

## MEMORANDUM

**To:** Governing Board Members

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

**Date:** January 5, 2010

**Subject:** Inspector General's Activity Report

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### **PROJECTS COMPLETED**

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

### **AUDITS & REVIEWS**

#### **Audit of Compliance With Lake Okeechobee Protection Act Project No. 09-02**

Project Type: Performance Audit

This audit focused on determining whether the District is complying with its responsibilities specified in the Lake Okeechobee Protection Act and whether it appears that the phosphorous load reduction goal required to be achieved prior to January 1, 2015 will be accomplished. Overall, our audit disclosed compliance with the Lake Okeechobee Protection Act component of the Northern Everglades and Estuaries Protection Program. The District and the coordinating agencies have taken steps and developed plans that will reduce the phosphorous load from the watershed to the Lake to 140 metric tons per year prior to mandated deadline of January 1, 2015; however, there are concerns that the goal may not be achieved due to certain assumptions and uncertainties such as concerns about funding, legacy phosphorous, and land acquisitions. We made two recommendations that management agreed to implement.

**Survey of Participants in the District's  
Small Business Enterprise Program (SBE)  
Project No. 09-22**

Project Type: Survey

The purpose of the SBE survey was to obtain feedback from District-certified small businesses participating in the District's Small Business Enterprise Program on various aspects of the Program.

Overall, our survey revealed that small businesses that have performed work for the District benefit from and are satisfied with the District's Small Business Enterprise Program. The significant results are as follows:

- 42% of the respondents participated in District procurement workshops and other outreach events. However, 31% responded that they were not aware of these types of opportunities.
- 88% responded that the Small Business Enterprise Program ensures that they are being utilized effectively and did not have any non-compliance issues.
- 47% of the respondents said that the Small Business Enterprise Program has been effective for their business.

Further, 382 Small Business Enterprise contractors responded to the question asking how they find out about contracting opportunities at the District. Based on our analysis, 254 respondents use the District's website while only 19 check local newspapers and 11 make calls to the District's Bid Hotline. In addition, 139 respondents shared their experience about the Small Business Enterprise Program. It is important to note that only 7 of the 139 (5%) comments about the program were negative.

**Follow-Up Audit for 8/29/09 – 12/4/09**  
**Project No 10-08**

Project Type: Follow-Up Audit

This report on the implementation status of audit recommendations was for the period August 29, 2009 through December 4, 2009 (the "Reporting Period"). The report reveals that management is doing a good job of implementing audit recommendations.

## **INVESTIGATIONS**

### **Investigation of Alleged Collusion with SAP Vendors Project No 09-19**

Project Type: Investigation

We investigated an anonymous complaint alleging collusion, kickbacks and vendor favoritism related to the procurement of consulting services for the SAP Solution Center. The complainant contends that the SAP Solution Center Director and the Chief Financial Officer colluded with staffing augmentation firms to defraud the District through excessive billing practices.

We concluded that the allegation of collusion between the SAP Solution Center Director and Chief Financial Officer and staff augmentation firms is not sustained. We also found no evidence of vendor kickbacks to the SAP Solution Center Director or the Chief Financial Officer. We also found that the allegation claiming that the District paid very high rates for consultants is not sustained. Our analysis indicated that the District paid a market rate for its consultants.

### **Investigation of Alleged Fraudulent Reporting of SBE Utilization- Report # 09-24**

Our Office we received a letter from the Director of Procurement requesting an investigation into a complaint alleging that a prime contractor had fraudulently overstated their SBE participation for a certain District contract. The complainant contended that the prime contractor reported a \$50,000 payment to the SBE for the District project but that the payment actually was an advanced payment for a non-District project the prime contractor was performing for the City of Melbourne.

We could not conclusively determine whether the prime contractor's check for \$50,000 payable to the SBE subcontractor represented an advance payment for the City of Melbourne project as the complainant contends or a performance bonus paid to the SBE subcontractor for the District's project, as prime contractor contended. As a result, we could not sustain the complainant's allegation.

