



Audit of CERP Cost Share

Project #20-11

Prepared by
Office of the Inspector General

J. Timothy Beirnes, CPA, Inspector General
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SOUTH FLORIDA WATER MANAGEMENT DISTRICT

November 10, 2021

Governing Board Members

Re: Audit of CERP Cost Share
Project No. 20-11

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. Our objectives primarily focused on determining the District requests credit for all eligible CERP design and construction related expenses and whether adequate supporting documentation is maintained for such expenditures. Jankie Bhagudas and I prepared this report.

Sincerely,

A handwritten signature in blue ink, reading "J. Timothy Beirnes".

J. Timothy Beirnes, CPA
Inspector General

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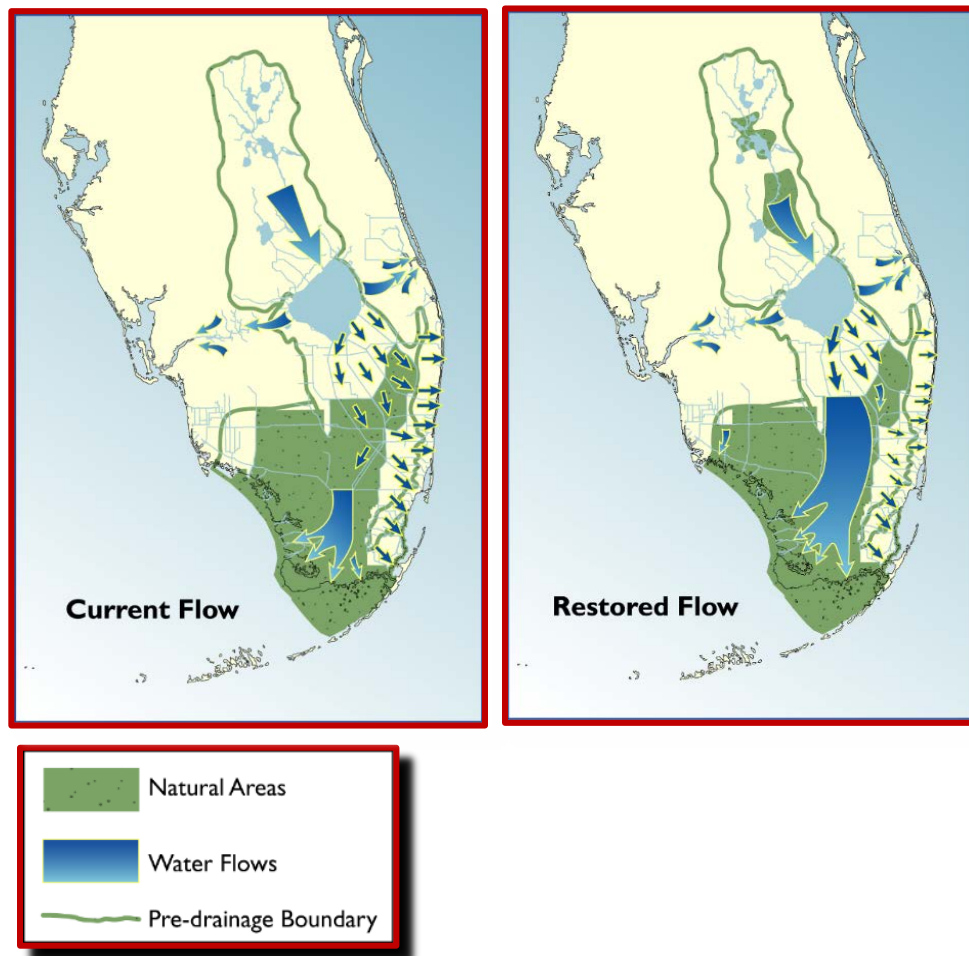
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BACKGROUND

In accordance with the Office of Inspector General's Audit Plan, we conducted an Audit of CERP Cost Share.

In 2000, the U.S. Congress authorized the Comprehensive Everglades Restoration Plan (CERP) as a conceptual framework for modifications and operational changes to the Central and Southern Florida Project Flood Control and Other Purposes (C&SF Project) under Title VI, Section 601 of the Water Resources Development Act (WRDA) of 2000. WRDA 2000 integrated ongoing Federal and State projects and activities. CERP is the largest aquatic ecosystem restoration effort in the nation, covering 16 counties over an 18,000 square mile area. CERP's objective is to restore the quantity, quality, timing and distribution of water for the natural system while continuing to provide flood control and water supply for millions of people. Specifically, the goal of CERP is to capture fresh water that now flows unused to the ocean and the gulf and redirect it to areas that need it most. Most of the water will be devoted to environmental restoration; the remaining water will benefit cities and farmers by enhancing water supplies for the south Florida economy.

The pre-CERP flow and restored flow after completion of CERP projects are illustrated below.



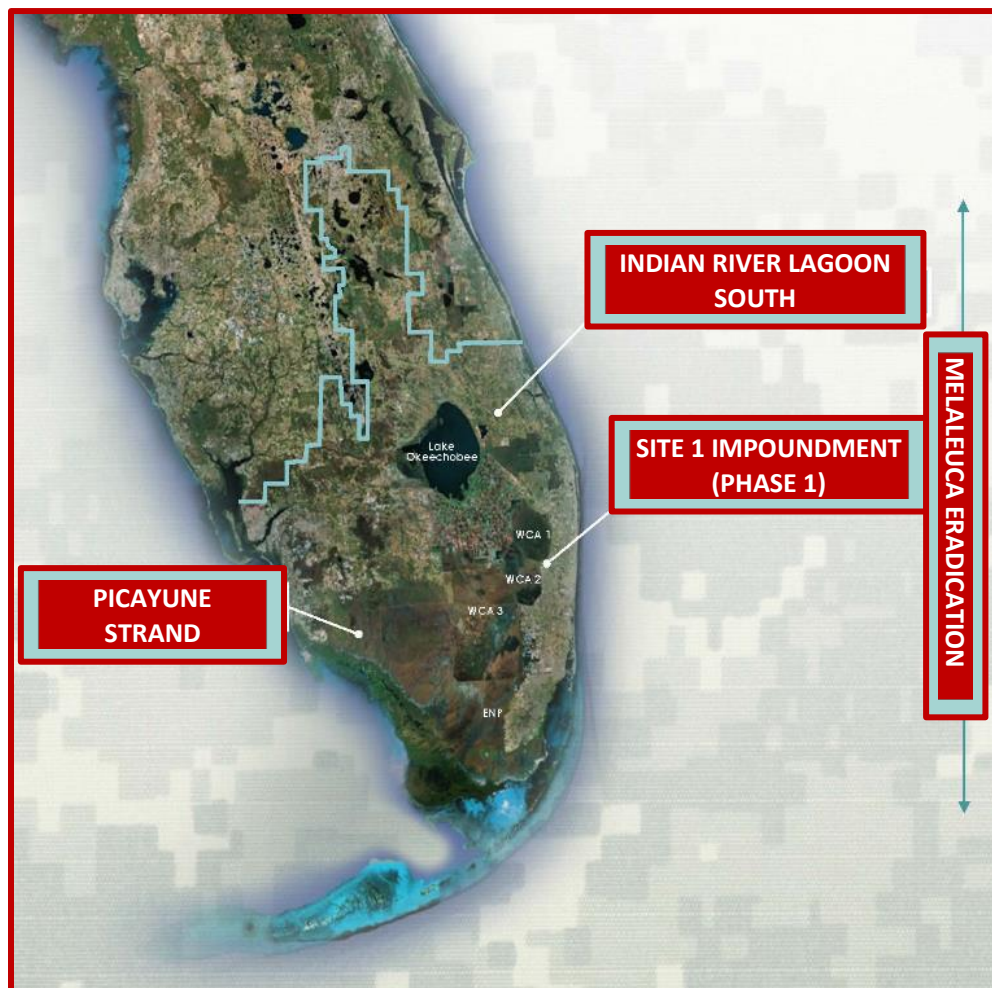
CERP includes more than 68 components covering storage, STAs for water quality, seepage management, removal of flows barrier, and revised operations. Further, WRDA 2000 authorized a 50-50 cost shared partnership for all project phases between the U.S. Army Corps of Engineers (USACE) and the State of Florida, with the South Florida Water Management District (District) acting as the Non-Federal Local Sponsor on behalf of the state. Cost shared costs include land acquisition and related expenses; design including programmatic expenses and construction related expenses; and operation, maintenance, repair, replacement, and rehabilitation (OMRR&R) costs.

