



SOUTH FLORIDA WATER MANAGEMENT DISTRICT

MEMORANDUM

To: Governing Board Members

From: Dan Sooker, CPA, Interim Inspector General
Office of Inspector General

Date: August 3, 2011

Subject: Inspector General's Activity Report

A handwritten signature in blue ink, appearing to read "Dan Sooker", is written over the "From:" field of the memorandum.

PROJECTS COMPLETED

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

**Audit of General Engineering and
Professional Services Contracts
Project No. 10-26**

Project Type: Performance Audit

The Audit of General Engineering and Professional Services (GEPS) Contracts focused on determining whether GEPS work orders are being awarded in an equitable manner to prime contractors; whether prime contractors are utilizing Small Business Enterprise (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, the audit revealed that there are adequate controls in place to ensure that GEPS work orders are distributed equitably among prime contractors considering the many factors that may affect the amount of work assigned to a contractor. However, we identified some issues that should be addressed to further strengthen the process. For example our review disclosed the following: an incorrect billing rate; certain prime contractors are falling behind their Small Business Enterprise utilization goals; the Small Business Enterprise Utilization spreadsheet used to track utilization contained calculation errors; and payments made to Small Business Enterprises by prime contractors are not accurately reflected in District records. We made nine recommendations that management agreed to implement.

**Audit of Compensatory Time
Project No. 10-23**

Project Type: Performance Audit

The Audit of Compensatory Time focused on examining whether internal controls over the compensatory time program were adequate to ensure reasonable compliance with District policies and procedures governing compensatory time.

Overall, we found that compensatory time is a valuable program which provides flexibility for management to prioritize and complete unplanned time sensitive special projects that occur during the year. We also found that adequate controls appear to be in place to ensure reasonable compliance with the compensatory time policy and procedure. However, to strengthen internal control over the compensatory time program, we recommend that management add a definition of a time sensitive project to the *Hours of Work and Overtime Procedure* to provide better guidance for supervisors approving compensatory time.

Our review found that due to the nature of certain staff responsibilities, advanced approval to earn compensatory time could not always be accomplished. In these instances of non-compliance, we found that compensatory hours were later approved by the employee's supervisor within a reasonable period time. We made two recommendations that management agreed to implement.

**Review of Cost Savings from Reduction in Contract Workers
Project No. 11-04**

Project Type: Review

The review of Cost Savings from Reduction in Contract Workers focused on identifying and analyzing those instances where contract workers have been replaced with Full-Time Equivalent employees, to assess how effective the changes have been working and determine the actual cost savings realized. Our review indicated that annual cost saving from the implemented changes is approximately \$6,000,000 annually. Since this report was for informational purposes there were no findings and recommendations that required a formal management response.

Follow-Up Audit for the Period 4/1/11 – 6/30/11

Project No. 11-18

Project Type: Follow-Up Audit

This report on the implementation status of audit recommendations was for the period April 1, 2011 through June 30, 2011. The report reveals that management is doing a good job of implementing audit recommendations.

Investigation of M.A.C. Construction, Inc. and

H.A. Contracting Corp. SBE Certifications

Project No. 10-18

Project Type: Investigation

At the request of the Procurement Bureau, we conducted an investigation into the eligibility of M.A.C. Construction Inc. (M.A.C. Construction) and H.A. Contracting Corp. (H.A. Contracting) to participate in the District's Small Business Enterprise (SBE) program. M.A.C. Construction and H.A. Contracting SBE program eligibility came into question during a District solicitation based on information that indicated that the two companies may be affiliated. A further review into this matter revealed that M.A.C. Construction and H.A. Contracting appeared to be sharing resources by having common employees. As a result of these factors, there was concern about whether the two companies were affiliates rather than independent stand alone companies.

We determined that M.A.C. Construction and H.A. Contracting are eligible for the District's SBE program. The companies are independent, unaffiliated businesses that have separate offices, employees and accounting records. We found no material intercompany transactions indicating that M.A.C. Construction and H.A. Contracting are affiliated. The commercial lease between M.A.C. Construction and H.A. Contracting appears to approximate market value. We did note that the owners of M.A.C. Construction and H.A. Contracting were signatories on each other's company bank accounts; however, this was due to the fact that the principle owners are siblings and this arrangement was due to providing a trusted family member with access to the bank accounts for emergency purposes and not an indication of affiliation. Furthermore, the combined revenue of the two companies still falls below the threshold necessary to qualify for SBE eligibility.