However, the \$50,000 check, which included the notation, "Melbourne Gabions Advanced Payment", appears to corroborate the complainant's contention that the prime contractor misrepresented the subcontractor's SBE participation and overstated the amount on the SBE Utilization Report. Also, the contractor's explanation for erasing the notation from the check copy that was submitted with their SBE Utilization report, in our opinion, is questionable. Additionally, a \$50,000 performance bonus represents 39% of the \$128,846 work amount. In our opinion, this appears to be outside the bounds of reasonableness and is also suspect.

Even with including the \$50,000 questionable payment, the prime contractor still fell short of meeting its utilization goal commitment. A contract compliance review conducted by Procurement revealed that the prime contractor materially breached its contract #4600001442, *C-24 Canal Bank Repair*, with the District when the contractor failed to meet its 30% SBE utilization goal and also violated Article 19.3, *Subcontractor Substitution* of the contract. Procurement addressed these issues of non-compliance.

**Investigation of Complaint Regarding  
Inequitable Distribution of Overtime  
*Project No. 09-29***

We received a complaint that a certain administrative assistant was consistently allowed 1½ hours per day of overtime while others were excluded. We examined payroll records and concluded that there was one administrative assistant that consistently worked overtime on average of about 1 hour per day. We concluded that this was a management issue and relayed the information to human resources and management to determine whether the overtime was justified. No formal report was issued.

**Review of Invoices from Miami-Dade County Solid Waste Department-  
Report # 10-02**

At the request of Operations and Maintenance (O&M) management, we reviewed Miami-Dade County Solid Waste Department invoices and payments to determine whether the District unknowingly paid assessments for solid waste pick-up in Miami-Dade County. According to the O&M South Field Operations Department Director, property owners in Miami-Dade County (including the District) are being held responsible for Miami-Dade County Solid Waste Department clean-up fees related to trash pick-up on District property, other non-District property, and County owned land. The District has received numerous invoices for violations and fines associated with solid waste pick-up on Miami-Dade County and District property but management did not believe that any invoices had been paid.

Miami-Dade County has assessed liens against District property to enforce collection of assessments for trash pick-up. The District's Office of Counsel has initiated legal action against Miami-Dade County Solid Waste Department to remove the assessments and to have this invoicing practice discontinued.

Our objective was to determine whether the District paid Miami-Dade County Solid Waste Department invoices related to trash pick-up on County owned land. We reviewed Miami-Dade County Solid Waste Department invoices for a period June 2006 through September 2009.

We found that Miami-Dade County Solid Waste Department invoices totaling \$336,000 for the period June 2006 through September 2009 represented legitimate landfill fees incurred by the Miami-Dade and Homestead Field Stations. We also found two payments totaling \$3,045 in FY 2008 which appear related to Miami-Dade County Solid Waste Department assessments for debris pick up in the 8.5 Square Mile Area. These assessments are poorly documented for which we recommended the District may want to consider seeking reimbursement or credit.

### **Investigation of Complaint Alleging Vendor Favoritism and Fraud Report # 10-03**

We received a complaint alleging fraud and favoritism in connection with the issuance of work orders to pre-qualified contractors under the 2006 District's Science and Technology Service contract. According to the complainant, work orders issued under 2006 Science and Technology Service contract have "very irregular contract assignment criteria". The complainant added that work order awards were not distributed equally among qualified service providers. They referenced the Procurement Department work order award statistics, which in the complainant's opinion indicated that their firm did not receive an equal distribution of work while two other firms had received an extraordinary amount of work order awards. The complainant attributed the disproportionate amount of work received by the other two firms to the relationship between District staff and two former District employees who now work for these companies.

We found that the allegation contending fraud and favoritism in assigning work orders under the 2006 District's Science and Technology Service contract is not sustained. Overall, we conclude that the District distributed work orders under the Science and Technology Services contract in an equitable manner and noted no irregularities in work order assignments.

