



Audit of Kissimmee River Restoration Project Cost Share

Project #26-18

Prepared by
Office of the Inspector General

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SOUTH FLORIDA WATER MANAGEMENT DISTRICT

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October 8, 2026

Governing Board Members

Re: Audit of KRR Project Cost Share
Project No. 26-18

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. Our audit objective primarily focused on determining whether the District requested credit for all eligible KRR Project restoration evaluation and land acquisition 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 that reads "J. Timothy Beirnes".

J. Timothy Beirnes, CPA
Inspector General

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BACKGROUND

In accordance with the Office of Inspector General's Audit Plan, we conducted an Audit of the Kissimmee River Restoration Project (KRR Project) Cost Share.

The 3,000 square mile Kissimmee River watershed extends southward approximately 105 miles from Orlando to Lake Okeechobee, forming the headwaters of Lake Okeechobee and the Everglades. Its Upper Basin includes the Kissimmee Chain of Lakes (KCOL) and associated tributary streams and marshes. Its Lower Basin includes the Kissimmee River and associated floodplain that extends from the outlet of Lake Kissimmee to Lake Okeechobee.

The Central and Southern Florida (C&SF) Flood Control Project modified the native Kissimmee watershed extensively in the 1960s, including construction of canals and water control structures, as well as river channelization, to manage flood risk in the Upper and Lower Basins. As with similar modifications throughout South Florida, the changes resulted in unintended consequences to the environment. The KRR Project strives to reestablish the ecological integrity of the Kissimmee River watershed that was lost due to the flood risk management efforts in the 1960s.

The 1991 Kissimmee River Restoration Final Integrated Feasibility Report and Environmental Impact Statement (EIS) and subsequent 1992 Report of the Chief of Engineers, U.S. Army Corps of addressed restoration efforts in both the Upper and Lower Basin of the Kissimmee River watershed but focused mainly on the Lower Basin. Further analysis of the Upper Basin was included in the 1996 Kissimmee River Headwaters Revitalization Project Integrated Project Modification Report and Supplement to the Final EIS. Together, the components outlined in the 1991 Report and in the 1996 HRP Report are known as the KRR Project.

The U.S. Congress passed the Water Resources Development Act of 1992, which authorized ecosystem restoration of the KRR Project and changes to several lakes in the upper basin of the watershed to support the river restoration (Headwaters Revitalization Project). The Kissimmee River Restoration Project dealt with modifications to the C-38 canal and to the water control structures in the lower basin. The Headwaters Revitalization Project authorized modifications to Lakes Kissimmee, Hatchineha, Cypress, and Tiger in the Upper Kissimmee Basin to provide increased seasonal water

storage so that releases to the Kissimmee River could be made more gradually and follow a more natural seasonal distribution. Recreating the natural seasonality of flow, especially to allow floodplain inundation for long periods that extend into the dry season, is essential to meeting the goals of the KRR Project. The Headwaters Revitalization will have the additional benefit of increasing the quality and quantity of wetland habitat around the four upper basin lakes.

A March 22, 1994, cost-share Project Cooperative Agreement (PCA) between the U.S. Army Corps of Engineers (USACE/CORPS) and the South Florida Water Management District (Non-Federal/Local Sponsor) combined the KRR Project and the Headwaters Revitalization Project into a single entity called the Kissimmee River Restoration (KRR) Project. The agreement splits the cost of the project 50-50 between the USACE and the District. USACE is responsible for design and construction and the District for real estate acquisition and restoration evaluation.

After extensive planning, construction for the Kissimmee River Restoration Project began in 1999 with backfilling eight miles of the C-38 canal. The District and the USACE hosted a ribbon-cutting event to celebrate the completion of the construction for the Kissimmee River Restoration Project in July 2021. The KRR Project restored more than 40 square miles of the river floodplain ecosystem, 20,000 acres of wetlands, and 44 miles of the historic river channel. Since the KRR Project inception, the District and the USACE accomplishments include following:

- Completed backfilling of 22-miles of the C-38 canal between Lakes Kissimmee and Okeechobee.
- Reconstructed remnant river channels across the backfilled canal to reconnect and restore flow in remnant river channels,
- Removed two water control structures,
- Added two gates to the S-65 water control structure, and
- Acquired more than 100,000 acres of land to restore the river and floodplain

Based on the 2026 South Florida Environmental Report (SFER), The KRR Project entered the twenty-third year of an interim restoration period evaluation that began with completion of the first phase of construction and is expected to continue for five years after the Headwaters Revitalization Schedule (HRS) is fully implemented, projected for 2027. The objective of the HRS is to provide sufficient water storage in the Headwaters Lakes to reestablish historical (prior to channelization) flow patterns to the Kissimmee River. The higher stages allowed by the schedule are also expected to improve littoral zone habitat in the Headwaters Lakes. In addition, the District and the USACE coordinated together on the construction and integrated KRR Project and Kissimmee River Restoration Evaluation Program (KRREP) with management activities throughout the Kissimmee Basin and Northern Everglades region. The primary goals of these efforts are as follows:

- Restore ecological integrity to the Kissimmee River and its floodplain,
- Collect ecological data to evaluate river restoration and support water management decision making for river restoration and other goals,
- Enhance and sustain natural resource values in the KCOL, and
- Retain the flood reduction benefits of the Central and Southern Florida Flood Control Project (C&SF Project) in the Kissimmee Basin

During March 2018, the District and the USACE developed the Central and Southern Florida Project Kissimmee River Restoration Project Final General Evaluation Report (GRR). The GRR recommended that the Secretary of the Army be granted statutory authority by Congress to provide credit for specific project related work that was demonstrated to be both integral and consistent with benefits provided by the KRR Project but are not creditable under authorizing documents or the Project Cooperation Agreement. Specifically, the District requested credit for certain KRR Project work-in-kind expenses performed during Fiscal Year 1998 to 2011 with the expectation that the work was eligible for credit under the PCA. However, the USACE reviewed the work associated with the District's requests for credit and concluded that credit could not be authorized under the KRR Project crediting authority. As a result, the District consulted with the USACE and developed the GRR (the technical document) to seek Congressional

authorization, which is required for credit approval. The GRR and Director's Report (summary of the GRR), authorized by Congress in 2018, specifies six actions recommended for Work-in-Kind (WIK) crediting that are components of the authorized KRR Project features and are integral to the implementation of the KRR Project. Specifically, the District is seeking over \$5.5 million in credit for work related to the Small Local Levee Modifications, River Acres Engineering and Design, Shady Oaks and Rocks Fish Camp, and Packingham Slough. Work performed included the following:

- Demolition of structures on acquired real estate required for the project,
- Modification of small local levees to provide project wetland restoration as formulated, and
- Engineering analysis and construction of features at Packingham Slough to reduce the number of property owners impacted by takings.

During July 2026, the District re-submitted a credit request to the USACE for \$5,553,914 for the work performed. The District cited that work was performed in accordance with the PCA (executed March 22, 1994, and amended April 29, 2026) for construction of the Kissimmee River Project. Further, the District certified that the work was performed in a satisfactory manner and consistent with the costs documented in the Director's Report authorized by Congress in 2018 and will be maintained at the District; and thus, believes that the amounts are eligible for work-in-kind credit.

Credit requests for WIK expenses and land acquisition-related expenses are requested separately and involve several resource areas. The Finance Bureau, Lake and River Ecosystems Section, and Ecosystem Restoration Planning Bureau, are involved in requesting WIK credit for KRR Project related expenditures. The Real Estate Bureau requests credit for land acquisition related expenses. Some responsibilities of the different areas are as follows:

Finance Bureau: Responsibilities include compiling eligible project coordination, basin hydrologic monitoring, evaluating KRR Project expenses, and preparing the WIK reports, which are submitted to the USACE for WIK credit. Finance Bureau staff also work closely with Lake and River Ecosystems Section and Ecosystem Restoration Planning Bureau staff to ensure all eligible expenses are approved and submitted for credit.

Applied Sciences Bureau's Lake and River Ecosystems Section: The KRR Project's project managers are responsible for reviewing Finance Bureau's KRR project expense reports, generated from the SAP Business Warehouse, to ensure WIK charges are valid and reports include all eligible expenses. The project managers are also responsible for approving WIK amounts submitted to the USACE for credit.

Ecosystem Restoration Planning Bureau: This bureau's responsibilities include approving and submitting WIK credit requests. In addition, staff coordinate with the USACE on various KRR Project matters.

Real Estate Bureau: This bureau is responsible for all District land acquisition related activities. Lands must be certified to the USACE for the District to receive credit. For USACE constructed projects, the USACE initiates the process by requesting that the District certify project lands as the lands that are needed for construction. The Real Estate Bureau also compiles and submits land acquisition-related expenses to the USACE for credit. Further, the Real Estate Bureau also coordinates with the USACE during the review process.