**Investigation of an Anonymous Complaint Alleging that
Two Lakeside Ranch Project Subcontractors Hired Illegal Workers
Project No. 11-10**

Project Type: Investigation

We investigated an anonymous complaint alleging that the general contractor on the Lakeside Ranch Stormwater Treatment Area project, (Lakeside Ranch) had at least two subcontractors who had illegal workers on their payroll. The complainant identified himself as a south Florida contractor that has done work for the District. The complainant asserted that the current procurement bidding system is unfair and without integrity for allowing contractors with illegal workers on the payroll to receive District contracts.

The allegation that two subcontractors had illegal workers on their payroll was not sustained, as we could neither prove nor disprove that the allegations occurred. At the time the District executed this contract, the contract language did not contain a provision requiring contractors and their subcontractors to use Department of Homeland Security's E-Verify system to determine employment eligibility of their workers. However, Governor Scott signed Executive Order 11-02 in January 2011, which requires state contractor to now use the E-Verify system to determine worker's employment eligibility. The District has amended its contracting process to implement the new requirements prospectively. The District's standard contract also contains a provision which allows the District, at its discretion, to verify contractor compliance with the E-Verify provision.

**Investigation of Complaint Regarding Palm
Beach County Consumptive Use Permit Modification
Project No. 11-15**

Project Type: Investigation

We investigated a complaint our Office received concerning a Verified Complaint filed by Cove Club Investors, Ltd (the "Verified Complaint") regarding alleged adverse affect of a consumptive use permit modification issued to the Palm Beach County Water Utilities Department. The complainant was not satisfied with the District's response to the Verified Complaint and questioned whether a notification regarding an administrative process for challenging District staff's conclusions should have accompanied the District's response.

We met with professionals in the District's Regulatory Division and the Office of Counsel. They advised that there was no further established administrative process for Cove Club Investors, Ltd. to pursue relating to their complaint concerning Pam Beach County Water Utilities Department. However, the District has offered to work with Cove Club Investors, Ltd. to improve their surface water system and ensure compliance with regulations.

PROJECTS IN PROGRESS

Our Office is currently working on the following projects:

No.	Project	Objectives	Status
Audits and Reviews			
11-05	Audit of IT Disaster Recovery Plan	We are examining the District's disaster recovery plan to determine that: <ul style="list-style-type: none"> • The District has a comprehensive up-to-date disaster recovery plan • Has defined locations where the disaster recovery plan could be executed, and • The disaster recovery plan was periodically tested and any necessary adjustments were incorporated into the plan. 	Drafting Report
11-09	Audit of Water Quality Program	We are examining the District's methodology for fulfilling its water quality mission by assessing whether it provides a cohesive approach to addressing water quality issues.	Drafting Report
11-11	Audit of Surplus Land Identification and Disposal	We are examining the criteria and process for identifying surplus land parcels and for disposing of such parcels.	Fieldwork in Progress
11-14	Audit of the CERP Cost Share Status	We are assessing how the District can manage the CERP 50/50 cost share with the US Army Corps of Engineers in order to avoid (or minimize) cash contributions. We are also assessing how processes can be improved in order to minimize the District's in-kind credit match requirement.	Beginning Fieldwork
11-17	Audit of the Nubbin Slough Stormwater Treatment Area (STA) Project	We are examining the purpose of the project and determining whether it is fulfilling its intended purpose and performing as anticipated.	Beginning Fieldwork

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No.	Project	Objectives	Status
	Investigations		
11-06	Investigation Re: Allegation Farmer Illegally Flooding Private Property	We are investigating a complaint alleging that farmers are illegally discharging water onto private property in violation of permit conditions. The complaint further alleges that District staff has not enforced the permit conditions despite his complaint.	Fieldwork in Progress
11-16	Investigation of Alleged SBE Subcontractor Payment Impropriety	We are investigating a contract where a prime contractor allegedly conspired with a subcontractor and fraudulently reported the SBE subcontractor's participation to overstate the actual amount of work performed by the SBE subcontractor.	Fieldwork in Progress

C: Melissa Meeker
Bob Brown