



Approved Audit Plan For Fiscal Year 2010

Prepared by
Office of Inspector General

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



SOUTH FLORIDA WATER MANAGEMENT DISTRICT

MEMORANDUM

To: Audit & Finance Committee Members

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

Date: September 28, 2009

Subject: Approved Audit Plan for Fiscal Year 2010

A handwritten signature in black ink, appearing to be "J.W. Williams", is written over the "From:" field of the memorandum.

I am pleased to present the Approved Audit Plan for Fiscal Year 2010. 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 September 9, 2009 and was approved by the full Governing Board on September 10, 2009, 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 2010 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.

Our audit plan is designed to provide sufficient coverage over time to reach all significant program areas. During FY 2010, 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. The Approved Audit Plan for FY 2010 provides for specific audit projects covering all four of the District's major programs identified in the District's Strategic Plan (adjusted for the recent reorganization), which are:

- Restoration
 - Water Supply
 - Mission Support
 - Operations & Maintenance
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Provision is also made for following up on the status of implementing prior audit

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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.

In FY 2010 we will be due for our tri-annual peer review, covering the period from January 1, 2007 through December 31, 2009. Florida Statutes require us to adhere to Government Auditing Standards established by the U.S. Government Accounting Office, which require a peer review be performed every three years. Our last review was performed through the Association of Local Governmental Auditors (ALGA) peer review program in 2007, which covered the period from January 1, 2004 through December 31, 2006. We plan to also use the ALGA program for the FY 2010 peer review.

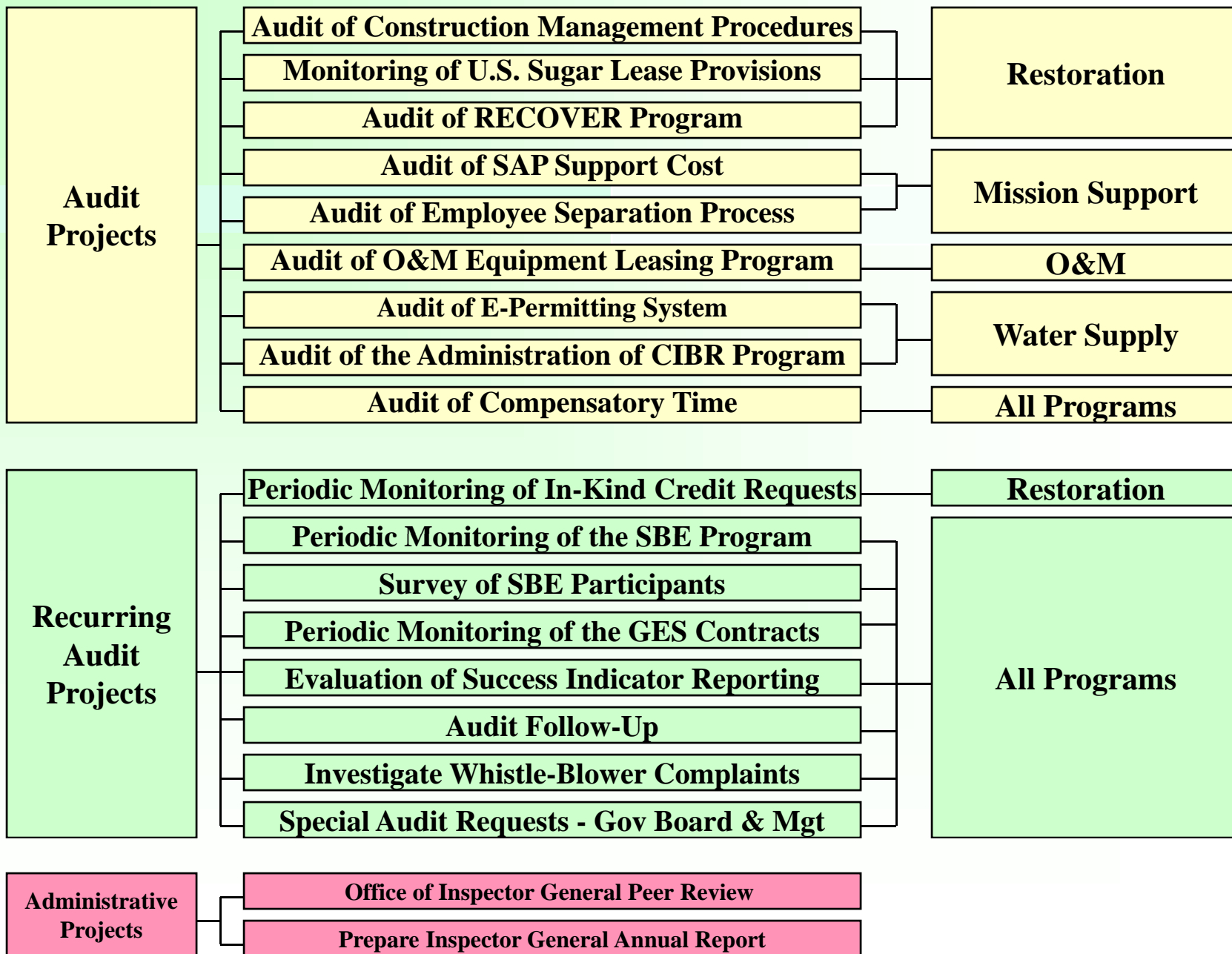
The attached schedule details the Approved Audit Plan for Fiscal Year 2010.

