Audit Plan
For Fiscal Year 2007

Prepared by
Office of Inspector General

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MEMORANDUM

To: Governing Board Members

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

Date: August 17, 2006

Subject: **Audit Plan for Fiscal Year 2007**

I am pleased to present the approved Audit Plan for Fiscal Year 2007. 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. A draft of the audit plan was presented to the Audit Committee on August 8, 2006. As required by the District's Internal Audit Charter, the full Governing Board approved the audit plan on August 9, 2006, with certain modification. Those modifications have been incorporated into this final audit plan.

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. Review post audit sampling of payments and accounts, where appropriate.
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.

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 2007 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. During FY 2007, 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 work plan for FY 2007 provides for specific audit projects covering 3 of the 11 major District programs identified in the District's Strategic Plan, which are:

- Comprehensive Everglades Construction Plan (Acceler8)
- Everglades (Acceler8)
- Mission Support

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

- Validation of the Legislative Sunset Review
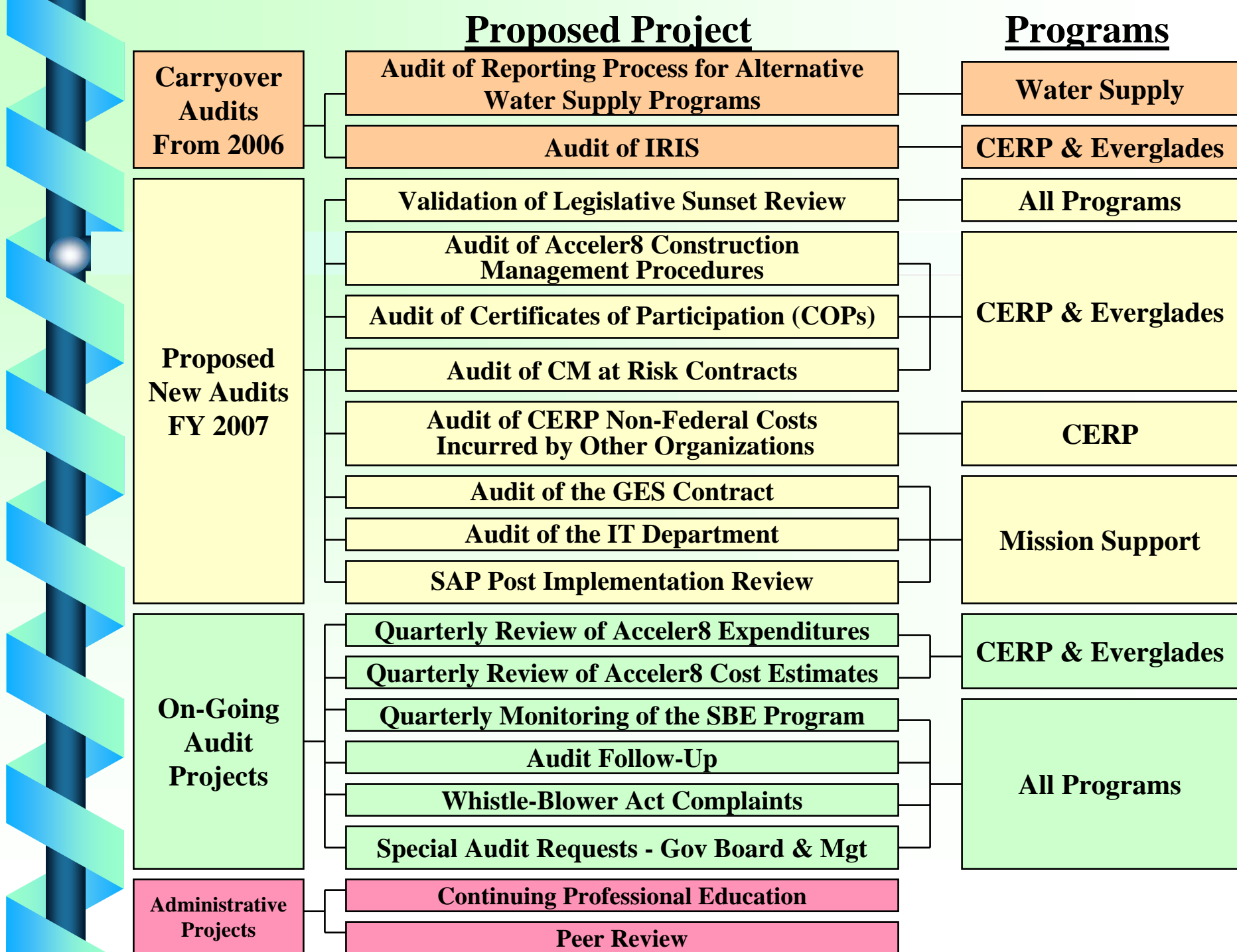- Quarterly Monitoring of the SBE Program