Several CERP projects were authorized by the following:

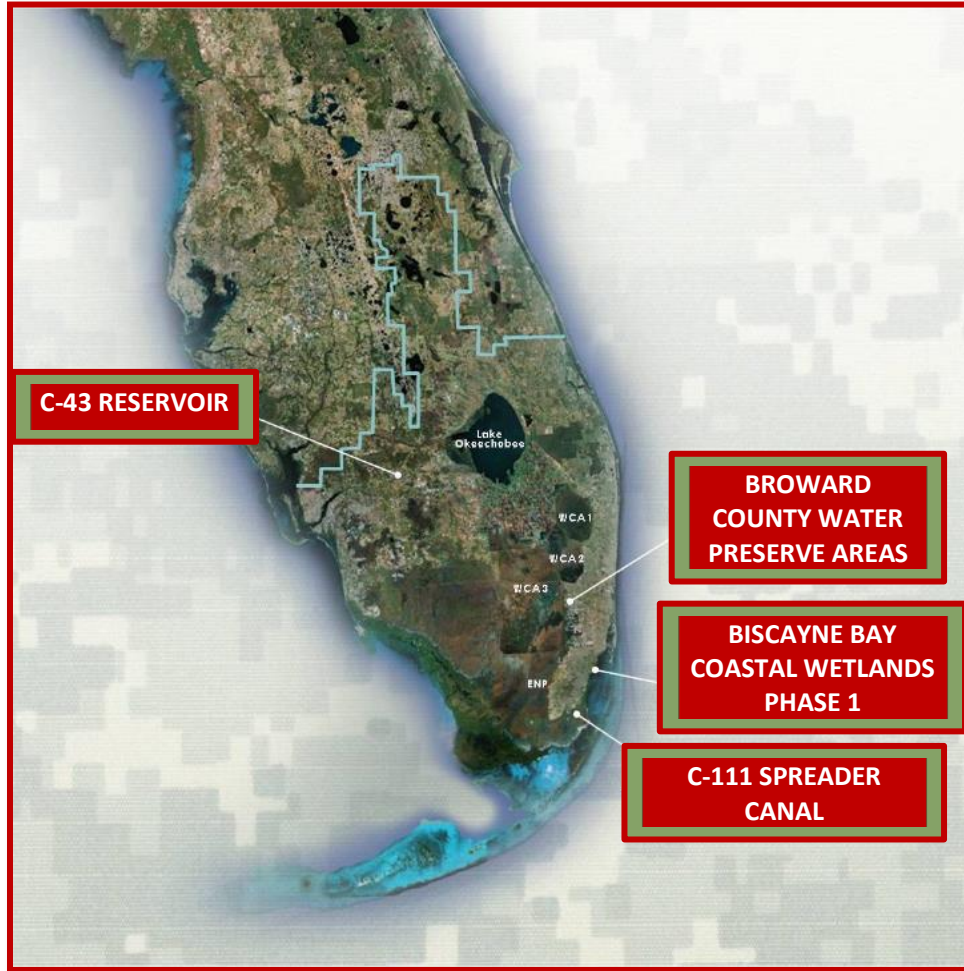
- WRDA 2007 (Generation 1 projects)
- WRDA 2014 (Generation 2 projects)
- WRDA 2016 (Central Everglades Planning Project)

The projects are illustrated in the following maps and descriptions.

CERP Projects Authorized by WRDA 2007 (Generation 1 Projects)



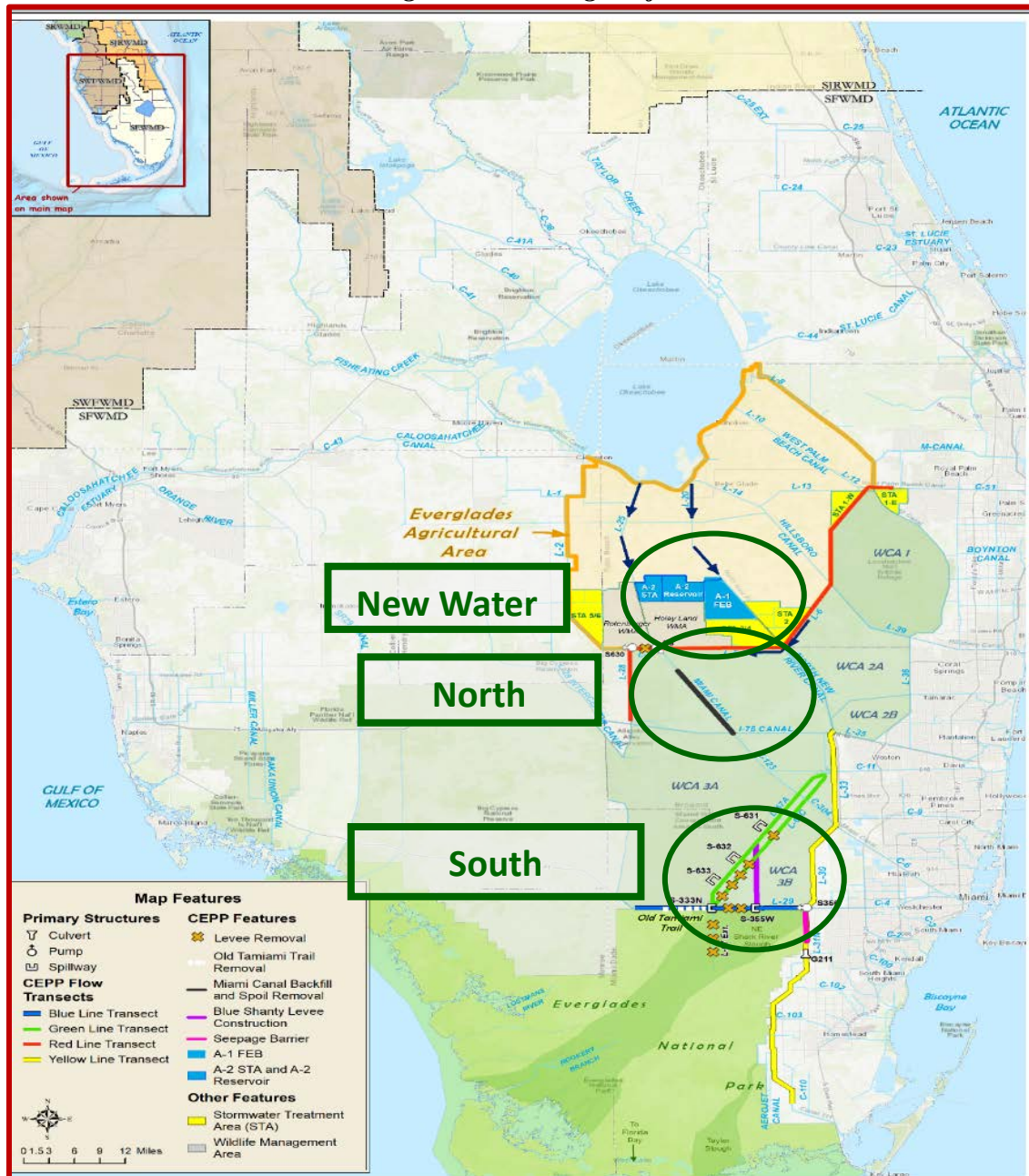
CERP Projects Authorized by WRDA 2014 (Generation 2 Projects)



The Central Everglades Planning Project (CEPP): Congress authorized CEPP, a critical component of CERP, in WRDA 2016; which was subsequently modified by the CEPP Post Authorization Change Report (PACR) and amended in WRDA 2018. CEPP implements six CERP components to accomplish the restoration objectives by improving the quantity, quality, timing, and distribution of water flows to Water Conservation Area 3, Everglades National Park, and Florida Bay. The project also provides ancillary benefits by reducing undesirable regulatory discharges to the St. Lucie and Caloosahatchee estuaries, while increasing water supply for municipal and agricultural users and maintaining flood protection. CEPP is comprised of three separate phases: North, South, and New Water. Congress authorized WRDA 2018 to include the

Everglades Agricultural Area (EAA) Reservoir, which is a part of CEPP. In July 2020, the District and USACE entered into a 50-50 PPA cost share agreement to fund the South phase that will move water south to Everglades National Park.

Central Everglades Planning Project Phases



Summary of CERP Design Agreement, Master Agreement, Pre-Partnership Credit Agreement, and Project Partnership Agreement

The USACE and District entered a CERP Design Agreement and a CERP Master Agreement which govern the terms and conditions of the 50-50 cost share. In addition, Pre-Partnership Credit Agreements (PPCA) and Project Partnership Agreements (PPA) between the USACE and District are required for Work-In-Kind (WIK) credit consideration. These agreements are summarized below.

