



Office of Inspector General Annual Report

Fiscal Year 2018

Prepared by
Office of Inspector General

J. Timothy Beirnes, CPA, Inspector General
Ann E. Haga, Executive Assistant



SOUTH FLORIDA WATER MANAGEMENT DISTRICT

December 21, 2018

Governing Board Members:

Mr. Federico Fernandez, Chair
Ms. Melanie Peterson, Vice-Chair
Mr. Sam Accursio
Mr. Rick Barber
Mr. Carlos Diaz
Mr. Daniel O'Keefe
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Mr. Jaime Weisinger

Re: Annual Report for Fiscal Year 2018

In accordance with the Audit and Finance Committee Charter and Section 20.055, Florida Statutes, I am pleased to submit the Office of Inspector General's Annual Report for Fiscal Year 2018. This report was prepared by Ann Haga, Executive Assistant, and myself. It summarizes the audits and investigations performed, as well as other projects and activities accomplished during the year.

The Office of Inspector General will continue to promote effective controls, evaluate program effectiveness, and identify opportunities to improve efficiencies in operations. We will continue to provide you and District management with quality information to assist in decision making and fulfilling your duties and responsibilities.

We appreciate the support and encouragement of the Governing Board, the Audit and Finance Committee, and the cooperation of District management and staff.

Sincerely,

A handwritten signature in blue ink that reads "J. Timothy Beirnes".

J. Timothy Beirnes, Inspector General
Office of Inspector General

C: Ernie Marks, Executive Director
Senior Management Team

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INTRODUCTION

In accordance with the Section 20.055, Florida Statutes, this report summarizes the activities of the South Florida Water Management District's (the "District") Office of Inspector General (the "OIG") for the fiscal year ended September 30, 2018.

The OIG serves as an independent appraisal unit within the District to examine and evaluate its activities. The Inspector General reports directly to the District's Governing Board (the "Board"), through the Board's Audit & Finance Committee, whose members are appointed by the Chairman of the Board. The Audit & Finance Committee operates under an Audit & Finance Committee Charter established by the Board.

The Internal Audit Charter adopted by the Governing Board established an internal audit function within the OIG to provide a central point for coordination of activities that promote accountability, integrity, and efficiency in the operations of the District. The OIG is accorded unrestricted access to District facilities, records, and documents and is not limited as to the scope of work.

The duties and responsibilities of the Inspector General, as defined by Sections 373.079 and 20.055, Florida Statutes, include:

- advising in the development of performance measures,
- assessing the validity and reliability of performance measures,
- reviewing action taken by the District to improve performance,
- conducting, supervising or coordinating other activities to promote economy and efficiency,
- preventing and detecting fraud and abuse,
- coordinating with other auditors to avoid duplication, and
- ensuring that an appropriate balance is maintained between audits, investigations, and other accountability activities.

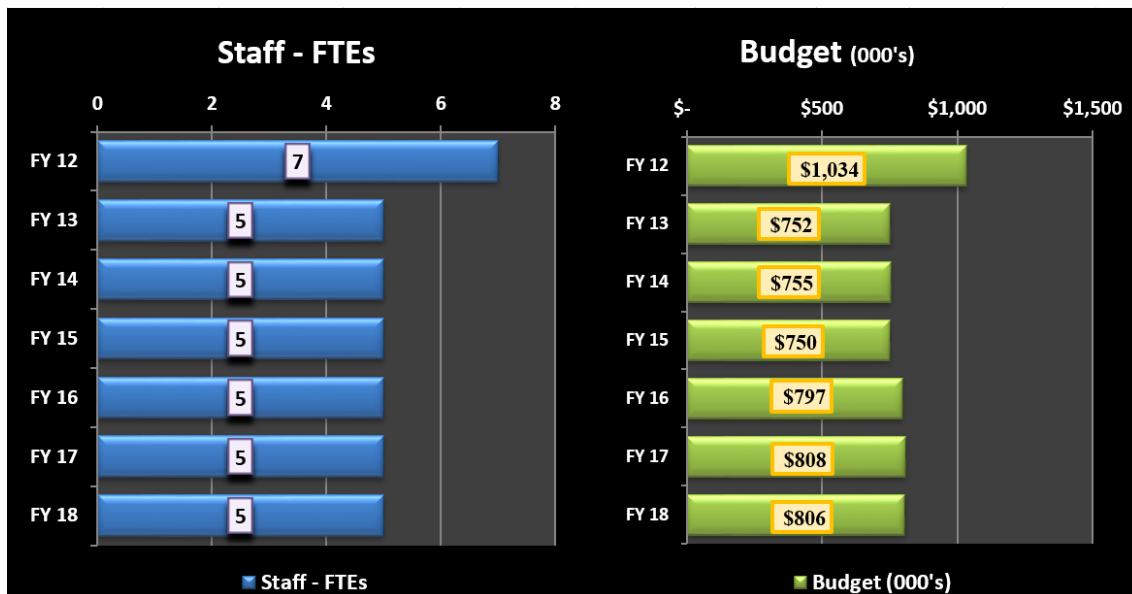
Pursuant to Sections 112.3187 through 112.31895 and Section 20.055, Florida Statutes, the Inspector General is also responsible for investigating Whistle-Blower Act complaints brought by District employees, former employees, agents, contractors, or citizens.