We found no support for the complainant's contention that the two other firms received a disproportionate amount of work because of the relationships between District staff and the two former District employees who now work for these companies. The companies were pre-qualified in multi-disciplines and both firms were contractors in high dollar volume disciplines. Moreover, we found that the internal controls over the distribution of work orders in the Chemistry Discipline appeared to function as prescribed.

### **Investigation of Complaint Alleging District Neglect of Land Stewardship Duties Report # 10-05**

We investigated a complaint that the Chief Inspector General of the Office of the Governor forwarded to us alleging that the District is neglecting its land stewardship duties by allowing cattle grazing on the leased Yates Marsh property, which the

complainant contends was purchased for a restoration project and should be preserved. The complainant contended that the cows are destroying the property by completely eating up the pasture and rooting up the ground. He further contended that the cattle are very aggressive, which is creating a dangerous situation for public users. According to the complainant, he was attacked by cattle three separate times while on District property. One of those attacks allegedly resulted in an overnight stay at the hospital emergency room. He claims to have placed many complaints with the District and called numerous times to alert staff of these concerns but the District has been non-responsive. He also claims that our office would not provide the name of the Yates Marsh lessee.

The allegation contending that the District neglected its land management oversight responsibility by allowing cattle to degrade the land is unfounded. We found that the District has established an effective program that provides natural resource protection, opportunities for appropriate agricultural uses while allowing recreational uses on designated public lands. The complainant's contention that cattle grazing creates a dangerous situation for public users is not sustained.

We also found that District staff and the FWC officer were very responsive to the complainant's concerns and spoke to the complainant on many occasions prior to him filing a complaint with the Chief Inspector General for the Office of the Governor. The complainant's contention that the District's Inspector General would not provide the name of the Yates Marsh lessee is unfounded. The complainant has never requested such information from the Inspector General. Such information is public record and would have been provided if the complainant requested it.

We could not corroborate that the alleged incident in which the complainant was injured or the purported incident in which his shotgun was damaged occurred while on District property. However, we recommended that the District's Risk Management Division and Office of Counsel review the circumstances of the incidents and determine whether the District has any liability.

## 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.	Draft 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	<p>The IRIS system is used to track land acquisition activity. Objectives of a post implementation review entail determining:</p> <ul style="list-style-type: none"> <li>• What Business solution did we set out to fulfill?</li> <li>• How well did the project fulfill the expected benefits?</li> <li>• Is there anything else that can be done to fully realize our investment in the system and the system's capabilities?</li> </ul>	Draft 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.	Draft Report Issued – Awaiting Management Responses
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. We are awaiting certain financial information requested from Marco Water in order to complete this investigation.	Fieldwork in Progress
RECOVER	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.	Planning

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<b>Project</b>	<b>Objectives</b>	<b>Status</b>
Audit of Inventory processes and Procedures	Objectives entail assessing whether inventory internal controls are adequate and functioning properly.	Fieldwork in Progress
Review of Executive Director's Travel Expenses for the Period 1/1/09 - 9/30/09	At the Executive Director's request, our Office reviewed her travel reimbursements during the period January 1, 2009 to September 31, 2009 to determine whether they were made in accordance with District travel policies and procedures.	Draft Report
Audit of Appraisal Process	Objectives entail determining the timeliness of appraisal services and the adequacy of management control systems for measuring, reporting, and monitoring the District's Appraisal Section. We will focus on the administration of the appraisal services, including the hiring of independent appraisers, adequacy of documentation and timelines for appraisal preparation and review.	Fieldwork in Progress
Audit of Black & Veatch Contract	Objectives will entail assessing whether services have been invoiced and paid in accordance with the contracts terms and conditions.	Planning Phase

**ADMINISTRATIVE MATTERS**

- McGladrey & Pullen Field is currently performing fieldwork for the independent financial audit for the fiscal year ended September 30, 2009.
- We completed and issued the Office of Inspector General Annual Report for Fiscal Year 2009

C: Carol Wehle  
Tom Olliff  
Sheryl Wood  
DLT Members