Based on the Project Cooperation Agreement, if the value of the District's contributions is less than 50 percent of the total project costs, during the period of construction, the District is required to contribute additional cash in the amount necessary to make the District's contribution of the project equal to 50 percent of the total project costs. Based on a USACE spreadsheet tracking KRR Project costs, as of the end of July 2026, KRR Project cost was estimated to be about \$882 million. It should be noted that as of September 2023, the District has made cash contributions totaling almost \$14 million to the USACE, some District expenses are pending submission to the USACE for credit, and expenses submitted to the USACE are pending review. Further, the District and USACE will have meetings to review and discuss costs prior to the project's conclusion. The USACE's estimated costs for the KRR Project through Fiscal Year 2031 are summarized in the table below.

USACE's Estimated Costs for KRR Project As of Fiscal Year 2031			
Partners	Costs Thru Fiscal Year 2025	Projected Costs Fiscal Years 2026 to 2031	Total Projected Costs
USACE	\$ 430,969,000	\$ 35,346,000	\$ 466,315,000
District	\$ 240,774,000	\$ 174,552,000	\$ 415,326,000
Total	\$ 671,743,000	\$ 209,898,000	\$ 881,641,000

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective primarily focused on determining whether the District requested credit for all eligible KRR Project restoration activities and land acquisition related expenditures, and whether adequate supporting documentation is maintained for such expenditures.

To accomplish our objectives, we obtained an understanding of Finance Bureau's request process for KRR Project work-in-kind credit costs and Real Estate Bureau's claim process for land acquisition related expenses. We also reviewed KRR Project information maintained on the District's and USACE's website.

Finance Bureau WIK Credit Claims for Fiscal Years 2016 – 2024:

- Reviewed and analyzed the Finance Bureau's semi-annual and annual WIK credit claim requests and supporting documentation for Fiscal Years 2016 to 2022 submitted to the USACE for project management, hydrologic monitoring, and evaluation expenses. We also analyzed the claims for Fiscal Years 2023 and 2024, which have been prepared and are pending submission to the USACE.
- Independently generated the SAP Business Warehouse KRR Project semi-annual and annual expense reports (KRR Project expense report) used by the Finance Bureau to determine semi-annual or annual WIK credit request amounts for Fiscal Years 2016 to 2024.
- Analyzed and compared our results to the Finance Bureau's WIK credit request amounts and reviewed supporting documentation to determine whether the District claimed all eligible expenses. Specifically, for each Work Breakdown Structure (WBS)¹ element related to the KRR Project, we determined the expense totals by cost element and compared our results to the Finance Bureau's WIK request credit submissions. In instances where there were discrepancies, we obtained explanations from Finance Bureau staff, Lake and River Ecosystems Section's Restoration Evaluation Unit's staff, and other relevant staff. We also verified that expenses were adequately documented.

¹ Each project in SAP Project Systems (PS) is broken down into different WBS elements or activity codes. Typically, similar project elements are grouped and followed by detailed activities and tasks.

Real Estate Bureau Claims for Land Acquisition Related Expenses

Our discussions with Real Estate Bureau staff disclosed that process improvements have been made in 2025 in coordinating with the USACE to ensure all eligible land acquisition related expenses are claimed for credit. As of March 2026, five claims consisting of four revised claims were submitted to the USACE for credit using the improved claim process. We reviewed the four revised claims to determine whether the process is adequate to ensure credit will be requested for eligible land acquisition-related expenses. We also discussed with Real Estate Bureau staff whether claims that have been submitted prior to March 2026 but are not yet approved by the USACE should be reassessed to determine whether all eligible credit has been claimed. Further, we determined whether the District maintains adequate land acquisition related supporting documentation.

Audit Sampling Process and Auditing Standards

We selected a judgmental sample of various land tract related expenses to determine whether the District maintains adequate supporting documentation. Judgmental sampling was considered the preferred methodology based on consideration of the size of the various audit populations and characteristics, as well as audit efficiency and professional judgment. Judgmental audit sampling is a technique where auditors use their professional judgment rather than probability theory, to select specific, high risk, or material items from a population. Although the sample cannot be statistically projected to the populations from which the samples were selected, we believe the sample, along with the results of the audit tests, provide reasonable assurance for us to determine whether there are adequate controls over credit for land acquisition-related expenses.

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.

AUDIT RESULTS

Executive Summary

Overall, the District has an adequate process in place to ensure that eligible KRR Project coordination, basin hydrologic monitoring, and restoration evaluation program expenses are claimed for WIK credit. We found that credit was correctly claimed for project coordination expenses; however, credit was not claimed for all eligible hydrologic monitoring and restoration evaluation WIK expenses. Based on the KRR Project WIK credit request documentation covering Fiscal Years 2016 – 2024², the District claimed \$21,757,321 in total WIK credit; however, our audit revealed that the District can claim an additional \$824,188 in unclaimed expenses and resubmit the \$994,443 in disallowed expenses for credit reconsideration. Our findings are grouped into major categories and summarized in the following table.

Classifications of Additional WIK Expenses to be Claimed Fiscal Years 2016 - 2024	Amount
Unclaimed WIK Expenses	
Credit not consistently claimed for the same types of expenses	\$ 534,052
Unclaimed work order related expenses	\$ 116,976
Unclaimed salary related expenses due to SAP adjustments after WIK credit requested	\$ 49,377
Indirect and fringe benefit rates used to calculate salary related expenses were lower than the approved rates	\$ 40,685
Credit not claimed for Fiscal Year 2022 vehicle usage and direct asset purchases	\$ 83,098
Total Unclaimed Hydrologic Monitoring and Restoration Evaluation Expenses	\$ 824,188
Disallowed Expenses to be Resubmitted to the USACE for Credit Consideration	
Disallowed WIK expenses to be resubmitted for credit – similar WIK expenses were approved before and after the disallowances	\$ 756,801
Disallowed land acquisition related expenses to be resubmitted by the Real Estate Bureau	\$ 237,642
Total Disallowed Expenses to be Resubmitted for Credit	\$ 994,443
Total Additional KRR Project Expenses Eligible for Credit	\$ 1,818,631

² The Finance Bureau has prepared the WIK credit requests for Fiscal Years 2023 and 2024; however, submission is pending our audit results to include relevant findings.

During our audit, we discussed our findings with Finance Bureau and Lake and River Ecosystems Section staff and they agreed with our WIK expense findings. The Finance Bureau corrected Project Systems records and will request credit the unclaimed expenses. It should be noted that we previously conducted a similar audit of KRR Project WIK claims (*Audit #16-06*). Our prior audit disclosed unclaimed WIK expenses totaling over \$5 million incurred during Fiscal Years 2006 to 2015 that should have been claimed for credit. Based on our current audit, we concluded that there have been several improvements in the process to determine eligible WIK expenses; however, some additional improvements are required.

We also concluded that the District has an adequate process in place to ensure that eligible KRR Project land acquisition related expenses are claimed, tracked, and the status of USACE credit requests are documented; however, there are some opportunities for improvement. It should be noted that we previously conducted a similar audit of KRR Project land acquisition-related expenses (*Audit #18-08*), which resulted in 19 recommendations to improve the KRR Project land cost share process. As of June 30, 2026, 18 of the 19 recommendations have been implemented and one is in the process of implementation. As a result, the process to ensure credit is requested for eligible land acquisition-related expenses has improved compared to the process in place during our prior audit. Further, since September 2025 there has been a change in the administrator responsible for submitting land acquisition claims to the USACE. The administrator has implemented additional improvements, for example, improved detailed procedures have been implemented to identify and compile creditable labor expenses.

Our audit procedures included reviewing four claims that were previously submitted to the USACE for credit but were revised and resubmitted as of the end of March 2026, and reviewing two claims submitted prior to the process improvements. We conclude that the four revised claims reflected compliance with the improved credit submission process implemented by the new administrator. The revised claims resulted in additional credit claims of over \$4.2 million for additional tracts, closing expenses not included in the original claims, and additional salary expenses using the new detailed procedures to better identify and compile creditable labor expenses. Further, Real Estate

Bureau staff stated that some of the additional costs claimed resulted from our prior audit recommendations.

We also identified salary expenses for preparing original claims, that were subsequently revised, were not requested for credit. As a result, the Real Estate Bureau should consider whether to claim credit for at least some of the salary expenses incurred in preparing and submitting the original claims. In addition, we found instances where other salary expenses were not claimed. Further, for claims that were submitted prior to the enhancement of the credit submittal process, the Real Estate Bureau should consider developing a process to request credit for unclaimed salary expenses incurred in preparing and submitting claims. Credit requests for unclaimed salary expenses should take cost effectiveness into consideration.

We made 17 recommendations to improve the KRR Project cost share process.

Some Improvements Needed to Ensure all Eligible Expenses are Claimed for Work-In-Kind Credit

Overall, there is a process in place to ensure that District requests WIK credit for KRR Project expense; however, we found credit was not consistently claimed for eligible WIK expenses and the District could claim an additional \$1,818,631. The Finance Bureau prepares KRR Project WIK credit claims for project coordination, hydrologic monitoring, and evaluation expenses for either semi-annual or annual submission to the USACE. The Finance Bureau generates expenditure reports for the period being requested using a specific SAP Business Warehouse workbook query which was developed to capture all eligible KRR Project WIK expenses. The workbook includes KRR Project related Work Breakdown Structure (WBS) activity codes classified as creditable and not creditable. As a result, only creditable expenses are included in the report generated.