OFFICE STAFF and BUDGET

During FY 2018, the Office of Inspector General consisted of the following staff:

<u>Position</u>	<u>Certifications</u>
Inspector General	<i>Certified Public Accountant (CPA)</i> <i>Certified Management Accountant (CMA)</i> <i>Certified Information Systems Auditor (CISA)</i> <i>Certified Information Technology Professional (CITP)</i> <i>Certified Inspector General (CIG)</i>
Lead Consulting Auditor	<i>Certified Public Accountant (CPA)</i>
Lead Consulting Auditor	<i>Certified Information Systems Auditor (CISA)</i>
Chief Investigator	<i>Certified Public Accountant (CPA)</i> <i>Certified Fraud Examiner (CFE)</i> <i>Certified Inspector General Investigator (CIGI)</i>
Executive Assistant	

The following graphs show the trend in the number of full-time equivalent (FTE) staff and the Office of Inspector General's annual budget for the past several years.



The Office's budget includes the fees for the annual financial statement audit performed by the District's accounting firm. This amount was \$152,000 for FY 2018.

PROFESSIONAL DEVELOPMENT

In order for our office to comply with the General Accounting Office's *Government Auditing Standards*, the Inspector General ensures that mandatory training requirements are satisfied for the entire Office of Inspector General staff. The goal of the program is to cost effectively increase professional knowledge and proficiency, and ensure that staff meets continuing professional education requirements.

During FY 2018 the staff received training in such topics as:

- Government Accounting Standards
- Government Auditing
- Quality Assurance
- Information Systems & Security
- Fraud Detection and Investigation
- Management Advisory Services
- Construction Auditing
- Ethics

