



Audit Plan For Fiscal Year 2006

**Prepared by
Office of Inspector General**

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SOUTH FLORIDA WATER MANAGEMENT DISTRICT

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MEMORANDUM

To: Governing Board Members

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

Date: October 7, 2005

Subject: Audit Plan for Fiscal Year 2006

I am pleased to present our Audit Plan for Fiscal Year 2006. 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. The audit plan incorporates input from senior management and was presented to, and approved by, the Audit and Finance Committee on October 5, 2005.

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. Where appropriate include post audit sampling of payments and accounts.
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.

GOVERNING BOARD

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EXECUTIVE OFFICE

Carol Ann Wehle, *Executive Director*

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, our work plan sets aside a block of time for 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 that provides a new and improved 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 2006 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. District programs such as our many restoration programs 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 Conclusion

Our audit plan is designed to provide sufficient coverage over time to reach all significant program areas. We adapted our plan to take into account changing management practices resulting from reorganization and reengineering initiatives.

During FY 2006, 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. Our proposed work plan for FY 2006 provides for specific audit projects covering 5 of the 11 major District programs identified in the District's Strategic Plan, which are:

- Comprehensive Everglades Construction Plan (including Acceler8)
- Kissimmee Restoration
- Land Stewardship
- Water Supply
- Mission Support

Additionally, the following audit projects address processes that affect all programs:

- Evaluation of Success Indicator Reporting (selection of 1 or 2 quarterly reports)
- Audit of Contract Workers Usage

Provision is also made for following-up on the status of implementing prior audit recommendations as required by *Government Auditing Standards* and the District's *Internal Audit Charter*. Finally, the audit plan provides flexibility to investigate Whistle-blower complaints and for special audit requests from the Governing Board and senior District management.

The attached schedule details our Audit Plan for Fiscal Year 2006.

Attachments

c: Carol Wehle
Tom Olliff

Summary

Audit Type

Proposed Project

Programs

**Carryover
Audits
From 2005**

Audit of KRR Cost Share Status

KRR

Audit of Contract Worker Usage

All Programs

Audit of RECOVER Activities

CERP

Audit of Mitigation Banking

Land Stewardship

Audit of IRIS

KRR & CERP

**Proposed
New Audits
FY 2006**

**Audit of Reporting Process for Alternative
Water Supply Programs**

Water Supply

**Audit of Governmental Land
Management Agreements**

Land Stewardship

**Audit of State and Federal Cost Share
Agreements (Non- KRR & CERP)**

All Programs

**On-Going
Audit
Projects**

Monthly Review of Acceler8 Expenditures

CERP

Evaluation of Success Indicator Reporting

Audit Follow-Up

Whistle-Blower Act Complaints

Special Audit Requests - Gov Board & Mgt

All Programs

**Administrative
Projects**

Develop Long-Term Audit Plan

Update IG's Operations Manual

South Florida Water Management District

Office of Inspector General

Audit Plan for Fiscal Year 2006

Program	Resource Area	Dept/Division	Title of Audit	Background	Objectives
Carryover Audits From 2005					
Kissimmee River Restoration	Water Resources	Ecosystems Restoration Department/ Kissimmee Division	Audit of Kissimmee River Restoration Cost Share Status	In 1992, the U.S. Congress authorized the Kissimmee River Restoration and the Headwaters Revitalization Projects (the "KRR"). The KRR project is a \$578 million partnership between the U.S. Army Corps of Engineers (USACE) and the SFWMD (Local sponsor). A large portion of the projects expenditures will be cost shared 50/50 between the SFWMD and USACE. The District will provide most of the land and the USACE will incur most of the engineering and construction cost. The District is also incurring some non-land cost, which must also be submitted to the USACE in order to receive credit towards the non-federal 50% share of the project cost.	We will examine the process for preparing in-kind credit requests to determine that KRR expenditures are neither overstated nor understated. The audit will also assess whether in-kind requests contain an adequate audit trail. The District contracted with an accounting firm to compile these costs for the in-kind credit request reports. We commenced with this audit in late FY05 and found that the accounting firm needed more time to complete the compilation. Also, we determined that it would be more effective to audit the land acquisition costs and non-land costs concurrently to ensure that there is no overlap or omissions of cost between these two cost groups. Land acquisition for the KRR project is targeted to be complete by the end of the first quarter of FY06.
All Programs	All Resource Areas	All Departments & Divisions	Audit of Contract Worker Usage	The District has a number of Contract Workers that have access to work at the District's facilities but are not District employees.	Contract Workers generally provide specific skills for specific durations of time, which work for contractors under outsourcing arrangements (e.g. security and janitorial services). We will review Contract Worker arrangements to ensure that they operate under arms-length contractual arrangements and are not used to perform regular District staff functions on an on-going basis (other than those operating under outsourced contractual arrangements).