The Finance Bureau reviews, validates, and summarizes the information into the USACE's specified format. Relevant KRR Project staff in the Lake and River Ecosystems Section and the Ecosystem Restoration Planning Bureau are required to review and approved the WIK credit requests to ensure all expenses are submitted. The Bureau Chief of Ecosystem Restoration Planning submits the WIK credit requests to the USACE, via email, to the USACE for review and approval. In some instances, the USACE may disapprove or defer approval of certain expenses for various reasons; for example, expenses were deemed not creditable for WIK credit or expenses were deemed to be land acquisition-related expenses that should be submitted by the Real Estate Bureau. District staff coordinate with USACE staff to resolve all pending issues.

To determine whether the District requested WIK credit for all eligible costs for Fiscal Years 2016 to 2024, we compared the Finance Bureau WIK credit requests and other relevant data for each WBS activity code to the results of our analysis for the same period. We identified some differences between the results of our analysis and the WIK expense amounts determined by the Finance Bureau. Specifically, the District submitted \$21,757,321 to the USACE for WIK credit during Fiscal Years 2016 – 2024. However, our audit revealed an additional \$1,818,631 could be claimed for credit. It should be noted that our analysis did not disclose any overstated expenses.

WIK expenses submitted or pending submission to the USACE for credit, additional expenses that could be claimed for WIK credit, and expenses disallowed by the USACE that should be resubmitted for credit, are summarized in the table below and followed by detailed explanations.

Analysis of Claimed, Unclaimed, and Disallowed Expenditures Fiscal Year 2016 – Fiscal Year 2024				
Fiscal Year (Note 1)	Expenses Claimed for WIK Credit	Additional Expenses to be Claimed	Disallowed WIK Expenses to be Resubmitted (Similar Expenses were Approved by the USACE)	Disallowed Land Related Expenses to be Resubmitted by Real Estate Bureau
2016 – 1 st & 2 nd Q	\$ 632,714	\$ 129,572		\$ 8,512
2016 – 3 rd & 4 th Q	1,093,095	8,578	\$ 272,531	228,139
2017	1,953,601	107,328		991
2018	1,803,281		484,270	
2019 – 1 st & 2 nd Q	1,007,834	6,650		
2019 – 3 rd & 4 th Q	1,208,697	161,064		
2020 – 1 st & 2 nd Q	1,176,369	65,578		
2020 – 3 rd & 4 th Q	1,490,753	30,025		
2021	2,344,493	123,663		
2022	2,432,371	126,364		
2023	2,758,365	30,976		
2024	3,855,748	34,390		
Total	\$ 21,757,321	\$ 824,188	\$ 756,801	\$ 237,642
Total Additional KRR Project Expenses Eligible for WIK Credit				\$ 1,818,631

Note 1 – The USACE has approved WIK credits for Fiscal Years 2016 to 2020. WIK requests for Fiscal Years 2021 and 2022 have been submitted, and approval is pending. Requests for Fiscal Years 2023 and 2024 have been prepared and will be submitted after completion of our audit.

It should be noted that we concluded that the District maintains sufficient documentation to substantiate WIK expenses claimed for credit. The Finance Bureau generates and analyzes an SAP Business Warehouse KRR Project expense report and obtains approval from Lake and River Ecosystems Section staff responsible for managing KRR Project components to determine expenses are creditable. Our analysis disclosed several common reasons for the unclaimed WIK expenses. Thus, we concluded that some improvements are required. The following sections provide further details and explanations regarding our audit analysis and discussions with staff.

Unclaimed Work-In-Kind Credit for Hydrologic Monitoring and Restoration Evaluation Expenses

Our audit disclosed that the District could claim an additional \$824,188 in eligible work-in-kind (WIK) credit for hydrologic monitoring and restoration evaluation expenses, based on our analysis of WIK credit requests for Fiscal Years 2016 to 2024 that were submitted or are pending submission to the USACE. It should be noted that we did not identify any unclaimed expenses for project coordination expenses. The unclaimed expenses are grouped into major categories and summarized in the table below followed by details for each category of unclaimed expenses.

Classifications of Additional WIK Expenses to be Claimed Fiscal Years 2016 - 2024	Unclaimed Amount
Credit not consistently claimed for the same types of expenses	\$ 534,052
Unclaimed work order related expenses	\$ 116,976
Unclaimed salary related expenses due to SAP adjustments after WIK credit requested	\$ 49,377
Indirect cost and fringe benefit rates used to calculate salary related expenses submitted for credit were lower than the approved rates	\$ 40,685
Credit not claimed for Fiscal Year 2022 vehicle usage and direct asset purchases	\$ 83,098
Total Unclaimed Restoration Expenses	\$ 824,188

Credit Inconsistently Claimed for the Same Types of Expenses

Our audit disclosed several instances where expenses charged to the same creditable WBS activity codes (expense types) were not consistently claimed for WIK credit. Specifically, our analysis disclosed that expenses charged to the several different creditable WBS classifications (data processing labor, SCADA contracts and parts, site maintenance labor, site maintenance contracts and parts, and project management and support), totaled \$1,315,955 during Fiscal Years 2016 to 2024; however, the District claimed WIK credit for only \$781,903 (59%). As a result, the District can request WIK credit for an additional \$534,052. We identified several reasons why credit was not claimed and inconsistencies in the manner credit was claimed.

The creditability status (creditable or not creditable) of KRR Project WBS activity codes in Project Systems is intended to determine whether expenses are eligible for WIK credit. Creditable expenses and other data are detailed in KRR Project expense reports that are formatted in an excel spreadsheet with several data tabs; for example, expense summary, expense details, WBS used, and work orders used. Finance Bureau staff use the data to compile and analyze expenses for WIK credit claims. The WBS used tab consists of a list of relevant KRR Project activity codes and usually indicates whether expense charged to the activity codes are creditable or not creditable. Our analysis of the KRR Projects' WBS activity codes in SAP Project Systems disclosed that some activity codes were correctly reflected as creditable and some were incorrectly reflected in Project Systems as not creditable. The classification status did not affect whether expenses were claimed for credit or not because WIK credit was claimed for some activities classified as creditable and some classified as non-creditable. Further, there were several inconsistencies in the classification of activity codes (creditable, not creditable, and not listed) and inclusion of expenses in the KRR Project expense reports that resulted in unclaimed WIK expenses. The following describes the results of our analysis and is followed by tables summarizing the claimed and unclaimed expenses.

➤ *Activity codes for eligible expenses were incorrectly reflected in SAP Project Systems as not creditable and other issues resulted in unclaimed credit:* We

concluded that the District claimed credit for WIK expenses included in the KRR Project expense reports regardless of the not creditable status reflected in Project Systems and inconsistent statuses reflected in the KRR Project expense reports. Specifically, our analysis disclosed the following:

- *Activity codes accurately indicated as creditable in KRR Project expense report and expenses were correctly claimed for WIK credit:* WIK credit was claimed for expenses charged to activity codes classified as creditable in the KRR Project expense report's list of creditable WBS activity codes. This was not an issue because WIK expenses were claimed; however, staff should have noted the discrepancies and revised the activity codes in Project Systems.
- *Activity codes / expense classifications incorrectly listed as not creditable in KRR Project expense reports resulted in claimed and unclaimed expenses*

Specifically, we noted the following:

- 1) In some fiscal years, the KRR Project expense reports erroneously classified creditable WBS activity codes as not creditable. However, the \$271,432 charged to the activities in the instances were included in the expense reports and the District correctly claimed WIK credit for expenses.
- 2) In some fiscal years, the KRR Project expense reports erroneously classified activity codes as not creditable; however, the expenses charged to the activities were not included in the expense reports. Thus, the District did not claim any WIK credit. We found that \$330,666 in unclaimed creditable expenses charged to the activity codes could be claimed for credit.

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- Activity code not included in KRR Project expense report's listing of creditable activities but expense details included and credit was correctly claimed: Our analysis disclosed an instance where the WBS activity code was not included in the list of creditable activities, but the \$21,306 in expenses charged to the activity was included in the expense report and the District correctly claimed WIK credit of the expenses.

 - Activity codes for eligible expenses were correctly reflected in SAP Project Systems as creditable but other issues resulted in unclaimed credit: We found that the District claimed credit for WIK expenses included in the KRR Project expense reports regardless of the creditable status reflected in Project Systems and inconsistent statuses reflected in the KRR Project expense reports. Specifically, our analysis disclosed the following:
 - Activity codes accurately indicated as creditable in KRR Project expense reports and expenses were correctly claimed for WIK credit: In some KRR Project expense reports, eligible WIK expenses were correctly reflected as creditable and WIK credit was claimed. Further, the Fiscal Year 2018 KRR Project expense report data identifying creditable activities / expenses report was not available, but eligible credit was correctly claimed. This is not considered an issue since the Finance Bureau submitted claims for creditable expenses.