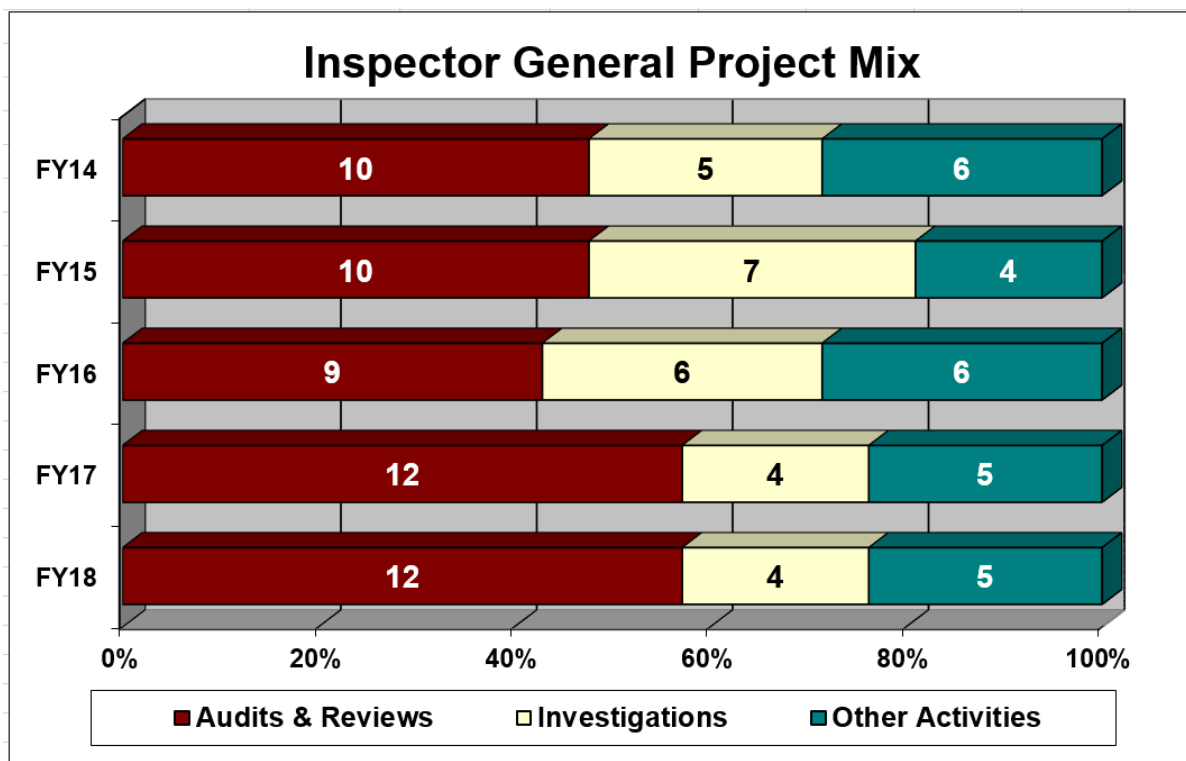
Professional development is provided through affiliations with several professional organizations, including the following:

- Association of Inspectors General
- American Institute of Certified Public Accountants
- Institute of Internal Auditors
- Association of Local Government Auditors
- Institute of Management Accountants
- Information Systems Audit and Control Association
- Association of Certified Fraud Examiners

INSPECTOR GENERAL ACTIVITIES

The Inspector General prepares an annual audit plan that lists the audits and other activities that will be undertaken during the ensuing fiscal year. The Inspector General relies on a review of the District's annual budget and work plans, analysis of financial information, and input from the Audit & Finance Committee and District management, to aid in the development of this plan. The Office of Inspector General continues to identify those programs that pose the greatest challenge to the District to assist in prioritizing audits, and to ensure the most effective use of staff resources. The Inspector General also considers the statutory responsibility to advise in the development of performance measurements, standards, and procedures in assessing District program risks.

The number of projects completed during the current and past fiscal years is illustrated in the following graph:



AUDITS & REVIEWS

In FY 2018, the Office of Inspector General focused on performance auditing and completed 12 audit and review projects. Performance audits include comments on economy & efficiency, program compliance, and results. A summary of each report follows.

Audit of Operations & Maintenance Capital Program ***Project No. 17-06***

The objective of the Audit of Operations & Maintenance Capital Program was primarily focused on assessing whether the Operations and Maintenance (O&M) Capital Program is meeting the District's flood control mission. To accomplish our objectives, we obtained an understanding of the District's annual structure inspection program by interviewing IMS staff. We also interviewed Engineering and Construction Bureau staff to understand the process for determining which water control structures, canals, and levees are repaired, refurbished, or replaced. In addition, we reviewed relevant water control structure, canal, and levee information maintained on the District's website.

We determined whether IMS staff inspect structures in accordance with the frequencies specified in its policies and procedures and whether inspection results are adequately documented. Further, we determined whether the field stations and Engineering and Construction Bureau are notified by IMS of recommended actions they should take to resolve the deficiencies. We also determined how the deficiencies are addressed.

Further, we assessed whether the annual budget allocated to O&M capital program projects is sufficient to ensure that structures including canals and levees needing repairs, refurbishment, or replacement are being addressed timely. In addition, we determined whether there is a process in place for prioritizing projects.