**South Florida Water Management District
Office of Inspector General
Audit Plan for Fiscal Year 2006**

Title of Audit	Correlation With Strategic Plan	Rational for Proposing Audit
	Carryover Audits From 2005	
Audit of Kissimmee River Restoration Cost Share Status	The Kissimmee Restoration program is one of the top ten priorities in the strategic plan. A significant portion of the program's cost is shared 50/50 with the U.S. Army Corps of Engineers.	Proper accounting and cost allocation is imperative to ensure that the District receives the proper amount of credit for its share of the cost.
Audit of Contract Worker Usage	Human Resources comprise a significant portion of the funding necessary to execute the strategic plan. One District objective is to handle the expanded workload without expanding staff levels. However, District staff is augmented with contract workers.	The has a number of non-employee people that had access to work at the District's facilities (i.e. red security ID badges). These worker's activities should be supporting one of the major programs. We need to ensure that these workers are operating under arms-length contractual arrangements and not as quasi-employees.

South Florida Water Management District

Office of Inspector General

Audit Plan for Fiscal Year 2006

Program	Resource Area	Dept/Division	Title of Audit	Background	Objectives
Proposed New Audits - 2006					
CERP	CERP	RECOVER	Audit of CERP RECOVER Activities	RECOVER is a statutorily required activity to fulfill the following objectives for the CERP (1) Develop performance measure and restoration targets for CERP (2) Implement an assessment plan to monitor the progress and successes of CERP (3) Evaluate performance compared to established CERP targets (4) Provide scientific support to CERP through coordinating science and technology of participating agencies	We will determine whether the RECOVER process is effectively and efficiently fulfilling its mission of supporting the CERP program. We will also assess the cost impact of project delivery team recommendations that have resulted in expanding the scope of CERP projects.
Land Stewardship	CERP	Land Management & Operations	Audit of Mitigation Banking	Mitigation banks are operated by both the District and private firms. Mitigation banks earn "credits" by expending funds to restore environmentally sensitive land. These credits are then purchased by developers to compensate for wetlands destroyed within their project areas.	We will examine the process for allocating credits to the various mitigation banks and ensure that the District operated banks do not create a conflict of interest with privately operated mitigation banks.
CERP, KRR & Mission Support	CERP / Mission Support	Land Resources / Information Technology	Audit of the Integrated Real Estate Information System (IRIS)	Land Resources recently implemented the Integrated Real Estate Information System (IRIS) to manage and account for land acquisitions and land management activities. IRIS is an enterprise system and replaces the former ATLAS system.	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.
Water Supply	Water Resources	Water Supply	Audit of Reporting Process for Alternative Water Supply Programs	State and District funding is provided to local governments and other agencies for the purpose of encouraging water users to promote efficient use of water resources through conservation and reuse, and to increase diversity of water supplies by developing alternative sources.	We will determine that the reporting process for alternative water supply programs is consistent with legislative intent and that they are managed in accordance with the respective water supply plan.

**South Florida Water Management District
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Title of Audit	Correlation With Strategic Plan	Rational for Proposing Audit
	Proposed New Audits - 2006	
Audit of CERP RECOVER Activities	RECOVER is an ongoing recurring process that supports the entire CERP program.	Effective execution of RECOVER activities is critical to the success of the overall CERP program.
Audit of Mitigation Banking	Milestones for the District's Loxahatchee and CREW mitigation banks are included in the strategic plan.	The mitigation banking program should be structured in a manner that provides a level playing field for all participants.
Audit of the Integrated Real Estate Information System (IRIS)	Land acquisition activities support other District programs - primarily CERP and Kissimmee River Restoration.	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.
Audit of Reporting Process for Alternative Water Supply Programs	Water Supply is one of the 11 priority programs identified in the strategic plan.	The District provides a significant amount of funding to other organizations to implement water supply programs.