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- Activity codes / expense classifications incorrectly listed as not creditable in KRR Project expense reports resulted in claimed and unclaimed expenses

Specifically, we noted the following:

- 1) In some fiscal years, the KRR Project expense reports erroneously classified creditable WBS activity codes as not creditable. However, the \$144,758 charged to the activities in these instances was included in expenses reports and the District correctly claimed WIK credit for expenses.
 - 2) In one fiscal year, a creditable activity code was erroneously classified as not creditable in the KRR Project expense reports' list of creditable WBS activities. However, the expenses charged to the activity code were not included in the expense report. Thus, the District did not claim any WIK credit. We found that \$10,725 in unclaimed creditable expenses charged to the activity could be claimed for credit.
- Activity codes not included in KRR Project expense reports' listings of creditable activities and inconsistent inclusion of expense details resulted in claimed and unclaimed expenses

Specifically, we noted the following:

- 1) In some fiscal years, the KRR Project expense reports' list of creditable WBS activities did not include all creditable activities codes; however, the \$213,708 charged to the activities was included in the expense reports and the District correctly claimed WIK credit for the expenses.
- 2) In some fiscal years, the KRR Project expense reports' list of creditable WBS activities did not include all creditable activities codes. However, the expenses charged to the activities were not included in the expense reports; thus, the District did not claim any WIK credit. We found that \$192,661 in creditable expenses charged to the activity codes could be claimed for credit.

Our results are summarized in the table below followed by details and tables for each expense type.

Summary Analysis of Claim Inconsistencies - KRR Project WIK Expenses Fiscal Years 2016 - 2024						
SAP Project Systems WBS Expense Description	KRRP Expense Report's WBS Activity Code (Expense) Classifications					
	Activity Code Listed as Creditable	Expense Report Not Available	Activity Code Listed as NC	Activity Code Not Listed = NC	Activity Code Not Listed = NC	Activity Code Listed as NC
	Claimed WIK Expenses (Included in Expense Reports)				Unclaimed WIK Expenses (Not in Expense Reports)	
Expenses Incorrectly Classified in Project Systems as Not Creditable						
Data Processing Labor	\$ 39,074		\$ 32,033	\$ 21,306		\$ 184,187
SCADA Contracts and Parts			\$ 239,399			\$ 146,479
Total	\$ 39,074		\$ 271,432	\$ 21,306		\$ 330,666
Expenses Correctly Classified in Project Systems as Creditable						
Site Maint. Labor	\$ 715	\$ 90,582		\$ 213,708	\$ 94,900	
Site Maint. Contracts / Parts			\$ 108,462		\$ 1,884	\$ 10,725
Project Mgmt. & Support			\$ 36,116		\$ 95,161	
Project Mgmt. and Support	\$ 508				\$ 716	
Total	\$ 1,223	\$ 90,582	\$ 144,578	\$ 213,708	\$ 192,661	\$ 10,725
Total	\$ 40,297	\$ 90,582	\$ 416,010	\$ 235,014	\$ 192,661	\$ 341,391
Total WIK Expenses					\$ 1,315,955 (100%)	
Total Claimed WIK Expenses					\$ 781,903 (59%)	
Total Unclaimed WIK Expenses					\$ 534,052 (41%)	

NC = Not Creditable

Analysis of Data Processing Labor Expenses Incorrectly

Classified as Not Creditable in Project Systems

Our analysis of the classifications and claims for data processing labor expenses is shown in the following table.

Analysis of Claim Inconsistencies for Data Processing Labor Expenses Incorrectly Classified in Project Systems as Not Creditable (NC) Fiscal Years 2016 - 2024				
Fiscal Year	Expense Activity Code Classifications Activity Code = 100828-79-05-02-01-02 to 11			
	Activity Code Listed as Creditable	Activity Code Not Listed = NC	Activity Code Listed as NC	Activity Code Listed as NC
	Claimed WIK Expenses (Included in Expense Reports)			Unclaimed WIK Expenses (Not in Expense Reports)
2016 1 st – 2 nd Q				\$ 10,768
2016 3 rd – 4 th Q	\$ 10,164 <i>Approved</i>			
2017	\$ 28,910 <i>Approved</i>			
2018			\$ 32,033 <i>Approved</i>	
2019 1 st – 2 nd Q		\$ 21,306 <i>Approved</i>		
2019 3 rd – 4 th Q				\$ 18,977
2020 1 st – 2 nd Q				\$ 18,159
2020 3 rd – 4 th Q				\$ 12,931
2021				\$ 24,932
2022				\$ 33,054
2023				\$ 30,976
2024				\$ 34,390
Total	\$ 39,074	\$ 21,306	\$ 32,033	\$ 184,187
Total Claimed and Unclaimed WIK Expenses				\$ 276,601
Total Claimed WIK Expenses				\$ 92,413
Total Unclaimed WIK Expenses				\$ 184,187

The District correctly claimed credit for data processing expenses included in the KRRP Project expense reports regardless of the incorrect classifications. As shown in the preceding table, the District claimed \$92,414 in WIK credit for data processing expenses incurred during Fiscal Years 2016 (3rd – 4th Q), 2018, and 2019 (1st – 2nd). The USACE approved the claims. Expenses included in the KRR Project expense reports were correctly submitted for credit even though the activity code was incorrectly classified as not creditable in Project Systems; and indicated in the Fiscal Year 2018 KRR Project report's listing of creditable activities as not creditable and was not indicated on the report's list for Fiscal Year 2019 (3rd – 4th Q). Further, our analysis disclosed that the KRR Project's expense reports for Fiscal Years 2016 (1st – 2nd Q), and 2019 (3rd – 4th Q), 2020, 2021, 2023, and 2024, listed data processing expenses as not creditable and did not include any expenses. Thus, the District did not claim any credit. We concluded that the District could claim \$184,187 for data processing expenses incurred during Fiscal Years 2016 (1st – 2nd Q), and 2019 (3rd – 4th Q), 2020, 2021, 2023, and 2024

It should be noted that our 2016 Audit of KRR Project Cost Share also disclosed that data processing expenses were classified as not creditable in Project Systems and expenses were never submitted for credit. Further, in our prior audit we recommended that the WBS elements in Project Systems be revised from not creditable to creditable. It appears that our prior findings were not fully implemented.

During our audit, we informed Finance Bureau staff of the issues we found and the \$184,184 in unclaimed expenses. Finance Bureau staff revised the activity codes from not creditable to creditable in Project Systems and plan to submit the expenses to the USACE for WIK credit.

Analysis of SCADA Contracts and Parts Expenses
Classified as Not Creditable in Project Systems

The District claimed \$239,399 in WIK credit for SCADA contracts and parts expenses incurred during Fiscal Years 2018 and 2019 (1st – 2nd Q) and the USACE approved the claims. These expenses were included in the KRR Project expenses report even though the activity code was incorrectly classified as not creditable in Project Systems. In addition, the activity code was listed as not creditable in the Fiscal Year 2019 (1st – 2nd Q) KRR Project report's listing of creditable activities. Further, our analysis disclosed that KRR Project's expense reports for Fiscal Years 2019 (3rd – 4th Q), 2020, 2021 and 2022 listed SCADA contracts and parts expenses as not creditable and did not include any expenses; thus, the District did not claim credit. We concluded that the District could claim \$146,479 for SCADA contracts and parts expenses incurred during Fiscal Years 2019 (3rd – 4th Q), 2020, 2021 and 2022.

Our analysis of the classifications and claims for SCADA contracts and parts expenses is shown in the following table.

Analysis of WIK Claim Inconsistencies - SCADA Contracts & Parts Incorrectly Classified in Project Systems as Not Creditable (NC) Fiscal Years 2018 - 2022			
Fiscal Year	Expense Activity Code Classifications Activity Code = 100828-27-10-01 to 05		
	Expense Report Not Available (<i>Not an Issue</i>)	Activity Code Listed as NC	Activity Code Listed as NC
	Claimed WIK Expenses (Included in Expense Reports)		Unclaimed WIK Expenses (Not in Expense Reports)
2018	\$ 142,583 (<i>Approved</i>)		
2019 1 st – 2 nd Q		\$ 96,816 (<i>Approved</i>)	
2019 3 rd – 4 th Q			\$ 53,438
2020 1 st – 2 nd Q			\$ 27,913
2020 3 rd – 4 th Q			\$ 17,094
2021			\$ 37,822
2022			\$ 10,212
Total	\$ 142,583	\$ 96,816	\$ 146,479
Total Claimed and Unclaimed WIK Expenses			\$ 385,878
Total Claimed and Approved WIK Expenses			\$ 239,399
Total Unclaimed WIK Expenses			\$ 146,479

During our audit, we informed Finance Bureau staff of the issues we found and the \$146,479 in unclaimed expenses. Staff revised the activity codes from not creditable to creditable in Project Systems and plan to submit the expenses to the USACE for WIK credit.

