



Approved Audit Plan For Fiscal Year 2009

Prepared by
Office of Inspector General

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MEMORANDUM

To: Governing Board Members

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

Date: October 10, 2008

Subject: **Approved Audit Plan for Fiscal Year 2009**

I am pleased to present the Approved Audit Plan for Fiscal Year 2009. 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 8, 2008 and was approved by the full Governing Board on October 9, 2008, 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.

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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 2009 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 2009, 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 2009 provides for specific audit projects covering 7 of the 11 major District programs identified in the District's Strategic Plan, which are:

- Comprehensive Everglades Construction Plan
- District Everglades
- Operations and Maintenance
- Lake Okeechobee
- Regulation
- Land Stewardship
- 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 revise our Internal Audit Charter to reflect changes made to the Inspector General Act during the 2008 legislative session. We will also update our IG Operations manual to incorporate these changes into our processes and procedures.

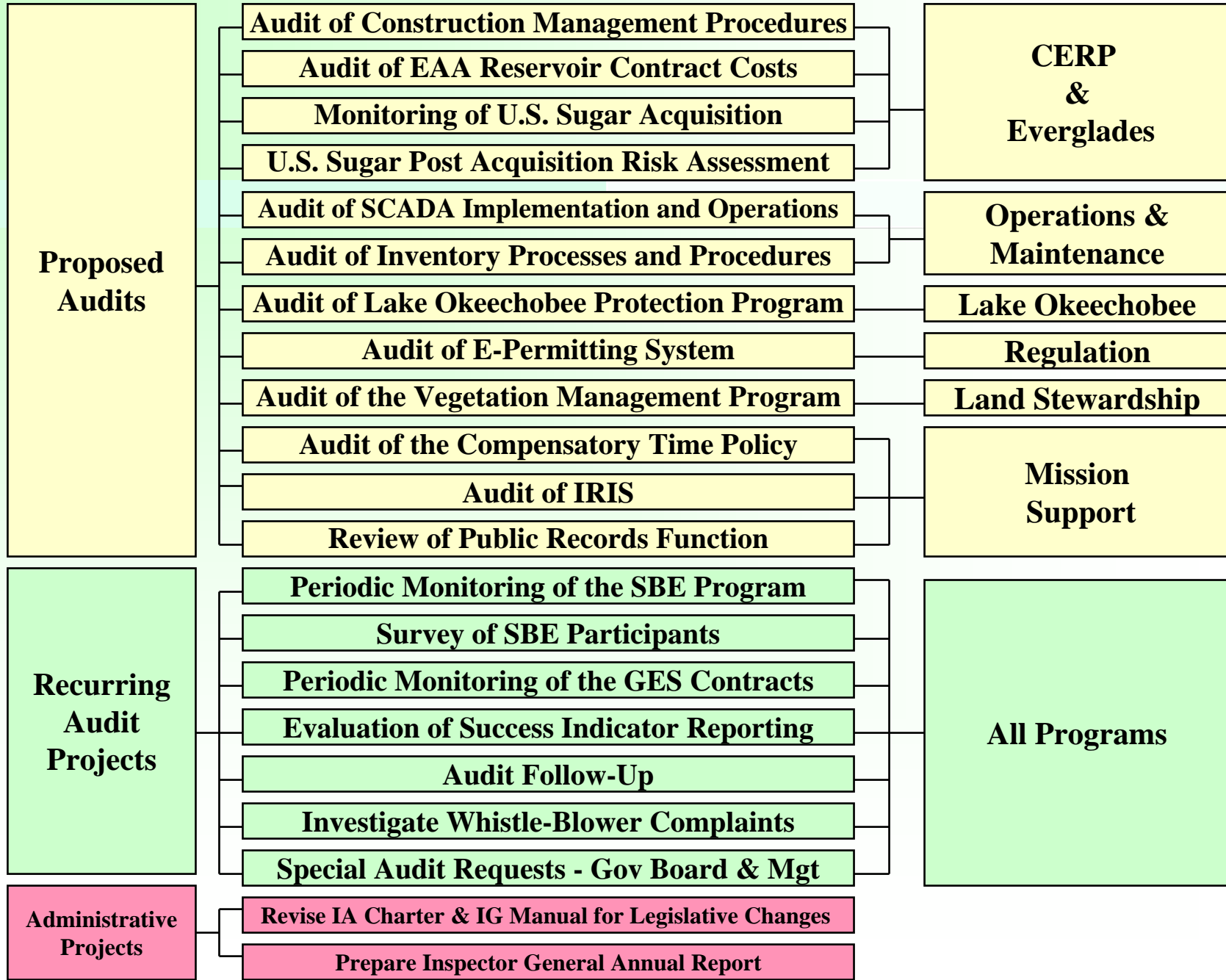
The attached schedule details of the Approved Audit Plan for Fiscal Year 2009.