The Operations and Maintenance capital program budget has averaged \$53 million annually for the repair, refurbishment, or replacement of water control structures, canals, and levees to ensure the integrity and reliability of south Florida's water management system. However, this annual funding level appears insufficient to address the large number of outstanding water control structures, canals, and levees with deficiencies all at the same time. As a result, the Operations, Engineering, and Construction Division takes a risk-based

approach with a process in place to prioritize structure deficiencies that pose the highest risk the public, can cause substantial damage to public and private properties, and result in failure of critical structures. Further, decisions to proceed with specific projects are not based on cost of the projects; instead, decisions are based on the degree of risk and the consequences if the deficiencies are not resolved. Further, the District's emphasis has been more on water control structures and less on canals and levees restoration projects.

Based on District assessments approximately \$88.5 million is needed annually over the next several years to maintain, replace / refurbish the District's aging water control structures, restore canals, and rehabilitate levees that pose the highest risk. Specifically, \$60 million would be required annually for ten years to maintain, replace / refurbish water control structures, \$18.5 million would be required annually for 20 years to restore canal banks, and \$10 million would be required annually for five years to rehabilitate levees. Although the assessments conclude that additional funding is required to address more high-risk projects, the District has a process in place to ensure that the water control structures, canals, and levees posing the highest risk to the regional water management system risk are rehabilitated, replaced, and / or restored.

Based on the infrastructure assessment, during 2016 to 2026, a spike in funding would be required due to the number of structures requiring replacement/rehabilitation and the \$60 million in annual funding over a period of ten years would complete the higher risk projects and minimize the number of past due projects; for example, C-5 structures will be eliminated within two years, C-4 structures within eight years, and C-3 structures will be reduced within six years. Regarding canal bank assessment, staff estimated \$18.5 million would be required annually for 20 years to restore 138 miles of high-risk canal banks. Further, staff identified the top 10 canals with the highest flood risk if the canal banks are not restored. These canal banks cover about 76 miles and the projected restoration cost is \$360 million. Regarding levee rehabilitation assessment, staff estimated \$10 million would be required annually for five years to restore 88 miles of high-risk levees. Further, staff identified the top 10 levees posing the highest risk if not restored. These levees cover about 67 miles and the projected restoration cost is \$44 million. It should be noted that these assessments do not include cost for canal dredging. A canal dredging assessment was performed during 2006 to 2008. After reviewing and discussing the results, Operations and Field Station staff concluded that further analysis

was needed to determine whether the actual levels of flood protection were being impacted based on the reduction in canal depths. District Hydrology and Hydraulics Bureau staff commenced with analyzing canals in Miami-Dade County and the Big Cypress Basin to determine whether any reduction in flood protection has occurred and whether dredging should be planned.

We analyzed the O&M capital program budget and expenditures for Fiscal Year 2013 to Fiscal Year 2017 to determine whether contract budgeted amounts have been adequately administered. Our analysis of funds allocated for contract expenditures disclosed that rollover amounts ranged from about \$3 million to \$14.4 million during Fiscal Year 2013 to Fiscal Year 2017. However, the rollover amount from Fiscal Year 2017 to Fiscal Year 2018 was \$6 million, a decrease of \$8.4 million from the previous year's rollover amount. Large carry over amounts are due to several reasons; for example, permitting and contract delays, and may indicate that work planned for the fiscal year is not accomplished. For example, in Fiscal Year 2017, the contract budget was about \$47 million compared to the consumable budget of about \$61 million, which was due to \$14 million rollover from Fiscal Year 2016.

Overall, IMS inspects water control structures owned and operated by the District on a five-year cycle, documents the inspection results in inspection reports, identifies deficiencies that should be repaired by field station staff, and identifies and forwards deficiencies that should be addressed as capital project to the Engineering and Construction Bureau. However, we noted that a few areas needed improvement. IMS is required to forward issues identified during inspections and the recommended actions to the responsible field station for repairs. Initially, IMS could not provide some of the spreadsheets documenting that issues were forwarded to the field stations. This was due to staff turnover. Subsequently, IMS provided the supporting documentation and improved the process by maintaining all spreadsheets in Documentum. In addition, the inspection reports for Fiscal Year 2014 indicated whether repairs from the prior inspections were addressed. However, we noted that the inspection reports for Fiscal Year 2015 and Fiscal Year 2016 did not indicate whether unresolved deficiencies from the prior inspections were addressed. Including this information would be helpful in determining whether required repairs are addressed in a timely manner.