**Analysis of Site Maintenance Labor and
Site Maintenance Contracts and Parts Expenses
Classified as Creditable in Project Systems**

The District correctly claimed \$413,467 in WIK expenses for site maintenance labor and site maintenance contracts and parts included in several KRR Project expense reports from Fiscal Years 2016 to 2024. As of August 2026, the USACE has approved \$90,184, disallowed \$90,582, and \$232,701 was pending review. Expenses included in the KRR Project expense reports were correctly submitted for credit because the activity codes were classified as creditable in Project Systems; however, in some instances, the KRR Project expense reports' listings of creditable activities listed the activities as not creditable and in other instances the activity codes were not listed (which denotes that the activities were not creditable). Our analysis disclosed that the KRR Project's expense reports for Fiscal Years 2016 (1st – 2nd Q), and 2019 (3rd – 4th Q), and 2021 listed the expenses as not creditable or did not include the activities. In addition, the reports did not include any expenses for these periods; thus, the District did not claim any credit. We concluded that the District could claim \$107,509 for site maintenance labor and site maintenance contracts and parts expense incurred during Fiscal Years 2016 (1st – 2nd Q), and 2019 (3rd – 4th Q), and 2021.

Our analysis of the classifications and claims for site maintenance labor and site maintenance contracts and parts expenses is shown in the following table.

Analysis of WIK Claim Inconsistencies - Site Maintenance Labor & Contracts/Parts Classified in Project Systems as Creditable Fiscal Years 2016 - 2024					
Fiscal Year	Expense Activity Code Classifications				
	Activity Code Listed as Creditable	Expense Report Not Available	Activity Code Not Listed = NC	Activity Code Not Listed = NC	Activity Code Listed as NC
	Claimed WIK Expenses (Included in Expense Reports)			Unclaimed WIK Expenses (Not in Expense Reports)	
	Site Maintenance Labor (100828-75-05-02-01-02 to 10)				
2016 1 st – 2 nd Q				\$ 6,251	
2017	\$ 715				
2018		\$ 90,582 (Disallowed)			
2019 1 st – 2 nd Q			\$ 66,166 (Approved)		
2019 3 rd – 4 th Q				\$ 88,649	
2020 3 rd – 4 th Q			\$ 24,018 (Approved)		
2021			\$ 27,248		
2022			\$ 21,019		
2023			\$ 45,970		
2024			\$ 29,287		
Total	\$ 715	\$ 90,582	\$ 213,708	\$ 94,900	-
Site Maintenance Contracts / Parts (100828-75-10-01-00 to 13)					
2016 1 st – 2 nd Q					\$ 10,725
2021				\$ 1,884	
2022			\$ 32,304		
2023			\$ 41,276		
2024			\$ 34,882		
Total	-	-	\$ 108,462	\$ 1,884	\$ 10,725
Total	\$ 715	\$ 90,582	\$ 322,170	\$ 107,509	
Total Claimed and Unclaimed WIK Expenses				\$ 520,976	
Total Claimed WIK Expenses				\$ 413,467	
Total Unclaimed WIK Expenses				\$ 107,509	

It should be noted that our 2016 Audit of KRR Project Cost Share disclosed that site maintenance labor and site maintenance contracts and parts were classified as not creditable in Project Systems and expenses were never submitted for credit. During the audit, the District submitted WIK claim for creditable expenses. Further, in our prior audit we recommended that the WBS elements in Project Systems be revised from not creditable to creditable. We found that the project activity codes were revised from not creditable to creditable in Project Systems; however, in some instances the activity codes were either listed as not creditable or not reflected in the KRR Project expense reports. As a result, in some instances WIK credit was not claimed.

During our audit, we informed Finance Bureau staff of the issues we found and the \$107,509 in unclaimed expenses. Staff revised the activity codes from not creditable to creditable in Project Systems and plan to submit the expenses to the USACE for WIK credit.

**Analysis of Project Management and Support Expenses
Classified as Creditable in Project Systems**

The District correctly claimed \$36,624 in WIK expenses for project management and support included in the KRRP Project expense reports for Fiscal Years 2016 (3rd – 4th Q) and 2017. The USACE has approved \$36,116 and disallowed \$508 of these expenses. Expenses included in the KRR Project expense reports were correctly submitted for credit because the activity codes were classified as creditable in Project Systems; however, the Fiscal Year 2017 KRR Project expense report listed the project management and support expenses as not creditable. Our analysis disclosed that the KRR Project's expense report for Fiscal Years 2016 (1st – 2nd Q) listed these same expenses as not creditable but the expenses were not included in the report; thus, the District did not claim any credit. We concluded that the District could claim \$95,877 for project management and support expenses incurred during Fiscal Year 2016 (1st – 2nd Q).

Our analysis of the classifications and claims for project management and support expenses is shown in the following table.

Analysis of Claim Inconsistencies for Project Management & Support Classified in Project Systems as Creditable Fiscal Years 2016 and 2017			
Fiscal Year	Expense Activity Code Classifications		
	Activity Code Listed as Creditable	Activity Code Listed as NC	Activity Code Listed as NC
	Claimed WIK Expenses (Included in Expense Reports)		Unclaimed WIK Expenses (Not in Expense Reports)
Project Management and Support (100977-85-05-03)			
2016 1 st – 2 nd Q			\$ 95,161
2017		\$ 36,116 <i>(Approved)</i>	
Total		\$ 36,116	\$ 95,161
Project Management and Support (100977-27-05-03)			
2016 1 st – 2 nd Q			\$ 716
2016 3 rd – 4 th Q	\$ 508 <i>(Disallowed)</i>		
Total	\$ 508		\$ 716
Total Claimed and Unclaimed WIK Expenses			\$ 132,501
Total Claimed WIK Expenses			\$ 36,624
Total Unclaimed WIK Expenses			\$ 95,877

During our audit, we informed Finance Bureau staff of the issues we found and the \$95,877 in unclaimed expenses. Staff revised the activity codes from not creditable to creditable and plan to submit the expenses to the USACE for WIK credit.

To ensure that all eligible WIK expenses are claimed for credit, the Finance Bureau and Lake and River Ecosystems Section staff should ensure that creditable WIK expenses (activity codes) are reflected in Project Systems as creditable. In addition, Finance Bureau staff should verify that all creditable activity codes are reflected as creditable in the KRR Project expense reports' work order used listing. Further, the Finance Bureau and Lake and River Ecosystems Section staff should perform more detailed reviews of WIK claims to ensure claims includes creditable activity codes and corresponding expenses.

Unclaimed Work Order Expenses

Our analysis disclosed that the District can claim an additional \$116,976 for unclaimed WIK related expenses charged to 310 work orders during Fiscal Years 2017 and 2021. Specifically, we found that although some work orders were listed in the work order tab of the KRRP Project expense reports the corresponding expenses charged to all work orders were not included in the report.

Our results are summarized in the table below and followed by further details.

Analysis of Unclaimed Credit for Work Order Expenses Fiscal Years 2017 and 2021			
Data Classification	FY 2017	FY 2017	FY 2021
	SCADA Contracts & Parts	Site Maintenance Labor	
Work Order Data Included in KRR Project Expense Reports Used to Determine WIK Expense			
WBS Activity Code Status in Project Systems	Not Creditable	Creditable	Creditable
WBS Activity Code Status in KRR Project Expense Report	Creditable	Creditable	Not Listed = NC
# of Work Orders in KRR Project Expense Report	18	122	32
Expenses Charged to Work Orders per KRR Project Expense Report and Submitted to USACE for WIK Credit	\$0 WIK Credit Claimed. Work Order Costs not Included in KRR Project Expense Report		\$24,455 in WIK Credit Claimed for Expenses Charged to 32 Work Orders
Unclaimed Work Orders Related WIK Expenses Identified by Audit			
Total Number of Work Orders with Eligible WIK Expenses	32	259	51 (19 Unclaimed)
Unclaimed WIK Expenses	\$10,077	\$97,251	\$9,648
Number of Unclaimed Work Orders			310
Unclaimed WIK Expenses			\$ 116,976

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- **Fiscal Year 2017 Work Order Expenses Charged to SCADA Contracts & Parts and Site Maintenance Labor:** The Fiscal Year 2017 KRR Project expense report used by the Finance Bureau to analyze WIK expenses indicated that expenses were charged to 140 work orders for SCADA contracts and parts, and site maintenance labor expenses. However, our review of the WIK expense report and supporting documentation disclosed that the credit request submitted to the USACE did not include any expenses charged to the 140 work orders. We discussed this issue with Finance Bureau staff, and they determined that a total of \$107,328 in WIK expenses was charged to 291 work orders.
- **Fiscal Year 2021 Work Order Expenses Site for Maintenance Labor:** Based on the Fiscal Year 2021 KRR Project expense report, \$24,455 in expenses charged to 32 work orders was claimed for WIK credit. However, our audit disclosed that additional expenses totaling \$9,648 charged to 19 unclaimed work orders were eligible for credit.

Finance Bureau staff responsible for compiling KRR Project expenses eligible for WIK credit should review the list of work orders generated by the KRR Project expense report and ensure that corresponding work order expense amounts are included in WIK credit claims. It should be noted that a close review of the expense reports by Finance Bureau staff would have disclosed that work orders data were listed in the report; however, the work orders and the expense amounts were not included in expense details. The review would have prompted additional expense analysis. During our audit, Finance Bureau staff addressed this issue and plans to submit \$116,976 in unclaimed work order related expenses to the USACE for WIK credit.