Design Agreement: Costs are Credited as Incurred Subject to USACE Review and

Approval: The Governing Board approved and executed a design agreement¹ between the District and the USACE in 2000. The agreement provides uniform terms and conditions for all phases of planning and design for CERP projects. Further, the agreement provides for allowing credit to the District for reasonable costs for work performed in connection with a study, preconstruction engineering and design, or construction, for work completed during the design period. There have been two amendments to the initial design agreement.

- Amendment Number One: Executed on July 29, 2004, to add Melaleuca Eradication and Other Exotic Plants – Implement Biological Controls Project.
- Amendment Number Two: Executed by both parties in August 2009, to incorporate elements of WRDA 2000 for efficient management of project credit and cost sharing requirements. It also incorporates cost sharing requirements contained in the Master Agreement and requires monitoring total design and construction contributions to ensure that the District's combined contributions equal its 50 percent proportionate share for projects implemented under CERP.

¹ *Design Agreement Between the Department of the Army and the South Florida Water Management District for the Design of Elements of the Comprehensive Plan for the Everglades and South Florida Ecosystem Restoration Project*

The USACE provides Work-In-Kind (WIK) credit to the District as costs are incurred subject to the USACE's review and approval for the following design related activities:

- Planning and Project Implementation Report development
- Detailed design, plans, and specification
- Adaptive assessment and monitoring
- Implementation of pilot projects and physical models
- Program level activities which includes program and data management, reporting, public involvement and outreach, Restoration Coordination and Verification (RECOVER), Interagency Modeling Center, and programmatic regulation activities

Master Agreement: Costs are Eligible for Credit after Execution of a Project Partnership Agreement Subject to USACE Review and Approval: The Governing Board approved and executed the Master Agreement² between the District and the USACE in 2009. This agreement was implemented to promote uniform terms, ease of administration, and efficiency in project execution for future project partnership agreements. It allows for joint decisions on key issues and joint development and approval of CERP documents and schedules. The Master Agreement is incorporated by reference in individual Project Partnership Agreements to address costs that typically apply to all projects; such as, land acquisition and related costs, rights-of-ways, relocations, disposal areas, construction management and monitoring during construction, and operation, maintenance, repair, replacement, and rehabilitation (OMRR&R) for individual projects under CERP. WIK credit requests are evaluated by the USACE pursuant to the Master Agreement, which covers the following:

² *A Master Agreement Between the Department of Army and the South Florida Water Management District for the Cooperation in Constructing and Operating, Maintaining, Repairing, Replacing, and Rehabilitating Projects Authorized to be Undertaken Pursuant to the Comprehensive Everglades Restoration Plan*

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- **Pre-Partnership Credit Agreement (PPCA):** WRDA 2007 authorized the Secretary of the Army to provide credit for construction costs prior to the execution of a PPA. Congressional authorization and appropriation of specific funds are required before the District and the USACE can enter a PPA. Costs are eligible for credit only after a PPA has been executed. In cases where the District intends to undertake construction prior to the execution of a PPA, the District must enter a PPCA with the USACE prior to the commencement of any work to ensure future consideration for WIK credit if the work is determined to be integral to the authorized CERP project. The USACE defers PPCA cost approvals since the USACE grants eligible WIK credit only after a PPA is executed. Further, it should be noted that it takes several years for a CERP project to be authorized; for example, a Selected Plan and a Project Implementation Report must be approved before the District and USACE can execute a PPCA.
 - **Project Partnership Agreement (PPA):** PPAs incorporate terms and conditions of the Master Agreement. A PPA details the obligations of the District and the USACE to construct, operate, maintain, repairs, replace, and rehabilitate an authorized CERP project. The USACE reviews and approves WIK credit requests pursuant to individual executed PPAs.

The executed PPCAs and PPAs are listed in the following table.

Executed Pre-Partnership Credit Agreements and Project Partnership Agreements	
Project	Execution Date
Pre-Partnership Credit Agreements	
Picayune Strand Restoration – PPCA #1	August 13, 2009
Picayune Strand Restoration – PPCA #2	March 23, 2015
C-111 Spreader Canal Western	August 13, 2009
Biscayne Bay Coastal Wetlands	August 13, 2009
Indian River Lagoon South	August 13, 2009
Caloosahatchee River (C-43) West Basin Storage Reservoir – PPCA #1	August 13, 2009
Caloosahatchee River (C-43) West Basin Storage Reservoir – PPCA #2	June 25, 2015
Central Everglades Planning Project 3 PPCAs	May 19, 2016 – February 27, 2020
EAA Reservoir	May 29, 2020
Project Partnership Agreements	
Picayune Strand Restoration	August 13, 2009
Site 1 Impoundment – Phase 1	June 10, 2010
L-31N (L-30) Seepage Management Pilot (<i>Project will not be constructed</i>)	July 29, 2010
Melaleuca Eradication and Other Exotic Plants – Implement Biological Controls	July 30, 2010
Indian River Lagoon South - Phase 1 <i>plus</i> Amendment #1 to include additional construction	September 9, 2010, August 13, 2014
Caloosahatchee River (C-43) West Basin Storage Reservoir	June 2, 2016
Broward County Water Preserve Areas	August 25, 2016
Biscayne Bay Coastal Wetlands Phase 1	August 25, 2016
Central Everglades Planning Project – South Phase	July 27, 2020

In addition, based on the Master Agreement, the District can carry over WIK credit between authorized projects. The District will be required to make cash contributions annually to the USACE to maintain the 50-50 cost share balance, if necessary; and the USACE will be required to provide cash reimbursement to the District upon completion of the entire CERP program to balance the 50-50 cost share, if necessary.

**WIK Credit Request Guidance–
CERP Guidance Memorandum (CGM-037-01)**

CERP Guidance Memorandum (CGM-037-01), dated July 26, 2007, is one of the tools providing guidance for submission, review, and approval for Work-In-Kind (WIK) credit requests for project implementation reports and programmatic activities detailed in the Design Agreement between the USACE and the District. It also includes eligible and ineligible design activities, and describes the WIK certification process. It does not address certification of construction, real estate costs, and Acceler8 design and construction efforts (there is no guidance memoranda for these costs).

Project Authorization Process

District real estate and construction expenditures are not eligible for cost share credit until a PPA is executed. The process leading to achieving an executed PPA has been a lengthy process. This process is illustrated in the Appendix. The CERP project planning process generally takes place over several years and leads to the development of, among other documents, a Project Management Plan, a Final Project Implementation Report, and a Chief of Engineers' Report. The Chief of Engineers' Report is submitted to the Assistant Secretary of the Army for Civil Works for review, then to the Office of Management and Budget, and then on to Congress for authorization (in a WRDA). After Congress authorizes a project for construction and subsequently appropriates funding for construction, the USACE is then authorized to enter into a Project Partnership Agreement with the District, after which construction on the project can begin. The District's pre-PPA construction and real estate expenditures related to the authorized project then become eligible for credit, provided a PPCA was executed for the project.

Cost Share Eligibility by Expenditure Type

CERP project expenditures are categorized and tracked by six types, as reported by the USACE in the CERP Summary and Annual Expenditures Report, based on the Design Agreement:

Direct project expenditures including:


- 1) Real Estate, *eligible after PPA executed*
- 2) Design, *eligible after submission to, and approval by USACE*
- 3) Construction, *eligible after PPA executed*
- 4) Supervision and Administration, *type used by USACE only*

Indirect programmatic expenditures are eligible under the Design Agreement after submission and approval by the USACE, including:

- 5) Adaptive Assessment and Monitoring, and
- 6) Program Level Activities.

According to the Master Agreement, land purchases and construction expenditures are only eligible for credit towards the District's cost share subsequent to the date the PPA is signed, and the amounts are reviewed and approved by the USACE. Under the Design Agreement, District Work In-Kind credits for design and programmatic expenditures are eligible for credit towards the cost share as they are incurred, submitted to, and approved by the USACE. A pre-partnership credit agreement allowed under WRDA 2007, may allow the USACE to grant the District credit for construction expenditures incurred prior to a PPA if the expenditures are determined by the Secretary of the Army to be integral to the authorized CERP project and that the proposed work complies with the various requirements of the Agreement, but such expenditures will be considered for credit only after a PPA has been executed for the project.

