adequately safeguarded. (3) Technical administrative support is adequate. (4) User needs are being properly supported and measured. (5) The system contains adequate access controls to prevent unauthorized access.

**South Florida Water Management District
Office of Inspector General
Audit Plan for Fiscal Year 2007**

Title of Project	Correlation With Strategic Plan	Rational for Proposing Audit
	Carryover Audits From 2007	
<p>Audit of Compliance With Acceler8 Construction Management Procedures</p>	<p>Acceler8 is one of the top priority programs in the Strategic Plan.</p>	<p>Over the next several years the District will expend approximately \$2 billion on the Acceler8 projects. A majority of this amount will be expended for construction. Thus, management needs assurance that the established procedures are being adhered to.</p>
<p>Audit of CERP Non-Federal Costs Incurred by Other Organizations</p>	<p>The CERP Program will consume the largest portion of the District's resources over the next five years.</p>	<p>Proper accounting is imperative to ensure that in-kind credit is received for all cost eligible towards the 50% non-federal share.</p>
<p>Audit of the Integrated Real Estate Information System (IRIS)</p>	<p>Land acquisition activities support other District programs - primarily CERP and Kissimmee River Restoration.</p>	<p>Post implementation reviews should be performed for a new information system to ensure that the system is functioning as designed and that the system is used in a manner that maximizes its benefits.</p>

**South Florida Water Management District
Office of Inspector General
Audit Plan for Fiscal Year 2008**

Program	Resource Area	Dept/Division	Title of Project	Background	Objectives
Proposed New Audits - 2008					
Lake Okeechobee	Water Resources	Watershed Management Dept/ Lake Okeechobee Div	Audit of the Lake Okeechobee Protection Program	The lake Okeechobee Protection Act requires implementing management strategies through a watershed-based, phased, comprehensive and innovative protection program to restore Lake Okeechobee and its tributary waters.	Audit objectives will determine whether: (1) provisions of the Okeechobee Protection Act are being adequately implemented (2) the program is on target to meet statutory deadlines (3) reporting requirements are met
Land Stewardship	Everglades Restoration	Land Acquisition and Management Dept/Land Stewardship Div	Audit of Corkscrew Mitigation Bank	In 1998, the District established the Corkscrew mitigation bank with Mariner Properties. Under the agreement, the District contributed land and Mariner Properties is performing restoration activities. Revenues is generated from the sale of mitigation credits and distributed between the District and Mariner Properties in accordance with terms of the agreement.	We will audit the Mariner Properties accounting records to determine that reported expenses were incurred, valid, and reasonable. We will also determine whether proceeds from credit sales are distributed in accordance with the contract.
CERP/ Everglades	Everglades Restoration	Acceler8 Project Office	Audit of Equipment Cost for EAA Reservoir Contract (Barnard)	The Parsons/Barnard JV contract to design and build the EAA Reservoir is structured as a cost plus contract with a not to exceed guaranteed maximum price (GMP) for each phase of work. Equipment cost is a significant portion of the cost of the work.	We will perform an analysis of equipment hourly rates in the Barnard contract to determine whether they fairly represent the true cost of owning and operating the equipment.
Operations & Maintenance	Operations & Maintenance	Vegetation Management	Audit of the Vegetation Management Program	The District's Vegetation Management Division is responsible for managing and controlling invasive non-native vegetation. The Florida Department of Environmental Protection also contracts with the District to perform vegetation treatments. The District also outsources some of the vegetation treatment work.	The audit will assess whether: (1) The program is meeting its goals (2) Reporting requirements are being met.
Mission Support	Corporate Resources	Executive Office, & Finance and Administration	SAP Post Implementation Review of Human Resources Module	In FY 2007 the District went live with the new SAP human resources module of the SAP system. We plan to engage an outside firm with SAP auditing experience to assist us with this audit.	We will perform a post implementation review to ensure that: (1) Projected benefits of the system were achieved. (2) Physical computer assets are adequately safeguarded. (3) Technical administrative support is adequate. (4) User needs are being properly supported and measured. (5) The system contains adequate access controls to prevent unauthorized access.

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Title of Project	Correlation With Strategic Plan	Rational for Proposing Audit
	Proposed New Audits - 2008	
Audit of the Lake Okeechobee Protection Program	Lake Okeechobee is one of the 11 programs identified in the Strategic Plan	No audits have ever been performed regarding the Lake Okeechobee program.
Audit of Corkscrew Mitigation Bank	Land Stewardship is one of the 11 programs identified in the Strategic Plan	Mariner Properties is pursuing divesting its interest in the partnership and requested the District approve assigning the contract to another entity (which is already in the mitigation banking business). Thus, it would be prudent to perform an interim audit of Mariner properties financial activity prior to transfer of their interest to a new owner.
Audit of Equipment Cost for EAA Reservoir Contract (Barnard)	Acceler8 is one of the top priority programs in the Strategic Plan. Additionally, the EAA reservoir is the largest project the District has ever undertaken	Equipment is a significant portion of the cost to build the EAA Reservoir; thus, the District management needs to be sure that the equipment hourly rates are fair and reasonable.
Audit of the Vegetation Management Program	The Strategic Plan contains a goal of treating 60,000 acres of vegetation annually.	This program has not been reviewed since 1999.
SAP Post Implementation Review of Human Resources Module	Implementing the SAP system was one of the strategic priorities identified in the Strategic Plan.	In order to determine the success of a project, the performance of new systems should be evaluated. The Post-Implementation Review will help determine whether the project met its objectives and, further will evaluate the development and management process that supported the project. This review will also help determine whether the technology or change of work practice investment is yielding the expected benefits to the District.