Attachments

c: Carol Wehle
Tom Olliff
Sheryl Wood

Approved Audit Projects 2009

Programs



**South Florida Water Management District
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Prog	Resource Area	Dept/Division	Title of Project	Background	Objectives	Correlation With Strategic Plan & Rational for Proposing Audit
	Proposed Audits - 2009					
CERP & Everglades	Everglades Restoration	Acceler8 Project Office	Audit of Compliance With Construction Management Procedures	A Construction Management Manual has been developed outlining the processes and procedures for District staff and contract workers to follow for monitoring construction 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 construction projects are being managed in accordance with the procedures outlined in the Construction Management Manual.	CERP is one of the top priority programs in the Strategic Plan. Over the next several years the District will expend significant resources on construction projects. Thus, management needs assurance that established procedures are being adhered to.
CERP	Everglades Restoration	Everglades Restoration Construction	Audit of EAA Reservoir Contract Costs	The EAA-A1 Reservoir contract is currently suspended pending the outcome of legislation and pending acquisition of the U.S. Sugar assets. It is unknown at this time when, or if, the project will be resumed.	We have already reviewed the suspension cost prior to the contract amendment execution. We will resume auditing project costs when the project resumes. We will review the discontinuation cost if the the project is not resumed in order to determine whether such costs appear to be fair and reasonable and within the framework of contract provisions.	Everglades Restoration is the District's largest program. Reviewing negotiated cost for reasonableness prior to executing the agreement provides a proactive auditing approach where management is in a position to maximize the benefits of our recommendations.
CERP	Everglades Restoration	Everglades Restoration	Monitoring of U.S. Sugar Acquisition	The District is performing due diligence activities pursuant to the pending acquisition of U.S. Sugar's assets for approximately \$1.75 billion. The due diligence entailed procuring the services of a number of professional firms to assess the condition and appraise the value the assets.	We will determine that the due diligence process is sufficiently implemented.	Everglades Restoration is the District's largest program. The U.S. Sugar acquisition, if consummated, will be a monumental financial undertaking. Monitoring the transaction prior to closing provides a proactive auditing approach where management is in a position to maximize the benefits of our recommendations.
CERP	Everglades Restoration	Everglades Restoration	U.S. Sugar Post Acquisition Risk Assessment	The District intends to resell certain U.S. Sugar assets that will not be needed for the Everglades Restoration Program. Ideally, the District hopes to resell the larger assets in a simultaneous closing. The IG's Office assessment of the on-going audit risk will not be determinable until the structure of the final transaction is known.	We will perform an audit risk assessment to assess the District's risks and exposures after the transaction closes related to the continuing operations. For example: Identifying lease or management agreement provisions and covenants that need to be monitored for compliance, procedures for tracking asset existence and condition, etc.	Everglades Restoration is the District's largest program. The IG's Office assessment of the on-going audit risk will not be determinable until the structure of the final transaction is known. Thus, after the transaction is closed a risk assessment will need to be performed in order to identify the District risk exposures related to the on-going operations.

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Various	Operations & Maintenance	Operations & Maintenance/ SCADA & Hydro Management	Audit of SCADA Implementation and Operations	The SCADA & Hydro Data Management Department manages the infrastructure that remotely operates District water control structures through Supervisory Control and Data Acquisition Systems (SCADA), and provides operations and hydrometeorological data.	We will examine the internal controls over the SCADA implementation and operation processes.	Electronics Communications and control is a component of the Operations and Maintenance program. The system also supports most of the other District programs since the hydrologic databases are used for planning and regulatory functions. Information discovered during several recent investigations revealed the necessity to review internal controls in the processes related to installing, maintaining, and accounting for SCADA operations.
Operations & Maintenance	Operations & Maintenance	North, Central, and South, Field Station Operations	Audit of Inventory Processes and Procedures	The District spends significant funds every year on consumable goods that are flowed through the inventory system. Most of these purchases take place at field stations and pump stations for operation and maintenance functions	We will assess whether inventory internal controls are adequate and functioning properly.	Operations and Maintenance is one of the 11 programs identified in the Strategic Plan. This audit is part of our initiative to review internal controls over various District Policies, procedures, and processes.
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	Lake Okeechobee is one of the 11 programs identified in the Strategic Plan. No audits have ever been performed regarding the Lake Okeechobee program.
Regulation	Water Resource Management	Regulation Department	Audit of the E-Permitting System	Regulation recently implemented the E-Permitting Information System to manage permit application processing, approval, monitoring, and enforcement.	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.	The E-Permitting System supports the District's regulatory responsibilities. 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.
Land Stewardship	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.	The Strategic Plan contains a goal of treating 60,000 acres of vegetation annually. This program has not been reviewed since 1999.