The following table summarizes CERP cost share eligibility:

Cost-Sharing	Agreement	Activity	Eligible Projects	Eligible Costs - 50/50	
					
				Non-Federal	Federal
Shared Across Design & Authorized	Design	Program & Design	All Projects – Authorized & Unauthorized	<ul style="list-style-type: none"> • Expenditures – Approved & not yet approved • Contractual obligations -not yet expended 	<ul style="list-style-type: none"> • Expenditures • Contractual obligations- not yet expended
	Master Agreement & DDAC	Construction	Authorized Projects Only	<ul style="list-style-type: none"> • Expenditures Approved & not yet approved • Contractual obligation -not yet expended 	<ul style="list-style-type: none"> • Expenditures • Contractual obligations- not yet expended
		Land	Authorized Projects Only	<ul style="list-style-type: none"> • Estimated value of land interests – Approved & Not yet approved • Future Land Purchases - Estimated value of land interests to be provided during period of construction 	<ul style="list-style-type: none"> • District Land Purchases with Federal Grants Funds - Actual costs paid by Federal government • Estimated value of land interests - provided by Federal agency
		Cash	All Projects	<ul style="list-style-type: none"> • Cash Contributions – if needed to balance cost-share annually 	Cash Reimbursement - upon completion of entire CERP program if necessary to balance cost-share.

District and USACE CERP Expenditures and Obligations

The District and USACE expenses and obligation total over \$4 billion, as of December 31, 2019, based on a District spreadsheet tracking all CERP expenses. The costs are summarized in the table below.

District's Summary of District and USACE Investment in CERP Projects Expenditures and Obligations - October 1, 2000 to December 31, 2019 <i>(See Note)</i>			
Project Phase	District	USACE	Total
Design	\$ 595,250,529	\$ 676,783,965	\$ 1,272,034,494
Construction	\$ 597,000,083	\$ 615,783,934	\$ 1,212,784,017
Real Estate	\$ 1,354,779,651	\$ 220,593,929	\$ 1,575,373,580
Total	\$ 2,547,030,263	\$ 1,513,161,828	\$ 4,060,192,091
Cost Share Percentage	63%	37%	100%

Note: As part of our audit tests, we verified the District's design and construction amounts. We found some discrepancies, which are detailed in the section of our report titled – Overstated and Understated CERP Project Costs on District Cost Tracking Spreadsheet. We did not verify the District real estate amounts since it was not in our audit scope. In addition, we did not audit any USACE amounts.

Based on the most recent District spreadsheet tracking all CERP expenses, District and USACE expenses and obligation total almost \$4.7 billion, as of June 30, 2021. The costs are summarized in the table below.

District's Summary of District and USACE Investment in CERP Projects Expenditures and Obligations - October 1, 2000 to June 30, 2021 <i>(See Note)</i>			
Project Phase	District	USACE	Total
Design	\$ 670,594,033	\$ 767,337,366	\$ 1,437,931,399
Construction	\$ 989,958,115	\$ 723,994,078	\$ 1,713,952,193
Real Estate	\$ 1,292,066,203	\$ 217,606,229	\$ 1,509,672,432
Total	\$ 2,952,618,351	\$ 1,708,937,673	\$ 4,661,556,024
Cost Share Percentage	63%	37%	100%

Note: We did not verify the District's updated design and construction amounts since we performed detailed tests of the latest amounts available as of December 31, 2019, when audit fieldwork phase of our audit commenced.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective primarily focused on determining whether the District requests credit for all eligible CERP design and construction related expenses and whether adequate supporting documentation is maintained for such expenditures. The audit does not include costs related land acquisitions, easements, rights-of-way, relocations, and disposal areas since such cost are claimed using a different process and will be addressed in a separate audit project. The Finance Bureau submits construction and design related expenses for WIK credit while the Real Estate Division submits land acquisition related expenses for credit.

To accomplish our objectives, we performed the following:

- Obtained an understanding of the credit request process for CERP design and construction related expenses by interviewing Finance Bureau and other relevant District staff.
- Determined whether the District has an effective process in place to ensure that WIK credit is requested for all eligible CERP design and construction expenses.
- Independently generated semi-annual/annual SAP Business Warehouse CERP design and construction expense reports used to prepare WIK credit requests for Fiscal Years 2010 – 2018. Compared audit generated reports to USACE WIK credit determinations and District expenses submitted to USACE awaiting review and approval. In instances where discrepancies were identified, we obtained explanations from Finance Bureau staff.
- Determined whether District semi-annual/annual design and construction WIK costs approved by the USACE are accurately reported on USACE Master Spreadsheet,³ as of December 31, 2019 and other subsequent updated spreadsheets.

³ SFWMD Report CERP Annual Expense Report 2020 thru December 2019. Data is maintained on an excel spreadsheet by the USACE that is revised monthly to reflect updated USACE and District expenditures. The spreadsheet includes the following: 1) summarized and 2) detailed annual project expenses categorized by expense type (design, construction, real estate, program, and feasibility). It also includes the status of District WIK requests (requested pending review, approved, and deferred).

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- Determined whether the District resolved expenses USACE disallowed / disputed WIK expenses, as of September 30, 2018.
 - Determined whether District design and construction expenses are accurately reflected on the Budget Bureau's Summary of District and USACE Investment for CERP Projects – Expenditures and Obligations (District spreadsheet),⁴ as of December 31, 2019.

In addition, we selected a judgmental sample of various expenses on the SAP Business Warehouse design and construction reports and determined whether the District maintains adequate supporting documentation. Judgmental sampling was considered the preferred methodology based on consideration of the audit population's size and characteristics, as well as audit efficiency and professional judgment. Although the sample cannot be statistically projected to the population, we believe the sample, along with the results of the audit tests, provide reasonable assurance for us to determine whether there are adequate controls in place.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁴ An excel spreadsheet maintained by the Budget Bureau, which summarizes District and USACE by expenditures and obligations by project and expense type (design, construction, and real estate).

AUDIT RESULTS

Executive Summary

Overall, the District has an adequate process in place to ensure that eligible CERP design and construction expenses are submitted to the USACE for WIK credit and the District maintains sufficient documentation to substantiate claimed expenses. In addition, the status of District WIK credits are mostly accurate on the USACE's and District's tracking spreadsheets; however, we noted some exceptions. Specifically, our audit revealed the following:

- Unclaimed Expenses: We identified approximately \$1.6 million of eligible CERP design and construction related expenses which have not been submitted for WIK credit. Most of the unclaimed expenses were classified as special period expenses (i.e., fiscal year-end closing adjustments) that were not included in the WIK credit requests. The last understated claims due to special period expenses occurred in Fiscal year 2013; thus, it appears that this issue has been resolved for subsequent years.
- Disallowed/Disputed Expenses: Approximately \$10.7 million in CERP design and construction expenses submitted for WIK credit were disallowed, disputed, or deferred. Many of these expenses may still be creditable; however, these expenses require the District to research the various issues and resolve them with the USACE.
- Inadequate Supporting Documentation: Approximately \$3.7 million in claimed WIK credit remains unresolved due to inadequate supporting documentation.
- Erroneous Expense Reduction: Approximately \$1.8 million expense reduction was erroneously included in a WIK credit request for an insurance refund that was not CERP related.
- District & USACE Spreadsheet Tracking Differences: Our audit procedures included reconciling the District's design and construction related expenses indicated on the District spreadsheet to the USACE's spreadsheet project totals for the period October 2000 to December 31, 2019. The reconciliation revealed

that the District's spreadsheet total expenses were understated by a net amount of approximately \$25.4 million.

These issues are summarized in the following table.

Status	Summary of CERP Cost Share Expense Issues	
	Unclaimed Expenditures Fiscal Years 2010 - 2018	
Unclaimed	Design and construction related expenditures	\$ 1,585,292
	Disallowed/Deferred Expenditures by the USACE as of September 30, 2020	
Disallowed/ Disputed	Requires District research/resolve and consultation with USACE	\$ 2,359,740
Approved but Deferred	Mostly expenses approved by the USACE for WIK credit but reflected as deferred on the USACE spreadsheet; thus, not included in cost share total	\$ 8,372,596
Insufficient Documentation	District CERP and Acceler8 expenses disallowed / disputed / deferred by USACE that the District cannot resolve due to lack of adequate District supporting documentation	\$ 3,714,203
Expense Credit Error	WIK erroneous expense reduction (credit) for EAA Reservoir Phase 1	\$ 1,760,465
	Total Disallowed/Deferred Expenditures	\$ 16,207,004
	Understatements on District Cost Share Tracking Spreadsheet, October 1, 2000 – December 31, 2019	
Spreadsheet Tracking Differences	Net District understated expenses on District tracking spreadsheet due to District oversight	\$ 25,364,504

It is important that CERP design and construction costs on the USACE's master sheet are accurate since these costs are used by the USACE to determine the cost amount and percentages, and any cash payments due. Further, extra efforts should be taken by the Budget Bureau to ensure that the District tracking spreadsheet amounts are accurate as the costs are used by management as a cost tracking tool.

