SOUTH FLORIDA WATER MANAGEMENT DISTRICT

MEMORANDUM

To: Governing Board Members

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

Date: September 9, 2009

Subject: Inspector General's Activity Report

PROJECTS COMPLETED

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

AUDITS & REVIEWS

Review of Internal Controls over Fuel Inventory
Project No. 08-09

Project Type: Internal Controls Review

This project was conducted at the request of Operations & Maintenance management and focused on reviewing and evaluating the adequacy of the system of internal controls over the purchasing, receiving and dispensing of fuel used for District Pump and Field Station operations. Overall, we found that the District's internal controls over fuel inventory, combined with fuel supplier processes and procedures, provided reasonable assurance that fuel deliveries are in accordance with quantities ordered, usage is accurately recorded and fuel inventories are adequately safeguarded against misappropriation. However, we made a few recommendations to strengthen internal controls. Management concurred with all five recommendations presented in the audit report.

Review of General Engineering and Professional Services Contracts
Project No. 09-15

Project Type: Performance Audit

The objectives of this audit focused on determining whether General Engineering and Professional Services contract work orders are awarded in an equitable manner to prime contractors; whether prime contractors are utilizing SBE subcontractors; whether adequate documentation is maintained to substantiate the level of effort/hours negotiated for executed work orders; and whether project managers are evaluating contractors' performances as required.

Overall, our review revealed that there are adequate controls in place to ensure that work orders are distributed equitably among prime contractors considering that many factors may affect the amount of work assigned to a contractor. Our review of 14 work orders to determine whether costs were adequately substantiated revealed discrepancies in 5 of the 14 work orders. In four of the five cases the errors were minor; however, in one case due to a calculation error the contractor would have been overpaid $89,500 by the District. This issue has been successfully resolved.

We found that in most instances non-SBE prime contractors are utilizing SBE subcontractors; however, there are instances where certain contractors are falling behind their utilization goals. Further, in instances where SBE subcontractors were not utilized and the reasons were documented, the reasons for non-utilization appeared to be reasonable. We also found that GEPS contractors are not being evaluated as required. Management concurred with all three recommendations presented in the audit report.

Follow-Up Audit for 6/3/08 – 8/28/09
Project No 09-25

Project Type: Follow-Up Audit

This report on the implementation status of audit recommendations was for the period June 3, 2009 through August 28, 2009 (the "Reporting Period"). The report reveals that management is doing a good job of implementing audit recommendations.

INVESTIGATIONS

Investigation Regarding SBE Contractor Non-Payment
Project No 09-17

Project Type: Investigation

An SBE vendor complained that they were not paid for the all the work. The prime contract asserted that they had terminated the SBE contractor and withheld payment due to unsatisfactory work. The District terminated the prime contractor's contract due to failure to notify the District of such termination of the SBE vendor. Such notification was required by the contract and thus was considered a breach of contract. We concluded that Procurement's actions were appropriate.

OTHER PROJECTS

Assistance with EAA Reservoir Contract Termination
Project No 09-26

Project Type: Assistance to Management

Our Office provided assistance with the termination of the Barnard Parsons Joint Venture contract to construct the EAA Reservoir. The dispute was settled in mediation on August 25, 2009 (subject to Governing Board approval).

PROJECTS IN PROGRESS

Our Office is currently working on the following projects:

Project	Objectives	Status
Audit of SCADA Implementation and Operations	Objectives entail examining the internal controls over the SCADA implementation and operation processes.	Fieldwork in Progress
Audit of Lake Okeechobee Protection Program	Objectives entail determining whether: • Provisions of the Okeechobee Protection Act are being adequately implemented. • The program is on target to meet statutory deadlines. • Reporting requirements are met.	Issuing Daft Report
Audit of Vegetation Management Program	Objectives entail assessing whether the program is meeting its goals and whether reporting requirements are being met.	Fieldwork in Progress
Post Implementation Review of IRIS	The IRIS system is used to track land acquisition activity. Objectives of a post implementation review entail determining: • 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?	Drafting Report
SAP Post Implementation Review	This project is being performed by Sharpton Brunson & Company. Report is near finalization.	Draft Report Finalizing Report
Investigation Regarding Allegation of Collusion with SAP Vendors	We are investigating a complaint alleging collusion between certain District personnel and certain SAP vendors. We are investigating the complaint to determine whether the allegations have any merit.	Drafting Report
Review of FY 2009 Annual Work Plan Mid-Year Performance Measures	Objectives entail examining substantive evidence to verify the representations made in the progress reports regarding the achievement of success indicators; as well as, assessing whether the established success indicators appropriately measure desired outcomes.	Fieldwork in Progress

Project	Objectives	Status
Investigation Regarding Marco Water's SBE Eligibility	We are investigating a complaint asserting that Marco Water does not qualify to be a Certified SBE vendor.	Fieldwork in Progress
Survey of SBE's	We are performing an annual survey of SBE participants to assess the program's success, effectiveness, and to obtain feedback from SBE vendors.	Fieldwork in Progress
Investigation Regarding Misrepresentation of SBE Participation	We received a complaint from an SBE subcontractor alleging that the amount the prime contractor actually paid to him was overstated on the SBE report submitted to the District's Procurement Department.	Fieldwork in Progress

ADMINISTRATIVE MATTERS

Contract 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. On June 11, 2009, the Governing Board approved the ranking of two short-listed firms and authorized entering negotiations. We were unsuccessful in negotiating a contract with Ernest & Young, the number one ranked firm. We successfully negotiated a contract with McGladrey & Pullen, the number two ranked firm. An initial audit entrance conference was held on August 27, 2009 and the firm commenced interim fieldwork on August 31, 2009.

C: Carol Wehle
Tom Olliff
Sheryl Wood
DLT Members