**South Florida Water Management District
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Program	Resource Area	Dept/Division	Title of Project	Background	Objectives
On-Going Audit Projects					
CERP / Everglades	Everglades Restoration	All CERP Departments, Finance and Administration, & Procurement	Periodic Audit of Construction Management (CM) at Risk Contract Charges	The District is entering into large CM at Risk contracts for CERP projects. These type contracts entail time & material billings.	We will determine that contract charges are billed in accordance with contract terms.
Acceler8 (CERP & Everglades)	Everglades Restoration	Acceler8 Project Office	Periodic Review of Acceler8 Expenditures	The Acceler8 program is a strategy designed to expedite the implementation of key CERP projects. The estimated cost is approximately \$2 billion over the next five years resulting in monthly capital outlays running between \$25 to \$50 million per month. This level of capital outlay is unprecedented in the District's history.	We will review a sample of Acceler8 contractor and engineering firm invoices each quarter to determine that they are properly reviewed and that payments are in accordance with contract provisions.
Acceler8 (CERP & Everglades)	Everglades Restoration	Acceler8 Project Office	Periodic Review of Acceler8 Cost Estimates	An accounting firm was engaged in FY06 to examine the changes in Acceler8 cost estimates. The Governing Board desires for an independent review of future changes in the cost estimates.	We will review changes in Acceler8 cost estimates to determine whether cost increases are necessary, reasonable, and justified.
Mission Support	Corporate Resources	Procurement	Periodic Monitoring of the SBE Program	The rule establishing the SBE Program became effective July 26, 2006. The program's objective is to enhance opportunities for small businesses to provide goods and services to the District.	We will monitor the SBE Program participation to determine whether the program is generating results.

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Title of Project	Correlation With Strategic Plan	Rational for Proposing Audit
On-Going Audit Projects		
Periodic Audit of Construction Management (CM) at Risk Contract Charges	Acceler8 is one of the top priority programs in the Strategic Plan.	CM at risk contract billings are based on time and material with a not-to-exceed cap. This creates the risk of overcharges to the District.
Periodic Review of Acceler8 Expenditures	The Acceler8 program is designed to expedite the implementation of key CERP projects and will consume the largest portion of District resources over the next five years.	Project managers are generally responsible for approving contractor's invoices. The construction management function will be outsourced to engineering firms for all Acceler8 construction projects. Additionally, many project managers for these projects are employees of the JM Joint Venture. Consequently under the District's current payment approval process this would result in non-District personnel reviewing and authorizing large invoice payments.
Periodic Review of Acceler8 Cost Estimates	The Acceler8 program is designed to expedite the implementation of key CERP projects and will consume the largest portion of District resources over the next five years.	The Governing Board desires for the IG to examine future changes in the cost estimates subsequent to the cut-off date of the audit being performed by the accounting firm.
Periodic Monitoring of the SBE Program	Procurement activities are included in the Strategic Plan under Mission Support	The SBE program is a new approach to facilitate the Governing Boards initiative of spreading the District's work around among the South Florida business community. Monitoring the program during the implementation phase will help in identifying issues and making any necessary adjustments early-on.

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Program	Resource Area	Dept/Division	Title of Project	Background	Objectives
Mission Support	Corporate Resources	Procurement	Periodic Monitoring of General Engineering Services (GES) Contract	Approximately three years ago the District implemented a new procurement strategy to expedite the process for acquiring engineering services while also maintaining competitiveness and spreading work among qualified firms.	We will examine the General Engineering Services (GES) contract to determine that: (1) Work is equitably spread around among qualified firms. (2) Vendors are fulfilling SBE commitments.
All Programs	All Resource Areas	All Departments & Divisions	Audit Follow-up	Generally Accepted Government Audit Standards require follow-up regarding the implementation status of pervious audit findings and recommendations.	We will verify that recommendations in prior audit reports have been appropriately implemented in a timely manner.
All Programs	All Resource Areas	All Departments & Divisions	Whistle-Blower Act Complaints	The Office of Inspector General periodically receives Whistle-blower complaints. We have a statutory responsibility to investigate these complaints and issue a report of our findings and conclusions.	Whistle-blower complaints are received sporadically during the year. We will review each complaint to assess its validity.
All Programs	All Resource Areas	All Departments & Divisions	Audit Requests from Governing Board and Senior District Staff	The Inspector General's Office will entertain requests for audit and investigations from Governing Board and Senior District Staff on an as needed basis.	As specified in the Inspector General Act & District Policy (Internal Audit Charter)
Administrative Projects					
N/A	N/A	N/A	Implementation of "Principles and Standards for Inspector Generals ("Green Book")	Melinda Miguel, Chief Inspector General for the Office of the Governor, has committed to Governor Crist to have 100% of the Inspector Generals in the State of Florida adopt the "Green Book" standards by December 31, 2007.	Formally adopt and implement the "Green Book" standards by December 31, 2007. The Office of Inspector General Operations Manual will be revised as needed.

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Title of Project	Correlation With Strategic Plan	Rational for Proposing Audit
Periodic Monitoring of General Engineering Services (GES) Contract	The procurement process supports all programs.	While the GES process provides a methodology to expedite procurement of services, it increases the risk for circumventing the District procurement philosophy and policies.
Audit Follow-up	N/A	Follow-up on previous audit recommendations is required by <i>Government Auditing Standards</i> and the District's <i>Internal Audit Charter</i> .
Whistle-Blower Act Complaints	N/A	The IG is responsible for performing investigations per Section 20.055, F. S., and the District's <i>Internal Audit Charter</i> .
Audit Requests from Governing Board and Senior District Staff	N/A	Provides flexibility in the audit plan to accommodate special requests for audits and investigations from the Governing Board and senior management that arise throughout the year.
Administrative Projects		
Implementation of "Principles and Standards for Inspector Generals ("Green Book")	N/A	N/A