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

In FY 2007 we will be due for our tri-annual peer review, covering the period from January 1, 2004 through December 31, 2006. Florida Statutes require us to adhere to Government Auditing Standards established by the U.S. Government Accounting Office, which require a peer review be performed every three years. Our last review was performed through the Association of Local Governmental Auditors (ALGA) peer review program in 2004, which covered the period from January 1, 2001 through December 31, 2003. We plan to also use the ALGA program for the FY 2007 peer review.

The attached schedule details the approved Audit Plan for Fiscal Year 2007.

Attachments

c: Carol Wehle
        Tom Olliff

	Proposed Project	Programs
Carryover Audits From 2006	**Audit of Reporting Process for Alternative Water Supply Programs**	**Water Supply**
	Audit of IRIS	**CERP & Everglades**
Proposed New Audits FY 2007	**Validation of Legislative Sunset Review**	**All Programs**
	Audit of Acceler8 Construction Management Procedures	**CERP & Everglades**
	Audit of Certificates of Participation (COPs)	
	Audit of CM at Risk Contracts	
	Audit of CERP Non-Federal Costs Incurred by Other Organizations	**CERP**
	Audit of the GES Contract	**Mission Support**
	Audit of the IT Department	
	SAP Post Implementation Review	
On-Going Audit Projects	**Quarterly Review of Acceler8 Expenditures**	**CERP & Everglades**
	Quarterly Review of Acceler8 Cost Estimates	
	Quarterly Monitoring of the SBE Program	**All Programs**
	Audit Follow-Up	
	Whistle-Blower Act Complaints	
	Special Audit Requests - Gov Board & Mgt	
Administrative Projects	**Continuing Professional Education**	
	Peer Review	

South Florida Water Management District					
Office of Inspector General					
Audit Plan for Fiscal Year 2007					
Program	Resource Area	Dept/Division	Title of Audit	Background	Objectives
Carryover Audits From 2006					
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.
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.

Title of Audit	Correlation With Strategic Plan	Rational for Proposing Audit
South Florida Water Management District **Office of Inspector General** **Audit Plan for Fiscal Year 2007**		
Carryover Audits From 2006		
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.
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.

				South Florida Water Management District	
				Office of Inspector General	
				Audit Plan for Fiscal Year 2007	
Program	**Resource Area**	**Dept/Division**	**Title of Audit**	**Background**	**Objectives**
Proposed New Audits - 2007					
All Programs	**All Resource Areas**	**All Departments & Divisions**	**Validation of Legislative Sunset Review Report**	The State Legislature passed the Government Accountability Act, HB1123 (Sunset Law) during the 2006 Legislative Session. The bill established a Legislative Sunset Advisory Committee to review water management districts on July 1, 2008 to determine whether water management districts should be abolished effective June 30, 2009. The Sunset Law requires water management districts to submit a report to the Advisory Committee by January 1, 2007 that must include information covering 17 items. The law also requires that the report be validated by the Governing Board and the agency's inspector general.	We will verify the information contained in the Sunset Advisory Committee report.
Acceler8 (CERP & Everglades)	**CERP**	**Acceler8 Project Office**	**Audit of Compliance With Acceler8 Construction Management Procedures**	The Acceler8 Project Office developed a Construction Management Manual outlining the processes and procedures for District staff and contract workers to follow for monitoring Acceler8 projects. At management's request, our Office reviewed the procedures and found them to be good strong controls. However, we determined that an audit should be performed periodically to ensure that the controls are adhered to.	We will determine whether Acceler8 projects are being managed in accordance with the procedures outlined in the Acceler8 Construction Management Manual.
CERP / Everglades	**CERP**	**Finance & Administration**	**Audit of Certificates of Participation (COPs)**	The District is funding the Acceler8 program with bond issues. The Acceler8 Program is an accelerated process for implementing critical CERP and Everglades Forever Act(EFA) projects. The EFA Act authorizes the District to assessed a separate .10 millage to be used exclusively for the EFA. However, the EFA .10 millage revenues will be used for bond debt service. Hence it is important that the District insure that EFA funds used for debt service are associated with bond proceeds used for EFA projects.	We will ensure that EFA revenues used for debt service are associated with bond proceeds used for EFA projects and that such proceeds are expended only on EFA projects.
CERP / Everglades	**CERP**	**All CERP Departments, Finance and Administration, & Procurement**	**Audit of Construction Management (CM) at Risk Contracts**	The District is entering into large CM at Risk contracts for CERP projects. These type contracts entail time & material billings.	We will determine that contract charges are billed in accordance with contract terms.