We made eight recommendations to improve the reporting and tracking of District CERP design and construction related expenses.

Process in Place to Ensure WIK Credit is Claimed for CERP Design and Construction Related Costs

Overall, the District has an adequate process in place to ensure that eligible CERP design and construction expenses are submitted to the USACE for WIK credit; however, a few minor exceptions were noted. Further, we concluded that the District maintains sufficient documentation to substantiate claimed expenses; for example, detailed SAP expense reports and vendor payment information which are maintained in the District's Documentum database.

Several procedures have been established to ensure that CERP WIK credit requests submitted to the USACE include all eligible expenses. Project managers are essential for ensuring expenses submitted for credit are related to their projects. In addition, project managers ensure that employees working on CERP related activities charged time worked to CERP project activities codes since WIK credit for internal labor costs can only be requested if internal labor hours are charged to CERP project activities. In addition, the Finance Bureau initiates the credit request process, coordinates with project managers, and ensures requests are submitted to the USACE. Specifically, some of the Finance Bureau's responsibilities regarding WIK credit requests are as follows:

- Generates detailed separate reports for monthly CERP design and construction expenses (Validation Reports) for each project using specific SAP Business Warehouse queries which have been developed to ensure that all eligible design and construction expenses are captured. It should be noted that WIK credit requests are compiled based on several CERP guidance memorandums, which are discussed in detail in another section of this report; for example, Design Agreement, Master Agreement, Pre-Partnership Credit Agreement, Project Partnership Agreement, and CERP Guidance Memorandum (037-01).
- Forwards the expense reports to respective project managers to determine credit eligibility. The Finance Bureau also performs necessary research and adjustments.

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- Generates quarterly reports, performs necessary reconciliations, and submits to the USACE for preliminary approval. This step expedites the final semiannual / annual WIK credit submission and approval process.
 - Generates semi-annual/annual reports, determines additional expenses (e.g., direct asset purchases and vehicle usages), performs reconciliations and validations. The Finance Bureau summarizes expense data in the USACE specified format. District supervisors managing CERP projects, and their staff members, review and approve the reports before the Finance Bureau emails them to the USACE for WIK credit consideration. The USACE either approves, defers, or disallows the expenses. Expenses are deferred or disallowed for various reasons; for example, construction expenses for projects without executed PPAs can be submitted for credit; however, credit is deferred until a PPA is executed. In instances of disallowed/disputed expenses District staff works with the USACE to resolve all issues.

Unclaimed Design and Construction Related Expenses

Overall, our audit disclosed that the District requested WIK credit from the USACE for most eligible CERP design and construction related expenses; however, we found that an additional \$1,585,292 in unclaimed expenses incurred between Fiscal Year 2010 and Fiscal Year 2016 should be submitted to the USACE for WIK credit consideration. WIK credit was not claimed for various reasons. The unclaimed expenses are summarized in the following table and detailed in subsequent tables.

Summary of Unclaimed District CERP Design and Construction Expenses Fiscal Years 2010 - 2018		
WIK Credit Request Period	Design Expenses	Construction Expenses
FY 2010	\$ 172,967	\$ 1,209,027
FY 2011 – 3 rd – 4 th Q	\$ 86,558	
FY 2012	\$ 16,641	
FY 2013	\$ 62,227	
FY 2015 – 3 rd – 4 th Q	\$ 15,274	
FY 2016 – 1 st – 2 nd Q		\$ 22,598
Total	\$ 353,667	\$ 1,231,625
Total Unclaimed Expenses	\$1,585,292	

Specifically, we determined whether the District requested credit for all eligible design and construction related expenses by comparing design and construction SAP expense reports we generated to WIK credit requests submitted by the District to the USACE during Fiscal Year 2010 to Fiscal Year 2018. It should be noted that our initial review disclosed unclaimed expenses totaling more than \$1.5 million. The Finance Bureau adequately justified why certain unclaimed expenses were not eligible for WIK credit. Specifically, some expenses identified by our audit generated reports were also identified by Finance Bureau and determined to be not creditable during detailed reviews and discussions with project managers.

Our analysis of CERP design, program level activities, and feasibility studies activities expenses disclosed that the District requested WIK credit for \$128,474,240 in expenses; however, credit can be requested for an additional \$353,667 in design related expenses, as shown in the following table.

District Claimed and Unclaimed CERP Design, Program Level Activities, and Feasibility Studies Expenses Fiscal Years 2010 - 2018		
WIK Credit Request Period	District Expenses WIK Credit	Additional WIK Credit to be Claimed Based on Audit
FY 2010	\$ 22,324,945	\$ 172,967
FY 2011 – 1 st – 2 nd Q	\$ 8,598,547	-
FY 2011 – 3 rd – 4 th Q	\$ 9,394,223	\$ 86,558
FY 2012	\$ 9,050,520	\$ 16,641
FY 2013	\$ 10,676,702	\$ 62,227
FY 2014	\$ 9,035,502	-
FY 2015 – 1 st – 2 nd Q	\$ 3,532,992	-
FY 2015 – 3 rd – 4 th Q	\$ 4,095,355	\$ 15,274
FY 2016 – 1 st – 2 nd Q	\$ 3,374,252	-
FY 2016 – 3 rd – 4 th Q	\$ 7,005,634	-
FY 2017	\$ 15,673,800	-
FY 2018	\$ 25,711,768	-
Total	\$ 128,474,240	\$ 353,667

Our analysis of CERP construction activities expenses disclosed that the District requested WIK credit for \$312,415,204 in construction related expenses; however, credit can be requested for an additional \$1,231,625 in design related expenses, as shown in the following table.

District Claimed and Unclaimed CERP Construction Related Expenses Fiscal Years 2010 - 2018		
WIK Credit Request Period	District Expenses WIK Credit	Additional WIK Credit to be Claimed Based on Audit
FY 2010	\$ 28,811,340	\$ 1,209,027
FY 2011 1 st – 2 nd Q	\$ 14,336,399	-
FY 2011 3 rd – 4 th Q	\$ 19,972,052	-
FY 2012	\$ 11,424,106	-
FY 2013	\$ 7,217,021	-
FY 2014	\$ 1,778,629	-
FY 2015 1 st – 2 nd Q	\$ 2,473,646	-
FY 2015 3 rd – 4 th Q	\$ 31,933,268	-
FY 2016 1 st – 2 nd Q	\$ 11,521,842	\$ 22,598
FY 2016 3 rd – 4 th Q	\$ 39,099,097	-
FY 2017	\$ 85,021,030	-
FY 2018	\$ 58,826,774	-
Total	\$ 312,415,204	\$ 1,231,625

It should be noted that the indirect and fringe salary rates for WIK credit requests for Fiscal Years 2011, 2015, and 2016 were not calculated using approved rates for these fiscal years because the USACE approved rates were not available at the time the District requested credit. Instead, the Finance Bureau used the most recent approved rates available at the time. The approved rates for these rates were either slightly lower or higher than the rates used. We determined that the differences between the amounts

requested and the amounts that should have been requested were immaterial. Nevertheless, in instances where USACE approve rates are not available and the most recent approved rates are used, the Finance Bureau should monitor the expense differences for materiality and consider appropriate action.

According to the Finance Bureau, most of the unclaimed expenses were not submitted for WIK credit because the expenses were classified as special period expenses; i.e., expenses were adjusted after the end of the fiscal year, and were not included in the WIK credit request. Specifically, staff explained that during the early stage of SAP implementation, the transaction queries to determine CERP construction and design expenses did not capture any expense adjustments that occurred after the end of the fiscal year (referred to as 13th period expenses). As a result, certain expenses were not identified. Staff realized and corrected this issue in the expense query. Other expenses were not submitted for credit because the expenses were not creditable at the time WIK credit was requested. Our review disclosed that the last understated claims due to special period expenses occurred in Fiscal Year 2013; thus, it appears that this issue has been resolved. Since unclaimed District CERP expenditures result in lower District cost share amount, the District should expedite efforts to submit claims for the \$1,585,292 in unclaimed expenses identified in our audit.

Follow-up Required for USACE Disallowed and Deferred Expenses

Our audit disclosed that \$16,207,004 in CERP design and construction expenses submitted for WIK credit were disallowed/disputed or deferred by the USACE, as of September 2020. These expenses require further action by the District and/or the USACE to ensure that the District receives WIK credit for eligible expenses and the District expenses are correctly classified on the USACE's spreadsheet. Specifically, since the USACE spreadsheet is used to track District CERP approved, requested not approved, and deferred costs, we verified whether District expenses reflected on USACE's determination letters and other relevant back-up documentation spreadsheet were accurately reflected, and categorized, on the USACE spreadsheet, for the period Fiscal Year 2000 to 2018. We also researched the status of disputed costs, which are not reflected on the USACE spreadsheet. We discussed the results of our analysis with relevant Finance Bureau staff. Overall, the status of District CERP WIK credit requests were accurately reflected on the USACE spreadsheet; however, we found issues totaling \$16,207,004 that we classified in four categories, which are summarized in the following table, with further details in subsequent tables.