***Unclaimed Salary Related Expenses Due to SAP
Adjustments after Work-In- Kind Credit Requested***

We concluded that the District should request an additional \$49,377 in reimbursements from the USACE for eligible Fiscal Year 2021 project coordination and restoration evaluation expenses. Specifically, these expenses were payroll adjustments made after the Finance Bureau generated the KRR Project expense report and requested WIK credit from the USACE. These adjustments increased salary related WIK credit due to the District. Based on our review, it appears that the salary expenses incurred during the 4th quarter of Fiscal Year 2021 and were not posted to the SAP Finance Module. As a result, the expenses were not captured when the Finance Bureau generated the KRR Project expense report for the period. This issue was not discovered until February 2022 by the Budget Bureau. Finance Bureau staff stated that issue never happened before and there is now a verification process after each payroll to ensure all payroll data is reflected in SAP Finance Module.

Our results are summarized in the following table.

Additional Salary Expenses Charged to Activity Codes after Fiscal Year 2021 WIK Credit Request Submitted to the USACE		
WBS Expense Description	WBS Expense Code	Unclaimed Credit
Project Coordination Expenses		
FY21 Project Management and Support	100700-91-05-07	\$ 16,556
Restoration Evaluation Expenses		
KRREP Field Operations	100651-03-05-08	\$ 662
KRREP Headwaters Field Veg Evaluations	100651-03-05-14-05-02-01	\$ 1,457
KRREP Invertebrate Community Evaluations	100651-03-05-15-04	\$ 7,263
KRREP Dissolved Oxygen Evaluations	100651-03-05-16-03-02	\$ 8,013
KRREP DO Eval Bureau	100651-03-05-16-03-02-01	\$ 596
KRREP Project Management	100651-03-05-17	\$ 112
KRREP Water Ops Staff Time	100651-03-05-19-01	\$ 6,459
FA12 Project Management Support	101150-85-05-02	\$ 7,165
FA12 Lake and River Eco Support	101272-27-05-01	\$ 1,094
Additional Salary Expenses Eligible for WIK Credit		\$ 49,377

The Finance Bureau should request an additional \$49,377 in WIK credit from the USACE for the salary expenses not claimed due to SAP adjustments after credit was requested from the USACE. In addition, the Finance Bureau should routinely determine whether salary related expenses are adjusted after WIK credit requests are submitted to the USACE and submit WIK adjustments as necessary.

Indirect Cost and Fringe Benefit Rates Used to Calculate Salary Expenses Submitted for Credit Were Lower than Approved Rates

Our audit disclosed that for Fiscal Years 2016, 2019 (1st - 2nd), and 2020 (1st - 2nd) the Finance Bureau used the most recently available USACE approved indirect and fringe benefit rates to calculate WIK salary related expenses because approved rates were not available at the time the WIK credit requests were prepared. We found that the USACE approved rates for Fiscal Years 2016, 2019, and 2020 were higher than the rates used to calculate salary related expenses submitted for WIK credit. Based on the approved rates, the District can claim \$40,685 in additional credit. The results of our analysis are shown in the following table.

Additional Salary Related Expenses Eligible for WIK Credit Based on USACE Approved Indirect and Fringe Rates Fiscal Years 2016, 2019, and 2020			
WIK Claim Period	Rates Used to Calculate Salary Related Expenses	Approved Rates Indirect and Fringe	Additional Salary Expenses Eligible for WIK Credit
FY 2016 1 st - 2 nd Q	<u>FY 2014 Rates Used</u> Indirect = 72.9633% Fringe = 56.1538%	<u>FY 2016 Rates</u> Indirect = 69.0043% Fringe = 62.8570%	\$ 5,951
FY 2016 3 rd - 4 th Q			\$ 8,578
FY 2019 1 st - 2 nd Q	<u>FY 2018 Rates Used</u> Indirect = 65.6630% Fringe = 66.4628%	<u>FY 2019 Rates</u> Indirect = 72.0480% Fringe = 61.9779%	\$ 6,650
FY 2020 1 st - 2 nd Q	<u>FY 2019 Rates Used</u> Indirect = 72.0480% Fringe = 61.9779%	<u>FY 2020 Rates</u> Indirect = 72.1616% Fringe = 66.7850%	\$ 19,506
Additional Salary Expenses Eligible for WIK Credit			\$ 40,685

It should be noted that correct approved rates were used for all other semi-annual and annual submissions for Fiscal Years 2017 to 2024. The Finance Bureau waits for the USACE's approved indirect and fringe benefit rates before WIK expenses are analyzed and submitted for credit to ensure salary related expenses are requested based on approved USACE rates.

***Unclaimed Credit for Fiscal Year 2022 Vehicle
Usage and Direct Asset Purchase Expenses***

Our audit disclosed that the Finance Bureau did not request \$83,098 in creditable vehicle usage and direct asset purchase expenses incurred during Fiscal Year 2022. The unclaimed expenses are shown in the following table.

Unclaimed Credit for Vehicle Usage and Direct Asset Expense Fiscal Year 2022	
Expenses	Unclaimed Amount
Vehicle Usage	\$ 15,523
Direct Asset Expense	\$ 67,575
Unclaimed Vehicle Usage and Direct Asset Expenses Eligible for WIK Credit	\$ 83,098

During our audit, we informed Finance Bureau staff about the unclaimed expenses. Staff stated the expenses were not claimed due to an oversight and included the expenses in the Fiscal Year 2023 WIK credit claim. The Finance Bureau should take steps to ensure that credit is claimed for vehicle usage and direct asset purchases. A detailed supervisory review of the claim should address this issue.

Disallowed Work-In-Kind Expenses Should be Resubmitted for Credit

Our analysis disclosed that the USACE disallowed \$756,801 in hydrologic monitoring and restoration evaluation WIK expenses incurred during Fiscal Years 2016 (3rd – 4th Q) and 2018. The disallowed expenses were for project maintenance and support, staff time for water operations, and site maintenance expenses. The USACE's reasons for the disallowances were that the expenses were either non-federal expenses or not creditable under the PCA. However, our analysis disclosed that the USACE approved credit for totaling \$1,385,666 for these same types of expenses incurred during Fiscal Year 2016 (1st -2nd Q), 2017, 2019, 2020 (1st – 2nd Q), and 2020 (3rd – 4th). In addition, the District has submitted credit requests to the USACE for these same types of expenses covering Fiscal Years 2021 and 2022. Further, Finance Bureau staff stated that they will request credit for these expenses in the WIK requests for Fiscal Years 2023 and 2024.

Inconsistent approvals and disallowances of WIK expenses charged to the same activity codes are shown in the following table.

Analysis of Inconsistent Approval and Disapproval of the Same Types of Expenses in During Fiscal Years 2016 – 2020			
WBS Description and Activity Code	Disallowed Expenses		Approved Expenses
	Expenses Claimed and Disallowed	Fiscal Year WIK Claim	Fiscal Year Same or Similar Expenses Approved for Credit
Project Management and Support – 100944-37-05-02-05 and 100945-37-05-02-13	\$ 31,430	FY 2016 3 rd – 4 th Q	FY 2017 FY 2018 <u>Approved: \$126,571</u>
Project Management and Support – 100977-27-05-03	508	FY 2016 3 rd – 4 th Q	FY 2017 <u>Approved: -\$12</u>
Project Management and Support 100977-85-05-03	118,644	FY 2016 3 rd – 4 th Q	FY 2017 <u>Approved: \$36,116</u>
KRREP Project Management 100651-03-05-17	3,623	FY 2016 3 rd – 4 th Q	FY 2016 - 1 st – 2 nd Q FY 2017
	24,851	FY 2018	FY 2019 - 1 st – 2 nd Q FY 2019 - 3 rd – 4 th Q FY 2020 - 1 st – 2 nd Q FY 2020 - 3 rd – 4 th Q <u>Approved: \$54,371</u>
KRREP Water Operations Staff Time 100651-03-05-19-01	118,326	FY 2016 3 rd – 4 th Q	FY 2016 - 1 st – 2 nd Q FY 2017
	220,351	FY 2018	FY 2019 - 1 st – 2 nd Q FY 2019 - 3 rd – 4 th Q FY 2020 - 1 st – 2 nd Q FY 2020 - 3 rd – 4 th Q <u>Approved: \$913,289</u>
Site Maintenance Labor 100828-75-05-02-01-03, 04, 05, 06	90,852	FY 2018	FY 2019 - 1 st – 2 nd Q FY 2020 - 3 rd – 4 th Q <u>Approved: \$90,184</u>
Project Management Support – 100978-85-05-01	14,302	FY 2018	FY 2017 <u>Approved: \$124,960</u>
Project Management Support – 101060-85-05-01	133,914	FY 2018	FY 2019 - 1 st – 2 nd Q <u>Approved: \$40,187</u>
Total Disallowed Expenses to be Resubmitted for WIK Credit	\$ 756,801	Total Expenses Approved	\$ 1,385,666

Since the USACE approved expenses charged to the same project activity codes prior to and after the disallowances, the Finance Bureau staff have resubmitted the disallowed expenses for credit. As a result, we recommend that the District resubmit the \$756,801 in disallowed expenses for WIK credit. In addition, Finance Bureau staff should monitor and analyze disallowances, and coordinate with the USACE for resubmission.