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Program	Resource Area	Dept/Division	Title of Audit	Background	Objectives
Land Stewardship	CERP	Land Management & Operations	Audit of Governmental Land Management Agreements	The District has entered into leases and management agreements with other agencies or local governments to manage approximately 190,000 acres of District land. Responsibilities may include implementing land management plans, controlling invasive exotic plants, restoring natural fire regimes, restoring native communities, employing multiple-use practices, and opening lands for appropriate public use.	We will determine whether land management agreements with other governmental and non-profit entities are managed in accordance with lease terms and conditions and in accordance with land management plans.
Various	Various	Various	Audit of State and Federal Cost Share Agreements (Non-KRR & CERP)	The District has entered into cost share agreements for projects other than CERP or the KRR.	We will examine the process for accumulating, reporting, and obtaining credit for the District's share of cost under Federal and State agreements for cost shared projects to determine that project expenditures are neither overstated nor understated. The audit will also assess whether claimed costs contain an adequate audit trail. The KRR and CERP programs will be excluded from the scope of this audit since cost share issues for these programs were covered under separate audits.

South Florida Water Management District

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Title of Audit	Correlation With Strategic Plan	Rational for Proposing Audit
Audit of Governmental Land Management Agreements	Land management activities are included in the strategic plan under the Land Stewardship program.	Management expressed concerns regarding District lands being managed in accordance with leases and management agreements.
Audit of State and Federal Cost Share Agreements (Non-KRR & CERP)	In addition to CERP and the KRR programs, the District has entered other cost share arrangements for projects that complement these programs.	Proper accounting and cost allocation is imperative to ensure that the District receives the proper amount of credit for its share of the cost.

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Program	Resource Area	Dept/Division	Title of Audit	Background	Objectives
On-Going Audit Projects					
CERP - Acceler8	CERP	Acceler8 Project Office	Monthly Review of Acceler8 Expenditures	The Acceler8 program is a strategy designed to expedite the implementation of key CERP projects. The estimated cost is approximately \$1.6 billion over the next five years resulting in monthly capital outlays running between \$25 to \$50 million per month. This level of capital outlay is unprecedented in the District's history.	We will review a sample of Acceler8 contractor and engineering firm invoices each month to determine that they are properly reviewed and that payments are in accordance with contract provisions.
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 FY06 to audit but we will not announce in advance which quarters will be selected.
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.	To verify that recommendations in prior audit reports have been appropriately implemented in a timely manner.
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 Act complaints are received sporadically during the year.
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 ad hoc basis.	As specified in the Inspector General Act & District Policy (Internal Audit Charter)

**South Florida Water Management District
Office of Inspector General
Audit Plan for Fiscal Year 2006**

Title of Audit	Correlation With Strategic Plan	Rational for Proposing Audit
	On-Going Audit Projects	
Monthly Review of Acceler8 Expenditures	The Acceler8 program is designed to expedite the implementation of key CERP projects and will consume the largest portion of District resources over the next five years.	Project managers are generally responsible for approving contractor's invoices. The construction management function will be outsourced to engineering firms for all Acceler8 construction projects. Additionally, many project managers for these projects are employees of the JM Joint Venture. Consequently under the District's current payment approval process this would result in non-District personnel reviewing and authorizing large invoice payments.
Evaluation of Success Indicator Reporting	The Strategic Plan provides performance measures to track progress on a regular basis.	Performance measurements need independent verification to ensure reported information is objective. This significantly enhances the credibility of reported information.
Audit Follow-up	N/A	Follow-up on previous audit recommendations is required by <i>Government Auditing Standards</i> and the District's <i>Internal Audit Charter</i> .
Whistle-Blower Act Complaints	N/A	The IG is responsible for perform investigation per Section 20.055, F. S., and the District's <i>Internal Audit Charter</i> .
Audit Requests from Governing Board and Senior District Staff	N/A	This provides a block of time to accommodate special requests for audits and investigations from the Governing Board and senior management that arise throughout the year.

South Florida Water Management District Office of Inspector General Audit Plan for Fiscal Year 2006					
Program	Resource Area	Dept/Division	Title of Audit	Background	Objectives
Administrative Projects					
N/A	N/A	N/A	Develop Long-Term Audit Plan	The Office of Inspector General has never developed a long-term audit plan.	In FY 2006 we plan to develop a Long-Term Audit Plan based on the District's Strategic Plan and priorities established by the Audit and Finance Committee.
N/A	N/A	N/A	Update the Office of Inspector General's Operations Manual	The Office of Inspector General's Operations Manual was initially developed in FY 2000.	In FY 2006 we will review and update our operations manual for any needed changes.

South Florida Water Management District Office of Inspector General Audit Plan for Fiscal Year 2006		
Title of Audit	Correlation With Strategic Plan	Rational for Proposing Audit
	Administrative Projects	
Develop Long-Term Audit Plan	N/A	N/A
Update the Office of Inspector General's Operations Manual	N/A	N/A