Issues with District CERP WIK Credit Requests Disallowed / Deferred by the USACE, as of September 30, 2020	
Expenses disallowed / disputed by USACE requiring the District to research / resolve and consult with the USACE	\$ 2,359,740
Expenses approved by the USACE for WIK credit but reflected as deferred on the USACE spreadsheet; thus, not included in cost share total. Plus, one instance where cost removed from the USACE spreadsheet that requires follow-up	\$ 8,372,596
District CERP and Acceler8 expenses disallowed / disputed / deferred by USACE that the District cannot resolve due to lack of adequate District supporting documentation	\$ 3,714,203
WIK erroneous expense reduction for EAA Reservoir Phase 1	\$ 1,760,465
Total	\$ 16,207,004

District CERP Related Expenses Disallowed / Disputed by USACE Requiring Research / Resolution, as of September 30, 2020			
FY / Quarter	Project Phase	Summary of Issues / Planned Finance Bureau Actions	Amount
Lake Okeechobee Watershed – P101			
FY 2011 3 rd – 4 th Q	Design	Water quality expenses disputed by the USACE in June 2015. <i><u>Finance Bureau's Response:</u> Will consult with project manager to determine creditability and resubmit the \$12,719 to USACE for WIK credit, if necessary.</i>	\$ 12,719
Caloosahatchee River (C43) West Storage Reservoir (P104)			
FY 2013	Design	USACE disallowed sampling for emergency storage. <i><u>Finance Bureau's Response:</u> Will consult with project manager to determine creditability and resubmit the \$2,977 to USACE for WIK credit, if necessary.</i>	\$ 2,977
Indian River Lagoon – P107			
FY 2012	Design	Initially, USACE disputed \$224,001. As of September 30, 2020, \$114,879 not approved. <i><u>Finance Bureau's Response:</u> Will consult with project manager to determine creditability and resubmit the \$114,879 to USACE for WIK credit, if necessary.</i>	\$ 114,879
FY 2012	Const	District's requested amount not approved, USACE concluded 79% of original expenses were creditable. Finance Bureau stated expenses were approved in February 2016; however, the approvals are not reflected on USACE's spreadsheet. <i><u>Finance Bureau's Response:</u> Will discuss with project manager to determine creditability and consult with USACE to obtain WIK credit for the \$402,796.</i>	\$ 115,706
FY 2013	Design		\$ 67,725
FY 2013	Const		\$ 153,174
FY 2014	Design		\$ 66,191

District CERP Related Expenses Disallowed / Disputed by USACE Requiring Research / Resolution, as of September 30, 2020			
FY / Quarter	Project Phase	Summary of Issues / Planned Finance Bureau Actions	Amount
WCA 3 Design and Sheetflow Enhancement – Part 1 – P112			
FY 2009	Design	USACE required explanations for salary expenses. Finance Bureau completed research; however, no further action was taken. <i><u>Finance Bureau's Response:</u> Will consult with project manager to resubmit the \$296,484 to USACE for WIK credit.</i>	\$ 296,484
FY 2012	Const	Finance Bureau needs to submit these expenses as design expenses; however, no action has been taken for resubmittal. <i><u>Finance Bureau's Response:</u> Will consult with project manager to resubmit the \$16,641 to USACE for WIK credit.</i>	\$ 16,641
Biscayne Bay Coastal Wetlands – P128			
FY 2009	Design	USACE required explanation for \$25,331 in equipment purchase. <i><u>Finance Bureau's Response:</u> \$15,035 is ready for submittal. Will consult with the project manager regarding the remaining \$10,296 and submit all necessary expenses to USACE for WIK credit.</i>	\$ 25,331
FY 2011 3 rd – 4 th Q	Design	District submitted costs as design costs; however, USACE determined that \$248,824 of the costs were construction related and deferred these costs until a PPA was executed. PPA was executed in August 2016. Finance Bureau did not resubmit these costs for credit, along with other construction costs submitted after the PPA was executed. <i><u>Finance Bureau's Response:</u> Will consult with project manager to resubmit the \$248,824 to the USACE for WIK credit.</i>	\$ 248,824

District CERP Related Expenses Disallowed / Disputed by USACE Requiring Research / Resolution, as of September 30, 2020			
FY / Quarter	Project Phase	Summary of Issues / Planned Finance Bureau Actions	Amount
Biscayne Bay Coastal Wetlands – P128			
FY 2012	Design	The USACE determined that \$170,736 of District design costs were engineering during construction costs and deferred these costs. A PPA was executed in August 2016. However, the costs are reflected as deferred on USACE spreadsheet, as of September 30, 2020. <i><u>Finance Bureau's Response:</u> Will consult with project manager to resubmit expenses to USACE for WIK credit.</i>	\$ 170,736
FY 2012	Const	District submitted credit requests totaling \$6,502,767. USACE deferred WIK credit since a PPA was not executed. A PPA was executed in August 2016. In November 2018, the USACE approved credit totaling \$6,484,665 (detailed in deferral table), disallowed \$1,793, and deferred \$16,309. As of September 30, 2020, all expenses are reflected on the USACE's spreadsheet as deferred. <i><u>Finance Bureau's Response:</u> Will consult with project manager to resubmit the \$16,309 in expenses to USACE for WIK credit.</i>	\$ 16,309
C-111 Spreader Canal – P129			
FY 2009	Design	Based on a letter dated December 2014, the USACE required additional data. Finance Bureau compiled the required data. The request was not resubmitted to USACE because the project manager has not reviewed and approved the expenses. <i><u>Finance Bureau's Response:</u> Will consult with project manager to resubmit the \$32,312 to USACE for WIK credit.</i>	\$ 32,312

District CERP Related Expenses Disallowed / Disputed by USACE Requiring Research / Resolution, as of September 30, 2020			
FY / Quarter	Project Phase	Summary of Issues / Planned Finance Bureau Actions	Amount
<i>C-111 Spreader Canal – P129</i>			
FY 2010	Design	As of September 2020, a PPA has not been executed for this project. As a result, District credit requests for construction costs are reflected as deferred on the USACE master spreadsheet. The USACE determined that the District submitted \$439,467 in construction costs as District design costs. As a result, the District should have resubmitted these costs as construction costs. However, we concluded that the District never resubmitted the costs for construction WIK credit. As a result, the USACE spreadsheet does not reflect the \$439,467 as deferred construction cost for Fiscal Year 2010. <i><u>Recommended Action:</u> District should take steps to ensure that the \$439,467 is resubmitted to the USACE for WIK construction credit.</i>	\$ 439,467
FY 2011 3 rd – 4 th Q	Design	The USACE did not approve \$292,229 in District expenses submitted for WIK credit. The USACE required additional information for \$5,743 and reclassified \$286,486 as construction costs (next page). <i><u>Finance Bureau's Response:</u> Will consult with project manager and resubmit the \$5,743 to USACE for WIK credit.</i>	\$ 5,743

District CERP Related Expenses Disallowed / Disputed by USACE Requiring Research / Resolution, as of September 30, 2020			
FY / Quarter	Project Phase	Summary of Issues / Planned Finance Bureau Actions	Amount
<i>C-111 Spreader Canal – P129</i>			
FY 2011 3 rd – 4 th Q	Design	<p>The USACE did not approve \$292,229 in District expenses submitted for WIK credit. Specifically, the USACE required additional information for \$5,743 (prior page) and reclassified \$286,486 as construction costs. The District should have resubmitted these costs for construction WIK credit. However, we concluded that these expenses were never resubmitted by the District for construction WIK credit. It should be noted that these costs would have been reflected as Fiscal Year 2010 deferred costs on the USACE spreadsheet since as of September 2020 a PPA has not been executed.</p> <p><i>Recommended Action: District should take steps to ensure that the \$286,486 is resubmitted to the USACE for WIK construction credit.</i></p>	\$ 286,486
<i>Picayune Strand Restoration – P130</i>			
FY 2014	Design	<p>The USACE deferred \$231,278 until authorization of new project costs. Further, these costs are not reflected on the USACE spreadsheet as deferred costs.</p> <p><i>Finance Bureau's Response: Will discuss with project manager to determine credibility of the \$231,278 and consult with the USACE to obtain WIK credit, if necessary.</i></p>	\$ 231,278