Title of Audit	Correlation With Strategic Plan	Rational for Proposing Audit
South Florida Water Management District Office of Inspector General Audit Plan for Fiscal Year 2007		
	Proposed New Audits - 2006	
Validation of Legislative Sunset Review Report	Statutory requirement	Statutory requirement
Audit of Compliance With Acceler8 Construction Management Procedures	Acceler8 is one of the top priority programs in the Strategic Plan.	Over the next several years the District will expend approximately $2 billion on the Acceler8 projects. A majority of this amount will be expended for construction. Thus, management needs assurance that the established procedures are being adhered to.
Audit of Certificates of Participation (COPs)	Acceler8 is one of the top priority programs in the Strategic Plan.	The first bond issuance is projected during September 2006. Performing this audit in FY 2007 will provide management with the information necessary to make any necessary adjustments in the accounting process in a timely manner.
Audit of Construction Management (CM) at Risk Contracts	Acceler8 is one of the top priority programs in the Strategic Plan.	CM at risk contract billings are based on time and material with a not-to-exceed cap. This creates the risk of overcharges to the District.

	South Florida Water Management District				
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Program	Resource Area	Dept/Division	Title of Audit	Background	Objectives
CERP	CERP	All CERP Departments & Finance and Administration	Audit of CERP Non-Federal Costs Incurred by Other Organizations	CERP Program costs are to be shared 50/50 with Federal and Non-Federal funds. Organizations other than the District may be providing assets and other resources directly to the project, which may not be reflected in the District's accounting records.	We will assess the process for identifying and requesting in-kind credit for CERP costs Incurred by other organizations.
Mission Support	Corporate Resources	Procurement	Audit of the General Engineering Services (GES) Contract	Approximately two years ago the District implemented a new procurement strategy to expedite the process for acquiring engineering services while also maintaining competitiveness and spreading work among qualified firms.	We will examine the General Engineering Services (GES) contract to assess whether the process is achieving the following objectives:: (1) Promotes competition (2) Results in hiring firms qualified to perform the work. (3) Spreads the work around among qualified firms.
Mission Support	Corporate Resources	Information Technology	Audit of the Information Technology Department	The Information technology Department supports a significant portion of the District's technological Infrastructure. IT is under the Corporate Resources Area and is predominately part of the Mission Support program.	We will review all IT activities from a business perspective to determine whether the various IT activities adequately support the District's programs.
Mission Support	Corporate Resources	Executive Office, & Finance and Administration	SAP Post Implementation Review	On June 5, 2006 the District went live with the new SAP information management system. We plan to engage an outside firm with SAP auditing experience to assist us with this audit.	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.