Land Acquisition Related Expenses Claimed as Work-In-Kind Expenses

Our audit disclosed that the WIK credit requests for Fiscal Years 2016 and 2017 included land acquisition related expenses totaling \$236,944. The USACE disallowed these expenses and recommended that the expenses be resubmitted by the Real Estate Bureau for credit. According to Real Estate Bureau staff, they are aware of the disallowed expenses but have not yet resubmitted the expenses for credit because they have been working on researching expenses associated with other acquisition-related claims. They plan to research and request credit for these expenses soon.

We determined that in addition to the \$236,944 the District can claim an additional \$698 in salary related expenses. Specifically, salary expenses included in the claims were calculated using the most recent available USACE approved indirect and fringe benefits at the time the WIK credit requests were prepared. However, based on our review, the approved rates were higher. As a result, the District could claim \$237,642.

The disallowed land acquisition-related expenses are shown in the following table.

Disallowed Land Acquisition Related Expenses to be Resubmitted by the Real Estate Bureau for Credit Consideration Fiscal Years 2016 and 2017			
Fiscal Year	Disallowed Expenses Charged to Land Related WBS Activity Code FD02	Disallowed Amount	Additional Salary Expense
FY 2016 1 st – 2 nd Q	Restoration Work for C-37 Project Lands	\$ 8,411	\$ 101
FY 2016 3 rd – 4 th Q	Mitigation in Lieu of Acquisition Solutions for the C-37 Project Lands	\$ 227,542	\$ 597
FY 2017	Mitigation in Lieu of Acquisition Solutions Project Management Related Expenses	\$ 991	
Total		\$ 236,944	\$ 698
Total Land Acquisition Expenses to be Claimed		\$	237,642

Analysis of Land Acquisition Related Expenses

The District has an adequate process in place to ensure that eligible KRR Project land acquisition-related expenses are tracked, and the status of USACE credit requests are documented; however, we recommend some additional improvements. The Real Estate Bureau is responsible for acquiring land and requesting credit for and land acquisition-related expenses. As of June 2026, the District has acquired approximately 97,159.38 acres of the 97,188.46 acres needed to complete the KRR Project. Land acquisition status is shown in the following table.

KRR Project Land Acquisition Status, as of June 2026				
Acquisition Status	Upper Basin	Lower Basin	Total Acres	
	# of Acres			
Acquired	30,902.94	66,256.44	97,159.38	99.97%
Remaining Acquisitions	None	29.11	29.11	0.03%
Total Acres	30,902.94	66,285.55	97,188.46	100%

Note: Acquisition of the 29.11 remaining acres is in progress. In July 2026, the Real Estate Bureau submitted the appraisal to the USACE for approval.

As of June 2026, the Real Estate Bureau submitted land acquisition related expense for 859 claims totaling almost \$290.5 million to the USACE for the 967 land tracts acquired for the KRRP Project, which is equivalent to 96% of tracts currently eligible for credit. The USACE has approved \$147.6 million for land acquisition related costs for 445 claims comprising of 516 tracts. In addition, the Real Estate Bureau has submitted 414 claims for 451 tracts to the USACE requesting \$135.9 million for land acquisition related costs. USACE approved credit totaling \$11.3 million for 12 of the 414 claims. These claims will be resubmitted for additional credit. In addition, 22 claims (4% of claims) are classified as submittals in progress.

Claim and credit status for land acquisition related expenses are summarized in the table below and followed additional details.

Status of Claims for Land Acquisition Related Expenses As of June 2026						
Land / Tract Data	Claim Status for Acquired Tracts				Land to be Acquired	Totals
	Approved Claims by USACE	Submitted for Credit	Submittals in Progress	NA – Land Not Required		
# of Tracts	516	451	40	16	5	1,028
Acres	72,763.50	18,365.27	6,030.61		29.11	97,188.49
Land Cost Only	\$144,682,160	\$121,019,991	\$ 6,129,170	\$1,038,920		\$ 272,870,241
Certs	196	286	17	2	1	502
# of Claims	445	414	22	14	1	896
Claimed Amount	\$154,508,905	\$135,901,527	\$ 4,800,407			\$ 295,210,839
Credit Approved	\$147,623,314	\$ 11,346,689	\$ 917,048			\$ 159,887,051

- **Approved Claims:** Claims approved and credit received by the USACE.
- **Submitted for Credit:** The District has submitted 414 claims that are pending the USACE's review of claim. It should be noted that the USACE approved partial credit for 12 claims. The District will resubmit revised claims for additional credit. The USACE usually informs the District of the claims under review and may request additional data from the District.
- **Submittal in Progress:** Claims for some of the 40 tracts are in the process of being submitted. In other instances, claims were submitted, however, the claims are being revised to request additional credit, and additional documentation is being submitted to support previously denied expenses.
- **NA – Land not Required:** Claims for 16 tracts were not needed for the KRR Project for various reasons; for example, tracts were outside the project boundaries.
- **To be Acquired:** Acquisition of the remaining 29.11 acres is in progress. In July 2026, the Real Estate Bureau submitted the appraisal to the USACE for approval.

It should be noted that our 2018 *Audit of Kissimmee River Restoration Project Cost Share for Land Acquisition Expenditures* (Audit #18-08) resulted in 19 recommendations to improve the KRR Project land cost share process. As of March 31, 2026, 18 of the 19 recommendations have been implemented and one is in the process of implementation. As a result, the process of ensuring credit is requested for eligible land acquisition-related expenses has improved compared to the process in place during our prior audit. The recommendation in process of implementation recommended that the Real Estate Bureau expedite claims for acquired tracts not submitted credit, donations, and relocation costs. Several steps have been taken to implement the recommendation. Further, since September 2025 there has been a change in the administrator responsible for submitting land acquisition claims to the USACE. The administrator has implemented several additional improvements; for example, increased maintenance and reliance of land acquisition-related data in IRIS and the IRIS Financial Enrichment database.

Based on our review and discussions with Real Estate Bureau staff, we concluded that the land credit request process appears sufficient. For example, the Real Estate Bureau has made the following improvements:

- Implemented detailed procedures to better identify and compile creditable labor expenses; for example, IRIS review to determine employees who worked on acquisition and the activity dates, and review of LGFS and SAP payroll data.
- Updated credit request submissions process to provide more detailed and accurate data while increasing accuracy and completeness. Specifically, the IRIS Financial Enrichment database contains LGFS and SAP expenses relating to land costs, appraisals, titles, and closing. The Bureau uses Jaspersoft (a reporting tool) to extract data from the Financial Enrichment database for claim submissions.
- Data is presented in the format required by the USACE; for example, the *Claim for Credit for Acquisition Expenses per Tract* and *Required Documentation for Acquisition Claim* forms are USACE forms listing required costs and documents to be submitted for credit considerations. Claims are submitted electronically to the USACE, and the supporting crediting documents include the bookmark feature for easy navigation between sections of the claim package. Data

navigation is simple and user friendly. Further, with the crediting database the Real Estate Bureau can easily respond to the USACE's requests for revisions or additional data since data is maintained electronically. Claims for each tract to the USACE include, but are not limited to, the following documentation:

- Title evidence such as; title report, preliminary title opinion, final title opinion, and deed / easement.
- Purchase backup documents, which includes but is not limited to; letter of intent to acquire, executed offer, deed and recording data, closing statement, negotiator's statements, approval exceeding appraisal value, and court documents in instances of condemnation judgments.
- Appraisal backup including the appraisal report and approval determinations.
- Maps, survey, and legal description of the certified lands, recorded deed or document of conveyance, and title policy.
- Certification of lands that certifies that the acquired land is dedicated to KRR Project and cannot be conveyed, transferred or altered without the USACE's approval. An attorney's certification is also required to certify that the person who executed the land certification was authorized by the District.
- Documentation supporting credit requests for expenditures incurred by the District; for example, land purchase price, appraisal fee, title costs, closing costs, and District salary expenses.

In addition, the Real Estate Bureau and USACE meet biweekly to discuss land acquisition related matters relating to District projects; for example, KRR Projects and CERP. Discussions of KRR Project matters include claims under review by the USACE and any requests by the USACE for additional documentation. In addition, the Real Estate Bureau staff provide updates on claim packages to be submitted and land certifications. Discussions also include submitted claims under review by USACE to resolve any issues. Further, the USACE is implementing "Smartsheets", a repository for project documents related to a USACE efforts. The Real Estate Bureau is collaborating with the USACE and working with the USACE to upload certifications and claims data.

Our audit procedures included reviewing the four claims that were previously submitted to the USACE for credit but were revised and resubmitted to the USACE using the enhanced crediting request process, as of the end of March 2026. Our sample selection was based on consideration of the following:

- 1) According to Real Estate Bureau staff, some of these claims were identified during an analysis of land acquisition data, reflected compliance with the improved credit submission process, and were overseen by the new administrator, and
- 2) Since our prior 2018 audit was very comprehensive and resulted in 19 recommendations to improve the crediting process.

