



SOUTH FLORIDA WATER MANAGEMENT DISTRICT

MEMORANDUM

To: Governing Board Members

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

Date: June 11, 2009

Subject: Inspector General's Activity Report

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

PROJECTS COMPLETED

Since our last Activity Report, our Office has completed the following projects:

AUDITS & REVIEWS

Audit of Procurement Card Program Project No. 08-23

Project Type: Performance Audit

This audit was conducted at the request of Executive Management and focused on determining whether the internal controls over the administration of the Procurement Card Program were sufficient and reasonable to ensure compliance with the District's policies and procedures. Overall, our audit revealed that the internal controls for the administration of the Procurement Card Program are sufficient and have been working well. Management concurred with all six recommendations presented in the audit report.

Audit of Wireless Communication Devices Project No. 08-18

Project Type: Performance Audit

This audit was conducted at the request of Executive Management to determine whether there were adequate controls over the administration of wireless communication devices.

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The various audit issues were conveyed to, and addressed by, the Department of Information Technology's staff and management during the audit. It should be noted that most of the issues had already been resolved by the time of the final report issuance, which resulted in the District receiving \$32,603 in credits and reimbursements from various providers. Additionally, the Department of Information Technology, along with the Procurement Department's assistance, worked with the District's service providers to obtain the optimum pricing plan based on the District's usage patterns. This will result in annual savings of \$225,000 to \$250,000. Management concurred with all seven recommendations presented in the audit report.

Review of Executive Director's Travel Expenses Project No. 09-01

Project Type: Performance Audit

The objective of this review was to determine whether travel reimbursements to the Executive Director were made in accordance with District travel policies and procedures and whether reimbursements were adequately substantiated, for the period April 1, 2008 to September 30, 2008. Overall, our review disclosed that travel reimbursements to the Executive Director were made in accordance the District's travel polices and procedures.

Audit of Land Stewardship Program Project No 07-06

Project Type: Performance Audit

The objective of this audit was to examine the Land Stewardship program and the processes used to manage District owned lands. We also examined how Land Managers, Project Managers, and other government agencies work together to coordinate land management activities.

We determined that unclear lines of project responsibility and some lack of communication between the project manager and the land manager contributed to some internal control breakdowns. To address these issues, Land Resources developed a more formalized land stewardship process, which included strengthening supervisory controls. In addition, the Environmental Resource Regulation Department has completed organizational changes to improve internal controls over the permitting process in Service Centers.

We also noted a control weakness in procedures to collect voluntary donations at the Dupuis Reserve. District management has implemented changes to strengthen control over the collection process.

Management concurred with all four recommendations presented in the audit report.

Follow-Up Audit for 10/1/08 – 3/3/09

Project No 09-11

Project Type: Follow-Up Audit

This report on the implementation status of audit recommendations was for the period October 1, 2008 through March 3, 2009 (the "Reporting Period"). As of October 1, 2008 there were eight (8) recommendations that were not yet fully implemented, consisting of five (5) that were In-Process and three (3) that were Partially Implemented. During the Reporting Period, four (4) of these recommendations were fully implemented. As of March 3, 2009, four (4) remained in various stages of implementation, consisting of three (3) that were In-Process and one (1) that was Partially Implemented.

During the Reporting Period, 12 recommendations were added from three (3) newly issued reports. As of March 3, 2009, four (4) of these recommendations were fully implemented. Thus, eight (8) recommendations from newly issued reports remained in various stages of implementation (including three (3) that were partially implemented). In total from all reports, there were 12 recommendations that were In-Process of being implemented or had been Partially Implemented as of March 3, 2009.

INVESTIGATIONS

Investigation of a Complaint Alleging Purchase Improprieties and Retaliatory Action Against a Former Employee

Project No 08-22

Project Type: Investigation

Our Office received a complaint from a former employee alleging that the District improperly restricted competition and bypassed standard procurement procedures to purchase three drought related pumps for the S-72 emergency weir construction project. The former employee also alleged that the District took retaliatory personal action against him. We investigated the complaint to determine whether there was any validity to the allegation. We concluded that there was no merit to the complaint.

**Review of MWI Award to Provide Pump Equipment System for
Compartment B Buildout Project RFP# 6000000189**

Project No 09-03

Project Type: Investigation

The complainant asserted that District staff allowed the prevailing vendor to employ different specifications from those contained in the proposal. We investigated the complaint to determine whether there was any validity to the allegations. We concluded that the complaint did not have any merit.

**Investigation of Alleged Staff Misconduct at the
CREW Environmental Center**

Project No 09-05

Project Type: Investigation

We received a complaint alleging that a District Land Management Technician was involved in theft of District resources and other unethical activities. The complainant alleged that a Land Management Technician took a small amount of fuel for personal use. Further, the complainant contended that the District's Land Management Technician attempted to profit from harvesting palmetto berries on District land. We found no evidence to support the allegations.

**Investigation of Alleged Procurement
Irregularities at the Clewiston Field Station**

Project No 09-06

Project Type: Investigation

We investigated a complaint received from an outside contractor alleging procurement irregularities at the Clewiston Field Station (the "Field Station"). The complainant alleged that a District employee promoted and directed work to a certain contractor. In addition, he contended that the Field Station process for obtaining competitive quotes and selecting contractors appeared unfair and may be susceptible to outside influences.

We concluded that the complaint was not sustained. However, we found that the District employee's arrangement to board his horse on property belonging to a relative of an employee of a District vendor created an appearance of impropriety. Although we did

not determine this to be a direct violation of District ethic policies, in order to maintain outside vendor confidence in the Field Station procurement process, we recommend that the District employee find another arrangement.