Attachments

c: Carol Wehle
Tom Olliff
Sheryl Wood
District Leadership Team

Approved Audit Projects 2010

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
	Audit Projects - 2010					
Restoration	Everglades Restoration & Capital Projects	Everglades Construction	Audit of Compliance With Construction Management Procedures	A Construction Project Administration Manual is being developed outlining the processes and procedures and internal controls for District staff and contract workers to follow for monitoring construction projects. 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.	Restoration is the District's largest program and entails a significant amount of engineering and construction activities. Significant resources will be expended on engineering and construction activities over the next several years. Thus, management needs assurance that established procedures are being adhered to.
Restoration	Everglades Restoration & Capital Projects	Everglades Restoration	Monitoring of U.S. Sugar Lease Provisions	The U.S. Sugar purchase provides for a lease back of the land for several years. Lease agreements generally contain certain compliance requirements to which the lessee must adhere.	We will determine whether U.S. Sugar is complying with provisions of the lease agreement. We will also assist management with reviewing the process for monitoring the lease agreement.	Everglades Restoration is the District's largest program. The U.S. Sugar purchase, and the related lease back, will be the largest in the District's history.
Restoration	Everglades Restoration & Capital Projects	TBD	Audit of RECOVER Program	RECOVER is an arm of the Comprehensive Plan (CERP) responsible for linking science and the tools of science to a set of system-wide planning, evaluation and assessment tasks. RECOVERS' objectives are to (1) Evaluate and assess Comprehensive Plan performance, (2) Refine and improve the plan during the implementation period, and (3) Ensure that a system-wide perspective is maintained throughout the restoration program.	We will review the original agreement for RECOVER and determine where the District and U.S. Army Corps of Engineers' are today in terms of expenditures and expected deliverables and the future course for the program.	RECOVER is a function of Everglades Restoration, the District's largest program. RECOVER is heading into year ten of a proposed ten year partnership on this project.
Mission Support	Executive Office	SAP Solutions/ IT Department	Audit of SAP Support Cost	The District has invested significantly in the SAP financial system since inception of the project in 2003. The system was initially placed in service June 1, 2006. Additional modules have been implemented since then. The project continues to consume significant resources to implement new modules and provide on-going support.	We will assess whether the SAP system is being implemented and supported in the most cost efficient manner.	The SAP system is a mission support function. The District continues to spend approximately \$10 million annually to implement and support the system. The audit will explore the efficiency of the current business model for implementing and supporting the SAP system.

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Prog	Resource Area	Dept/Division	Title of Project	Background	Objectives	Correlation With Strategic Plan & Rational for Proposing Audit
Mission Support	Corporate Resources	HR Solutions	Audit of Employee Separation Process	District employees are provided custody of District property, access to District facilities, and access to information systems that are necessary to perform their job responsibilities. This may include things such as vehicles, wireless devices, keys, electronic badges, information system access, etc.	We will examine the internal controls over retracting District property and revoking access to District facilities and information systems when a person separates employment with the District. The scope will also cover contract workers that are provided access to District resources.	Human resources is a mission support function. An effective separation process relies on the ability to capture accurate and timely information from other departments regarding each employee's custody of assets, access to facilities, and information system authorizations.
O & M	Operations & Maintenance	Fleet Administration & Business Support	Audit of Operations and Maintenance Equipment Leasing Program	Fleet Maintenance provides vehicles, equipment and services District-wide to its employees. Services include the acquisition, maintenance and disposal of vehicles and other related equipment. In addition, Fleet Maintenance operates the Motor Pool located at District headquarters which provides vehicles to District employees when needed.	We will review equipment lease agreements to determine whether leasing is more cost efficient and whether the original criteria used to justify implementation of the program is still appropriate under current market conditions.	Operations & Maintenance is provides on-going maintenance and refurbishment of the District's equipment and infrastructure. The audit will help management in selecting the most cost efficient method for acquiring and funding vehicles and other equipment.
Water Supply	Regulatory & Public Affairs	Regulation Department	Audit of the E-Permitting System	Regulation 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.
Water Supply	Regulatory & Public Affairs	Intergovernmental Programs	Audit of the Administration of Community Issues Budget Requests (CIBR) Program	Each year local governments submit Community Issues Budget Requests to the legislature. In some instances the District is involved in administering water related programs for local governments.	We will examine the oversight of the specific bill requirements associated with State provided funds under CIBR's and the cost of administering these programs.	The Water Supply program supports the District's regulatory and planning mandates. The audit will address cost efficiency issues related to administering some of these initiatives.
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.

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Recurring Audit Projects						
Restoration	Everglades Restoration & Capital Projects	Various	Periodic Monitoring of In-Kind Credit Requests for Federal Cost Share Projects	The District has several major cost share programs with the U.S. Army Corps of Engineers, including: The Kissimmee River Restoration, Critical Restoration Projects, and the Comprehensive Everglades Restoration Project (CERP).	We will periodically examine In-Kind credit requests for the various cost-share projects to ensure that the established process is effectively capturing all eligible costs.	Restoration is the District's largest program. Approximately 75% of the FY 2010 budget is appropriated for restoration projects. In the coming years, the District will likely be requesting billions of dollars in in-kind credit towards its share of these major restoration 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.
Mission Support	Corporate Resources	Procurement	Survey of Small Business Enterprise (SBE) Participants	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	GEPS is a District 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 FY10 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.

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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 and provide a written report at each quarterly Audit and Finance Committee meeting	Follow-up on previous audit recommendations is required by Government Auditing Standards and the District's Internal Audit Charter.
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	Office of Inspector General Peer Review	The Office of Inspector General's last Peer Review was performed in FY 2007. Florida Statutes require us to adhere to Government Auditing Standards established by the U.S. Government Accounting Office (GAO). Such standards require a peer review be performed every three years.	Perform a peer review of the Inspector General Office in accordance with the professional standards. We plan to have the peer review performed through the Association of Local Governmental Auditors (ALGA) peer review program.	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