Our review disclosed that the revised claims resulted in additional claims of over \$4.2 million for additional tracts, closing expenses not included in the original claims, and additional salary expenses using the new detailed procedures to better identify and compile creditable labor expenses. Further, Real Estate Bureau staff stated that some of the additional claim amount resulted from our prior audit recommendations. Our review disclosed that the claim process has improved; however, there are additional opportunities for improvements.

The details of our review are as follows:

Analysis of Sampled Land Acquisition Related Claims Resubmitted for Credit, as of March 2026				
Claim Data	Original Claim Amount	Revised Claim Amount	Additional Claim Amount	Comments
18100-001	\$ 883,835	\$ 1,564,675	\$ 680,840	Additional claimed expenses for tracts, retrospective appraisal, and salary expenses
Original Submittal 2004, 2008, and 2009; Resubmittal January 2026. Claim was resubmitted to the USACE in January of 2026 and combined three related tracts. We noted that the revised claim included salary expenses only up to October 2024. Thus, some claim preparation salary expenses appear unclaimed. Real Estate Bureau staff stated they are aware of this issue and have taken steps to ensure that all salary expenses are claimed in future claims.				
19101-065	\$ 216,921	\$ 691,638	\$ 474,717	Included unclaimed tracts, attorney and expert fees, and salary expenses
Original Submittal 2008; Resubmittal March 2026. Original claim included \$717 in salary and \$150 in miscellaneous expenses reflected in the original claim but not reflected in the revised claim. In addition, salary expenses did not include expense for one of the claim reviewers. Thus, staff should ensure original claims to ensure all eligible expenses are claimed for credit.				
19103-116 Resubmitted March 2026	\$ 1,024,607	\$ 2,555,059	\$1,530,452	The original request was a partial claim and did not include all tract costs, appraisal, salary, other costs
19103-751 Resubmitted March 2026	\$ 1,090,786	\$ 2,669,236	\$1,578,450	
Original Submittals in 2023; Resubmittals in March 2026. Original claims were submitted in 2023 and reflected salary expenses as of the end of 2014. Thus, salary expenses for claim preparation were not requested. The resubmittals included 2025 and 2026 salary expenses for the revised claim preparation but not expenses associated with preparation of the original 2023 claims submissions. Real Estate Bureau staff have not decided how to address this issue since the claims were resubmittals. We recommend that this issue be discussed with the USACE to claim at least some of the expenses since time was spent accumulating and analyzing data.				

Our audit procedures also entailed reviewing two revised claims resubmitted in 2023 and 2024 which were prior to the improved submittal process. Our review disclosed unclaimed salary expenses, as described in the following table.

Analysis of Sampled Land Acquisition Related Claims Resubmitted for Credit Prior to Process Improvements				
Claim Data	Original Claim Amount	Revised Claim Amount	Additional Claim Amount	Comments
18029-001	\$ 394,39	\$ 407,595	\$ 13,200	Revised costs
<i>Original Submittal 2017; Resubmittal 2023.</i> The revised claim included salary expenses up to Fiscal Year 2012; thus, salary expenses were not requested for claim preparations.				
18200-010	\$ 9,185,730	\$ 9,294,570	\$ 108,840	Unclaimed expert fees
<i>Original Submittal 2020; Resubmittal 2024.</i> Salary expense amount was the same in both the original and resubmitted claims. The amount claimed totaled \$36,979 covering Fiscal Years from 1995 to 2003; however, based on our review, this amount appears understated because other expenses claimed were incurred during Fiscal Years 2016 to 2017. In addition, claim preparation expenses for the 2020 and 2024 submissions were not claimed.				

Based on our review of the four sampled claims, there are further opportunities to increase claim amounts for salary expenses. We also concluded that salary expenses for preparing original claims that were subsequently revised were not requested for credit. As a result, the Real Estate Bureau should consider whether to claim credit for at least some of the salary expenses incurred in preparing and submitting the original claims. In addition, steps should be taken to ensure that all time spent reviewing and approving submittals are claimed for credit. Further, for claims that were submitted prior to the enhancement of the credit submittal process, the Real Estate Bureau should consider developing a process to request credit for unclaimed salary expenses incurred in preparing and submitting claims. Credit requests for unclaimed salary expenses should take cost effectiveness into consideration.

RECOMMENDATIONS

1. **Request WIK credit from the USACE for the \$534,052 in unclaimed expenses identified in our report as inconsistently claimed expenses.**

Management Response: Management agrees with the recommendation

Responsible Division: Administrative Services Division

Estimated Completion: 12/31/2026

2. **Recommend that the Finance Bureau and Lake and River Ecosystems Section staff responsible for analyzing and reviewing WIK expense claims ensure that creditable WIK expenses (activity codes) are reflected in Project Systems as creditable.**

Management Response: Management agrees with the recommendation

Responsible Division: Administrative Services Division

Estimated Completion: 12/31/2026

3. **Recommend that Finance Bureau staff verify that all relevant KRR Project activity codes are accurately reflected on KRR Project expense reports' work order used listings. Refer to listings to ensure expenses are claimed for all activities.**

Management Response: Management agrees with the recommendation

Responsible Division: Administrative Services Division

Estimated Completion: 12/31/2026

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4. **Instruct Lake and River Ecosystems Section staff to perform more detailed reviews of WIK expenses provided by the Finance Bureau to ensure claims include required creditable activity codes and corresponding expenses.**

Management Response: Management agrees with the recommendation

Responsible Division: Administrative Services Division

Estimated Completion: 12/31/2026

5. **Request WIK credit from the USACE for the \$116,976 in unclaimed work order expenses.**

Management Response: Management agrees with the recommendation

Responsible Division: Administrative Services Division

Estimated Completion: 12/31/2026

6. **Implement analytical steps to ensure that all eligible KRR project expenses charged to work orders are submitted to the USACE for WIK credit.**

Management Response: Management agrees with the recommendation

Responsible Division: Administrative Services Division

Estimated Completion: 12/31/2026

7. **Request WIK credit from the USACE for the \$49,377 in unclaimed Fiscal Year 2021 salary expenses due to adjustments after the WIK claim was submitted to the USACE.**

Management Response: Management agrees with the recommendation

Responsible Division: Administrative Services Division

Estimated Completion: 12/31/2026

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- 8. Consider requiring the Finance Bureau to routinely determine whether salary expenses were adjusted after KRR Project WIK claims were submitted to the USACE for credit. Submit adjusted requests to the USACE, as necessary.**

Management Response: Management agrees with the recommendation

Responsible Division: Administrative Services Division

Estimated Completion: 12/31/2026

- 9. Request WIK credit from the USACE for the \$40,685 in salary related expenses that were calculated using rates that were lower than USACE approved indirect and fringe benefit rates.**

Management Response: Management agrees with the recommendation

Responsible Division: Administrative Services Division

Estimated Completion: 12/31/2026

- 10. Ensure WIK credit is requested for USACE for the \$83,098 for Fiscal Year 2022 unclaimed vehicle usage and direct asset purchases.**

Management Response: Management agrees with the recommendation

Responsible Division: Administrative Services Division

Estimated Completion: 12/31/2026

- 11. Implement additional steps to ensure that additional expenses (vehicle usage and direct asset purchase expenses) are included in all WIK credit requests.**

Management Response: Management agrees with the recommendation

Responsible Division: Administrative Services Division

Estimated Completion: 12/31/2026

12. Coordinate with the USACE and resubmit the \$756,800 in disallowed expenses for WIK credit.

Management Response: Management agrees with the recommendation

Responsible Division: Administrative Services Division

Estimated Completion: 12/31/2026

13. Monitor and analyze disallowed expenses and coordinate with the USACE regarding appealing disallowances.

Management Response: Management agrees with the recommendation

Responsible Division: Administrative Services Division

Estimated Completion: 12/31/2026

14. Develop a checklist incorporating the issues found in our audit for Finance Bureau staff, responsible for KRR Project WIK claims analysis, to use when preparing WIK claims.

Management Response: Management agrees with the recommendation

Responsible Division: Administrative Services Division

Estimated Completion: 12/31/2026

15. Ensure that the Real Estate Bureau complies with the USACE recommendations and request credit for the \$237,642 in disallowed land acquisition related expense submitted by the Finance Bureau.

Management Response: Management concurs with recommendation.

- Staff will request detailed list of disallowed land acquisition related expenses from the Finance Bureau.
- Staff will resubmit claim for credit to USACE for 2016/2017 land acquisition related expenses.

Responsible Division: Real Estate Bureau

Estimated Completion: March 2027

16. Real Estate Bureau should consider assessing whether to request credit for previously unclaimed salary expenses incurred, while preparing and submitting prior claims that require revision, and resubmission to reflect additional expenses.

Management Response: Management concurs with recommendation.

- A new process is currently in place to review and add salary not included in original submissions.

Responsible Division: Real Estate Bureau

Estimated Completion: Process changes completed

17. Real Estate Bureau should consider implementing a process to request credit for unclaimed salary expenses incurred during the claim preparation and submission process. This analysis should target submitted claims not targeted for re-analysis and should take cost effectiveness into consideration.

Management Response: Management concurs with recommendation.

- A new process is currently in place to include salary expenses incurred during claim preparation and submission.

Responsible Division: Real Estate Bureau

Estimated Completion: Process changes completed