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Title of Audit	**Correlation With Strategic Plan**	**Rational for Proposing Audit**
Audit of CERP Non-Federal Costs Incurred by Other Organizations	The CERP Program will consume the largest portion of the District's resources over the next five years.	Proper accounting is imperative to ensure that in-kind credit is received for all cost eligible towards the 50% non-federal share.
Audit of the General Engineering Services (GES) Contract	The procurement process supports all programs.	Aggressive project time tables necessitate expediency in the procurement processes. The audit will determine whether the GES contract strategy is achieving agility in the procurement process while maintaining a competitive environment, resulting in engaging qualified firms, and spreading the work around.
Audit of the Information Technology Department	Information Technology activities are included in the Strategic Plan under Mission Support.	The Information Technology Department completed a major organization restructuring about two years ago. The audit will help determine whether the new organization structure adequately supports the District's programs.
SAP Post Implementation Review	Implementing the SAP system was one of the strategic priorities identified in the Strategic Plan.	In order to determine the success of a project, the performance of new systems should be evaluated. The Post-Implementation Review will help determine whether the project met its objectives and, further will evaluate the development and management process that supported the project. This review will also help determine whether the technology or change of work practice investment is yielding the expected benefits to the District.

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Program	Resource Area	Dept/Division	Title of Audit	Background	Objectives
On-Going Audit Projects					
Acceler8 (CERP & Everglades)	CERP	**Acceler8 Project Office**	**Quarterly Review of Acceler8 Expenditures**	The Acceler8 program is a strategy designed to expedite the implementation of key CERP projects. The estimated cost is approximately $2 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 quarter to determine that they are properly reviewed and that payments are in accordance with contract provisions.
Acceler8 (CERP & Everglades)	CERP	**Acceler8 Project Office**	**Quarterly Review of Acceler8 Cost Estimates**	An accounting firm was engaged in FY06 to examine the changes in Acceler8 cost estimates. The Governing Board desires for an independent review of future changes in the cost estimates.	We will review changes in Acceler8 cost estimates to determine whether cost increases are necessary, reasonable, and justified.
Mission Support	Corporate Resources	**Procurement**	**Quarterly Monitoring of the SBE Program**	The rule establishing the SBE Program became effective July 26, 2006. The program's objective is to enhance opportunities for small businesses to provide goods and services to the District.	We will monitor the SBE Program participation to determine whether the program is generating results.
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 FY07 to audit but we will not announce in advance which quarter(s) 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 pervious audit findings and recommendations.	We will verify that recommendations in prior audit reports have been appropriately implemented in a timely manner.

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Title of Audit	Correlation With Strategic Plan	Rational for Proposing Audit
	On-Going Audit Projects	
Quarterly 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.
Quarterly Review of Acceler8 Cost Estimates	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.	The Governing Board desires for the IG to examine future changes in the cost estimates subsequent to the cut-off date of the audit being performed by the accounting firm.
Quarterly Monitoring of the SBE Program	Procurement activities are included in the Strategic Plan under Mission Support	The SBE program is a new approach to facilitate the Governing Boards initiative of spreading the District's work around among the South Florida business community. Monitoring the program during the implementation phase will help in identifying issues and making any necessary adjustments early-on.
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 that 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 G*overnment Auditing Standards* and the District's *Internal Audit Charter*.

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Program	Resource Area	Dept/Division	Title of Audit	Background	Objectives
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. We will review each complaint to assess its validity.
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 as needed basis.	As specified in the Inspector General Act & District Policy (Internal Audit Charter)
Administrative Projects					
N/A	N/A	N/A	Continuing Professional Education	Our staff is required to complete continuing professional education (CPE) to maintain professional licenses and certifications. We are also required to complete at least 24 hours of governmental CPE every 3 years.	Complete Required CPE courses.
N/A	N/A	N/A	Peer Review	The Office of Inspector General's last Peer Review was performed in FY 2004. Florida Statutes require us to adhere to Government Auditing Standards established by the U.S. Government Accounting Office (GAO). Such standards require a peer review be performed every three years.	Perform a peer review of the Inspector General Office in accordance with the professional standards. We plan to have the peer review performed through the Association of Local Governmental Auditors (ALGA) peer review program.

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Title of Audit	Correlation With Strategic Plan	Rational for Proposing Audit
Whistle-Blower Act Complaints	N/A	The IG is responsible for performing investigations per Section 20.055, F. S., and the District's *Internal Audit Charter.*
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.
	Administrative Projects	
Continuing Professional Education	N/A	N/A
Peer Review	N/A	N/A