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All Programs	All Resource Areas	All Departments	Audit of the Compensatory Time Policy and Procedures	District policy provides for employees to accumulate and use compensatory time under certain conditions. The District's policy contains certain limits and restrictions on the use of compensatory time mechanism.	We will assess whether adequate internal controls exist to ensure reasonable compliance with policies governing compensatory time.	The Compensatory Time mechanism is available to all departments District-wide. This audit is part of our initiative to review internal controls over various District policies, procedures, and processes.
CERP, KRR & Mission Support	CERP / Mission Support	Land Resources / Information Technology	Audit of the Integrated Real Estate Information System (IRIS)	Land Resources 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.	Land acquisition activities support other District programs - primarily CERP and Kissimmee River Restoration. 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.
Mission Support	Government and Public Affairs	Office of Ombuds and Open Government	Review of Public Records Function	Florida Statutes, Chapter 119, provides for open government and public access to most public records. The District receives numerous public records requests each year. The Office of Ombuds and Open Government is responsible for coordinating all public records requests.	We will review the responsibilities, functions, processes, and efficiency of the functions of responding to public records.	Mission Support is one of the 11 programs identified in the Strategic Plan. Recent statutory changes have shortened the time frame for responding to public records requests. This necessitates that an effective and efficient process is in place to respond to public records requests within the statutory time frame.

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Recurring Audit Projects						
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 ensure that the program is generating results.	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.
Mission Support	Corporate Resources	Procurement	Survey of Small Business Enterprise (SBE) Participants	In FY 2008 our Office was requested to perform a survey of SBE participants to obtain feedback from vendors participating in the Program.	We will perform an annual survey of SBE participants to assess the program's success, effectiveness, and to obtain feedback from SBE vendors.	Procurement activities are included in the Strategic Plan under Mission Support. The SBE survey performed in FY 2008 provided useful feedback to Procurement to assess the effectiveness and success of the program. Also, the District's Executive Director requested that our Office perform this survey on an annual basis.
Mission Support	Corporate Resources	Procurement	Periodic Monitoring of General Engineering & Professional Services (GEPS) Contract	The District implemented a new procurement strategy to expedite the process for acquiring engineering and other professional services while also maintaining competitiveness and spreading work among qualified firms.	We will examine the General Engineering & Professional Services (GEPS) contract to determine that: (1) Work is equitably spread around among qualified firms. (2) Vendors are fulfilling SBE commitments.	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.
All Programs	District-Wide Corporate Resources	All Departments & Divisions Finance & Administration/ Budget Division and Enterprise Project Management	Evaluation of Success Indicator Reporting	The District's Strategic Plan and Annual Work Plans contain Success Indicators to measure execution of the plan. The District's strategic plan provides for submitting quarterly performance reports to the Governing Board.	We will examine substantive evidence to verify the representations made in the progress reports regarding the achievement of success indicators. We will also assess whether the established success indicators appropriately measure desired outcomes. We will select one or two quarterly reports during FY09 to audit but we will not announce in advance which quarter(s) will be selected.	The Strategic Plan provides performance measures to track progress on a regular basis. Performance measurements need independent verification to ensure that reported information is objective. This significantly enhances the credibility of reported information.
All Programs	All Resource Areas	All Departments & Divisions	Audit Follow-Up	Generally Accepted Government Audit Standards require follow-up regarding the implementation status of previous audit findings and recommendations.	We will verify that recommendations in prior audit reports have been appropriately implemented in a timely manner.	Follow-up on previous audit recommendations is required by Government Auditing Standards and the District's Internal Audit Charter.

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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.	The IG is responsible for performing investigations per Section 20.055, F. S., and the District's <i>Internal Audit Charter</i> .
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)	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						
N/A	N/A	N/A	Revise Internal Audit Charter and IG Operation Manual to Reflect Recent Legislative Changes	During the 2008 Legislative session changes were made to the Inspector General Act.	We will revise the Internal Audit Charter to reflect the legislative changes and request the Governing Board to formally adopt the changes. The Office of Inspector General Operations Manual will be revised as needed to incorporate the changes into our processes and procedures.	N/A
N/A	N/A	N/A	Office of Inspector General Annual Report	State Statutes, Section 20.055(7) requires the Inspector General to submit an annual report to the agency head.	We will prepare an annual report summarizing each audit and investigation completed during the year.	N/A