District CERP Related Expenses Disallowed / Disputed by USACE Requiring Research / Resolution, as of September 30, 2020			
FY / Quarter	Project Phase	Summary of Issues / Planned Finance Bureau Actions	Amount
Broward County WPA – P145			
FY 2009	Design	Represents costs disputed by the USACE that have been researched by the District but not submitted to the USACE for consideration. <i><u>Finance Bureau's Response: Will consult with project manager to resubmit expenses to USACE for WIK credit.</u></i>	\$ 44,321
RECOVER – P203			
FY 2013	Design	Represents disputed costs by the USACE that the District researched but not submitted to the USACE for credit consideration. <i><u>Finance Bureau's Response: Will consult with project manager to resubmit the \$12,347 to USACE for WIK credit.</u></i>	\$ 12,437
TOTAL			\$ 2,359,740

Project managers are responsible for determining whether expenses are creditable and coordinating with the Finance Bureau. The Finance Bureau's responsibilities include compiling the expenses, coordinating with project managers, and submitting the expenses to the USCACE for WIK credit. Thus, the project managers and the Finance Bureau must work together to resolve the disallowed / disputed WIK credit requested (as indicted by the Finance Bureau's responses in the tables above). Unresolved disallowed / disputed expenses are not included in CERP expenditure cost share amounts. This lowers District cost share contributions; thus, efforts should be expedited to ensure these issues identified in our audit are resolved.

Finance Bureau staff explained that the current expense resubmittal process is cumbersome, and the Ecosystem Restoration Planning Bureau's Ecosystem Restoration Program Support Unit is working with the USACE to streamline the process for resolving all disallowed / disputed expenses.

District CERP Related Expenses Deferred by USACE Requiring Research / Resolution, as of September 30, 2020			
FY / Quarter	Project Phase	Summary of Issues / Finance Bureau Planned Actions / Recommended Actions	Amount
<i>Caloosahatchee River – C-43 – P104</i>			
FYs 2006 2007 2008 2010 2011 2012 2015	Const	Initially, USACE deferred approval of these expenses. In January 2017, USACE approved expenses; however, as of September 30, 2020, the expenses were still reflected as deferred instead of approved. Thus, District WIK credit was understated. <i>Recommended Action: District should consult with the USACE to ensure the \$1,816,514 in approved credit are reflected as approved on the USACE spreadsheet.</i>	\$ 1,816,514
<i>Biscayne Bay Coastal Wetlands – P128</i>			
FY 2010 – FY 2016	Const	The District submitted credit requests totaling \$6,502,767; however, the USACE deferred WIK credit since a PPA was not executed. A PPA was executed in August 2016. In November 2018, the USACE approved credit totaling \$6,484,665, disallowed \$1,793, and deferred \$16,3009 (detailed in disallowed table). As of September 30, 2020, all expenses were still reflected on the USACE's spreadsheet as deferred instead of approved. Thus, District WIK credit was understated. <i>Recommended Action: District should consult with the USACE to ensure the \$6,484,665 is reflected as approved construction credit on the USACE spreadsheet.</i>	\$ 6,484,665
<i>C-43 Aquifer Storage and Recovery Pilot – P133</i>			
FY 2001	Design	The expenses were reported on the December 31, 2019, USACE spreadsheet as requested WIK credit (not approved). However, as of September 30, 2020, these expenses are not reflected on the USACE spreadsheet. <i>Recommended Action: District should consult with the USACE to determine whether the \$71,417 is eligible for WIK design credit.</i>	\$ 71,417
TOTAL			\$ 8,372,596

District CERP and Acceler8 Expenses Disallowed / Disputed / Deferred by USACE that the District cannot Research / Resolve Due to Lack of Adequate Supporting Documentation, as of September 30, 2020			
FY / Quarter	Project Phase	Reason Expenses Not USACE Credited	Amount
Indian River Lagoon – P107			
FY 2004 – FY 2005	Design	USACE deferred expenses that the District agreed will remain deferred until PPA was executed. A PPA was approved in September 2010.	\$ 20,510
FY 2006 1 st – 2 nd Q	Design	USACE disallowed expenses that the District concluded should not have been submitted as design but as restoration and submitted upon execution of a PPA. A PPA was approved in September 2010	\$ 116,598
FY 2006 3 rd – 4 th Q	Design	USACE deferred expenses that the District agreed will remain deferred until PPA was executed. A PPA was approved in September 2010.	\$ 324,680
A8 Picayune Strand – P503			
FY 2006	Design	USACE initially disallowed \$176,391 and subsequently approved \$128,950; however, \$47,441 remains disallowed.	\$ 47,441
A8 C-A8 IRL C-44 Reservoir – P507			
FY 2006	Const	USACE disputed costs due to insufficient details.	\$ 69,497
A8 C-11 Impound - Broward County WPA – P514			
FY 2005	Design	USACE disputed costs due to insufficient details.	\$ 215,850
FY 2006	Design		\$ 101,522
FY 2007	Design		\$ 148,347
A8 C-9 Impound- Broward County WPA – P515			
FY 2006	Design	USACE disputed costs due to lack of insufficient details.	\$ 1,078,872
FY 2007	Design		\$ 815,099
FY 2008	Design		\$ 772,517
A8 PLA - Project Management – P599			
FY 2007	Design	USACE disputed costs due to insufficient details.	\$ 3,270
TOTAL			\$ 3,714,203

Regarding the \$3,714,203 in District CERP and Acceler8 expenses classified as deferred / disallowed by USACE (detailed in previous table), Finance Bureau staff explained that they cannot research / resolve these issues, as of September 30, 2020. Specifically, Finance Bureau could not resolve deferrals / disallowances because of a lack of adequate documentation to substantiate WIK credit requests. The Acceler8 program was administered by a contractor. The District paid the contractor who was responsible for making direct payments to vendors. However, when the program ended the contractor did not provide detailed documentation, such as invoices, supporting payments to vendors. Finance Bureau staff explained that they previously researched District records for supporting data; however, the only support were old journal entries without any invoices detailing the nature of the costs. Further, most of the project managers responsible for the projects during the period in question are no longer with the District, which contributed to the unresolved disallowances. The District should consider discussing this issue with the USACE to determine whether the USACE will grant the District any WIK credit for the \$3,714,203 identified in our audit.

Incorrect Expense Reduction Submitted to USACE

Our review disclosed that the District's Fiscal Year 2010 construction WIK credit request included a reduction of \$1,760,465 in expenses for the EAA Reservoir Phase 1 project (P508) for a credit received for cancelled insurance coverage. This is not a CERP eligible expense; thus, the credit should not have been submitted as a reduction on the WIK credit request. This credit amount remains on the USACE's spreadsheet as a deferred item.

Our review of the USACE's determination letter disclosed that this reduction was deferred by the USACE because a PPA had not been executed. As of September 30, 2020, the deferred reduction remains on the USACE's spreadsheet. These expenses were not included in the SAP construction expense report we independently generated. The expense credit was erroneously submitted to the USACE. As a result, the District's WIK balance is understated by \$1,760,465 on the USACE's spreadsheet.

Overstated and Understated CERP Project Costs on District Cost Tracking Spreadsheet

The Budget Bureau maintains a District spreadsheet (*Summary of SFWMD and Federal Investment for CERP Projects*), which summarizes design, construction, and real estate by project of the District's and USACE's expenditures and obligations. District managers use the spreadsheet as a tool to track the District's and USACE's total expenditures and obligations through a specific period. It also tracks cost share percentages which represents the percentage of the District's and USACE's expenditures and obligations that the USACE has approved for WIK credit through a specific period.

Our audit procedures included reconciling the District's design and construction related expenses, totaling \$1,192,250,612 indicated on the District spreadsheet, to the USACE spreadsheet project totals, for the period October 2000 to December 31, 2019. The reconciliation required adding expenses to the project totals on the USACE spreadsheet that were reflected in the District project totals on the District spreadsheet but not in the USACE project totals on the USACE spreadsheet; for example, District expenses for Fiscal Year 2017 to Fiscal Year 2020 (1st quarter) that were pending USACE approval, deferred expenses, and District encumbrances.⁵ We used relevant source documentation to facilitate the reconciliation; for example, District WIK credit requests and USACE WIK determination letters; and discussed all discrepancies with the Budget Bureau.