Allegations of Waste, Mismanagement, and Other Abuses Regarding Pre-Qualified Vendor Procurement Process

Project No 09-14

Project Type: Investigation

We received a complaint from a company alleging that the District's pre-qualified vendor process resulted in waste, mismanagement and other abuses. The complaint's allegations stemmed from being denied the opportunity to bid on the Lake Trafford dredging project, because the company had not participate in the pre-qualified vendor solicitation. The complainant contended that denying them the opportunity to bid because they were not one of the pre-qualified vendors resulted in limiting competition and thus would result in higher prices. We found that the allegations were unfounded and that the District received a good bid response from the pre-qualified vendors, and resulted in the District receiving a good competitive price for the work. The lowest bid was also well below the engineering cost estimate.

Investigation of Regulatory Staff Misconduct Regarding Water Restriction Enforcement

Project No 09-13

Project Type: Investigation

We received a complaint alleging that District regulatory staff assigned to the Lower West Coast Regional Service Center failed to enforce compliance with water restrictions applicable to the Caloosahatchee River Watershed. The Caloosahatchee River Watershed was experiencing severe water shortage conditions which resulted in a Governing Board Declaration of Emergency Modified Phase II Water Restrictions that were effective on April 13, 2007. We found no evidence to substantiate and corroborate the complainant's allegations. We conclude that the complainant's allegation was not sustained.

**Investigation of Alleged Land Acquisition Fraud
Project No 09-12**

Project Type: Investigation

We investigated a complaint alleging that the District and a Florida Legislator engaged in fraud to acquire the complainants' 2.2 acre land parcel in Martin County, Florida. Funding for the acquisition was provided through a \$200,000 legislative appropriation. The land acquisition closing occurred on October 27, 1998, over ten years ago.

The complainants contended that they should have received the full \$200,000 State appropriation rather than the \$125,000 that they were paid for their land. The complainants' reported the alleged fraud to the Florida Department of Law Enforcement (FDLE) and the Department of Environmental Protection (DEP) shortly after the acquisition and these departments conducted thorough investigations.

We concluded that the complainants' allegation of fraud was unfounded. The complainants were willing sellers and voluntarily sold their property to the District for \$125,000, which was the fair market value of the property as determined by a qualified outside appraiser. In addition, FDLE and DEP Ombudsman investigations found that the acquisition was handled properly and in accordance with Florida statutes and other administrative rules.

PROJECTS IN PROGRESS

Our Office is currently working on the following projects:

Project	Objectives	Status
Audit of SCADA Implementation and Operations	Examining the internal controls over the SCADA implementation and operation processes.	Fieldwork in Process
Audit of Lake Okeechobee Protection Program	Determine whether: <ul style="list-style-type: none"> • Provisions of the Okeechobee Protection Act are being adequately implemented. • The program is on target to meet statutory deadlines. • Reporting requirements are met. 	Completing Draft Report
Review of Fuel Inventory Controls	Determine that there are sufficient internal controls over delivery and dispensing fuel at pump stations and field stations.	Draft Report Issued
Monitoring EAA Reservoir Contract Termination Cost	We are actively monitoring this process. We will be assisting in the upcoming mediation process as needed.	As Needed
Audit of Vegetation Management Program	Assess whether the program is meeting its goals and whether reporting requirements are being met.	Fieldwork in Process
Review of Executive Director's Travel Expenses for the Period 10/1/08 - 3/31/09	At the Executive Director's request, our Office reviewed her travel reimbursements during the period October 1, 2008 to March 31, 2009 to determine whether they were made in accordance with District travel policies and procedures.	Fieldwork in Process
Post Implementation Review of IRIS	The IRIS system is used to track land acquisition activity. The post implementation review entails determining: <ul style="list-style-type: none"> • What Business solution did we set out to fulfill? • How well did the project fulfill the expected benefits? • Is there anything else that can be done to fully realize our investment in the system and the system's capabilities? 	Fieldwork in Process

Project	Objectives	Status
Review of General Engineering and Professional (GEPS) Services Contracts	Review will focus on assessing the following: <ul style="list-style-type: none">• Whether adequate documentation is maintained to substantiate the level of effort/hours negotiated for executed work orders• Whether the General Engineering and Professional Services work orders are utilizing SBE subcontractors	Fieldwork in Process
SAP Post Implementation Review	Project is being performed by Sharpton Brunson & Company. The draft report has been completed and distributed to management for their responses.	Draft Report Issues – Awaiting Management Responses

ADMINISTRATIVE MATTERS

Annual External Audit

The annual external financial audit performed by Sharpton Brunson & Company, P.A., resulted in an unqualified opinion on the District's financial statements for the fiscal year ended September 30, 2008.

Knighton Award

The Association of Local Government Auditors (ALGA) Awards Committee selected our *Audit of the Everglades Agricultural Area A-1 Reservoir Construction Management at Risk Contract* as the winner for the 2008 Knighton Gold Award in the Small audit organization category. The award recognizes audits that demonstrated that it is among the best of local government audit organizations.

RFP for Annual Independent Financial Audits

An RFP was issued to solicit proposals from qualified Certified Public Accounting firms to provide independent financial audits for the three fiscal years ending September 30, 2009 through September 30, 2011, with the option to extend for an additional two years. Nine proposals were received on April 17, 2009. The proposal evaluation process resulted in two firms being tied for the number one position – Ernst & Young and McGladrey & Pullen. These two firms provided oral presentations on May 15, 2009,

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which resulted in Ernst & Young being ranked 1st and McGladrey & Pullen ranked 2nd. An item is on the June 11, 2009 Governing Agenda to approve this ranking and authorize commencing negotiations.

C: Carol Wehle
Tom Olliff
Sheryl Wood
DLT Members