Based on our audit tests, we concluded that overall District CERP design and construction costs were reasonably reflected on the District spreadsheet; however, we identified \$1,235,519 in overstated expenses and \$26,600,023 in understated expenses on the District's spreadsheet. Thus, the District's design and construction CERP project costs were understated on the District's spreadsheet by a net amount of \$25,364,504, through December 31, 2019, which represents about two percent of total District

⁵ This audit test did not include verifying the accuracy of all expenses on the District spreadsheet, since the amounts for each project's design and construction amounts are listed as single amounts (not itemized). Our tests were to compare the expenses on both spreadsheets, as of December 31, 2019, which required adding expenses not reflected on the USACE spreadsheet.

expenditures. During our audit, the Budget Bureau resolved approved \$16 million of the understated amount.

Details regarding the \$25,364,504 in net understatements on the District spreadsheet are summarized in the following table, with additional itemized details in the subsequent table.

Summary of District CERP Project Costs District Spreadsheet vs. USACE Spreadsheet October 1, 2000 to December 31, 2019							
Project Data			Design		Construction		Total Amount
			#	Amount	#	Amount	
District Data							
	Total Projects / Amounts		32	\$ 595,250,527	12	\$ 597,000,083	\$ 1,192,250,610
Audit Data	=	Projects Amounts Accurately Reflected on both District and USACE Spreadsheets (No Issues)	23	\$ 177,991,947	7	\$ 51,400,882	\$ 229,392,829
	≠	Inaccurate Projects Amounts District ≠ USACE (Detailed Below)	9	\$ 417,258,580	5	\$ 545,599,201	\$ 962,857,781
	–	Project Overstatements	3	\$ (511,057)	1	\$ (724,462)	\$ (1,235,519)
	+	Project Understatements	6	\$ 5,456,147	4	\$ 21,143,876	\$ 26,600,023
	= +	Net Understatement	NA	\$ 4,945,090	NA	\$ 20,419,414	\$ 25,364,504
		Revised Project Amounts	NA	\$ 600,195,617	NA	\$ 617,419,497	\$ 1,217,615,114

District CERP Project Costs' Overstatements and Understatements on District Spreadsheet October 1, 2000 – December 31, 2019					
Project Phase / # / Name			Overstated Amount	Understated Amount	Notes
Design Phase	01	Lake Okeechobee Watershed		\$ 1,213,156	Note 1
	04a	Caloosahatchee River West (C-43) Reservoir		\$ 297,404	
	07	Indian River Lagoon (South)		\$ 290,312	
	17	Loxahatchee River Watershed Restoration	\$ (187,788)		
	28	Biscayne Bay Coastal Wetlands		\$ 690,514	Note 2
	29	C-111 Western Spreader Canal		\$ 146,392	Note 1
	30	Picayune Strand Restoration	\$ (102,576)		
	44	Aquifer Storage and Recovery Regulation Study	\$ (220,693)		
		Design Programmatic Activity Costs		\$ 2,818,369	
	Total Design		\$ 511,057	\$ 5,456,147	
Net Design Understatement			\$ 4,945,090		
Construction Phase	01	Lake Okeechobee Watershed		\$ 1,071,421	Note 3
	04a	Caloosahatchee River West (C-43) Reservoir		\$ 1,385,697	
	07	Indian River Lagoon (South)		\$ 5,571,738	Note 1
	30	Picayune Strand Restoration	\$ (724,462)		Note 1
	51	Central Everglades Study		\$ 13,115,020	Note 2
	Total Construction		\$ (724,462)	\$ 21,143,876	
	Net Construction Understatement			\$ 20,419,414	
TOTAL			\$ (1,235,519)	\$ 25,364,504	

Notes

Budget Bureau staff provided the following reasons for the net spreadsheet understatements totaling over \$25 million.

- **Note 1:** \$1,235,519 in overstatements and \$10,337,371 in understatements – net understatements of \$9,101,852 – occurred prior to September 30, 2011. Budget Bureau staff stated that the Budget Bureau began tracking cost share expenses after September 30, 2011, and these issues will be resolved by consulting with the Finance Bureau to determine accurate design and construction amounts for each project.
- **Note 2:** \$13,805,534 in understatements were encumbrances (contractual obligations) that the Budget Bureau inadvertently did not include on the District spreadsheet. The Budget Bureau revised the District spreadsheet to include the encumbrances.
- **Note 3:** \$2,457,118 in understatements were due to the inclusion of preliminary expense amounts that were lower than the final WIK expense amounts for Fiscal Year 2016. The Budget Bureau revised the District spreadsheet to include the correct Fiscal Year 2016 amounts.

In addition to resolving the overstated and understated expenses on the District's spreadsheet, the Budget Bureau should take steps to ensure that District CERP expenses on the District spreadsheet are updated in a timely manner and accurate since it is an important cost share status tool used by management.

RECOMMENDATIONS

- 1. Ensure that the Finance Bureau submit WIK credit requests to the USACE for the \$1,585,292 in unclaimed CERP design and construction project related expenses.**

Management Response: Management concurs with this recommendation. The Construction report was submitted to USACE on August 17, 2021 and the Design report was submitted to USACE on September 16, 2021.

Responsible Division: Administrative Services – Finance Bureau

Estimated Completion: Completed

- 2. Implement procedures to resolve and resubmit WIK expenses disallowed/disputed by the USACE in a timely manner.**

Management Response: Management concurs with this recommendation. Finance meets monthly with the Ecosystem Restoration Planning Bureau to review the outstanding disallowed/disputed CERP related expenses.

Responsible Division: Administrative Services – Finance Bureau/Budget Bureau

Estimated Completion: Completed

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- 3. Ensure that the Finance Bureau consults with project managers to resolve issues relating to disallowed/disputed expenses and resubmit the expenses, as necessary, to the USACE for WIK credit.**

Management Response: Management concurs with this recommendation. This process is in place and will be ongoing as disallowed/disputed expenses are reported on the USACE's review of the District's quarterly credit submittals. The process of meeting with the appropriate Project Managers and Ecosystem Restoration Planning Bureau is in place and can be marked as completed.

Responsible Division: Administrative Services – Finance Bureau

Estimated Completion: On-going/Completed

- 4. Consult with the USACE to ensure that expenses initially classified as deferred and subsequently approved are reflected as approved on the USACE spreadsheet.**

Management Response: Management concurs with the recommendation. Finance will consult with the USACE and provide documentation to ensure that expenses initially classified as deferred and subsequently approved are reflected as approved on the USACE spreadsheet.

Responsible Division: Administrative Services – Finance Bureau & Everglades Restoration and Capital Projects Division

Estimated Completion: July 2022

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- 5. Consult with the USACE to determine whether the District can be credited for any of the \$3,714,203 in disallowed/disputed/deferred due to inadequate documentation.**

Management Response: Management concurs with the recommendation. Finance Bureau will meet with the Ecosystem Restoration Planning Bureau to set our strategy and process for this request and will provide the USACE with the necessary documentation to obtain credit.

Responsible Division: Administrative Services – Finance Bureau & Everglades Restoration and Capital Projects Division

Estimated Completion: January 2022

- 6. Ensure that the Ecosystem Restoration Planning Bureau continues to work with the USACE to streamline the process for resolving disallowed/disputed CERP related expenses.**

Management Response: Management concurs with the recommendation. The Ecosystem Restoration Planning Bureau meets monthly with the finance bureau to review the outstanding disallowed/disputed CERP related expenses on how, if applicable, to address the USACE comments questioning the expenses. In addition, the CERP program managers and the finance bureau staff coordinate and meet with the USACE finance managers to resolve the concerns on those expenses marked disallowed/disputed to come to an agreed upon resolution. While we have the process in place, this is an ongoing effort for the CERP program.

Responsible Division: Everglades Restoration and Capital Projects Division

Estimated Completion: On-going/Completed

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7. **Instruct the Budget and Finance Bureaus to research and resolve the understated CERP design and construction related expenses identified by the Budget Bureau as occurring prior to Fiscal Year 2011.**

Management Response: Management concurs with the recommendation. The Budget and Finance Bureaus will work together to research and resolve the understated CERP design and construction expenses that occurred prior to Fiscal Year 2011. Supporting documentation will be provide to the USACE to obtain credit.

Responsible Division: Administrative Services – Finance Bureau/Budget Bureau

Estimated Completion: July 2022

8. **Ensure that the District spreadsheet (*Summary of SFWMD and Federal Investment for CERP Projects*) reflect all District’s CERP design and construction related expenses.**

Management Response: Management concurs with the recommendation. The Budget Bureau has updated the *Summary of SFWMD and Federal Investment for CERP Projects* spreadsheet to reflect all the District’s design and construction related expenses as noted in the audit.

Responsible Division: Administrative Services – Finance Bureau/Budget Bureau

Estimated Completion: Completed

APPENDIX 1

CERP Planning and Implementation Process