IMS notifies field station staff of C-3, C-4, and C-5 structure deficiencies identified in the SIP inspection reports as field station repairs. Field Operations Bureau staff explained that not all C-3 deficiencies require repairs; for example, some are deemed minor / low priority and cannot be addressed due to staff and budget issues. In addition, Field Operations Bureau staff may determine that some of the C-3 repair items are fully operational despite appearances; for example, rusted fencing. In these instances, no field station action is required. However, we concluded that there is no adequate process in place to document the field stations' review of the deficiencies and actions needed to address the specific C-3 deficiencies identified in the inspection reports; for example, whether specific deficiencies would be repaired, deferred, or required no action by the field station. For example, based on the Fiscal Year 2015 inspections, there are no indications whether repairs were made to 57 structures identified by IMS as requiring field stations repairs. Specifically, C-3 issues for these structures ranged from one repair per structure to 45 repairs per structure for a total of 700 deficiencies. Our review of SAP for SIP work orders for these structures did not disclose any repairs. Some repairs may have been resolved but were not adequately documented in SAP as SIP repairs. In addition, since there is no adequate process in place to identify how many of these deficiencies required repairs by the field stations, we could not determine which deficiencies would be addressed by the field stations. Further, some C-4 and C-5 deficiencies are also required to be addressed by the field stations. However, based on our review, we were also unable to determine whether all these deficiencies were resolved. Thus, we concluded that improvements are needed to adequately document the resolution of structure repairs classified as IMS as field station repairs. Lack of an adequate process to track the status of required repairs may lead to repairs remaining unresolved, structure deterioration, and increased repair costs. However, during our audit, Field Operations Bureau staff have implemented a process to address this issue.

Specifically, field station repairs recommended as a result of the Fiscal Year 2017 SIP inspections were analyzed, required actions were documented, and items requiring repairs will be tracked to ensure completion. In addition, field station staff will continually be reminded to ensure SIP repairs are labelled in SAP.

Audit of the Integrated Real Estate Information System (IRIS)

Project No. 17-09

The objective of the audit of the Integrated Real Estate Information System (IRIS) was to determine the extent to which the following occur with IRIS:

- The system provides the desired operational and business needs;
- Physical computer assets are adequately safeguarded;
- Technical administrative support is adequate;
- User needs are being properly supported and measured; and
- The system contains adequate access controls to prevent unauthorized access.

We found that controls over access and physical security are sufficient to safeguard the assets and information in the system. The IT Division has controls in place to ensure that access to IRIS is limited to those who require access, and that access is granted at a configuration level. There are only two “superusers” who can view, edit, and delete files from IRIS. These users appear to have the necessary access as required for their job function. Moreover, servers for IRIS are housed in the District’s data center. Access to the data center has been adequately restricted to allow access to only district employees and contractors who require access.

The Real Estate staff using IRIS are accurately entering the information into the system from source documents. We tested the source documentation attached to the tracts in IRIS to determine whether the information input into IRIS was accurate. Based on testing, we determined that the information in IRIS appears to be accurate and the supporting documentation that is included in the system appears sufficient. The staff is also using the system to document acquisition tasks as they are completed. There were no noted inaccuracies during data testing. Although we noted the resulting weaknesses in controls in the database, the Real Estate Division staff appears to be utilizing the system to the fullest of its capabilities.

Since the time the District brought IRIS hosting in-house, the IT Division has programmed some of the requested enhancements from the Real Estate Division as allotted by

budget; however, not all requested enhancements have been programmed into the system. The Real Estate Division continues to use an Excel spreadsheet to track acquisition costs and must manually enter important land cost data into these separate spreadsheets as well as into SAP. Manual data entry puts the District at risk of input errors. The Real Estate Division staff must also manually notify each other (typically via email) as tasks are ready for completion in IRIS. There is not an automatic notification to create a more efficient transition through acquisition activities. Programming additional enhancements to address automatic notifications, reporting special program (i.e., CERP) costs, and interfacing with SAP would improve the effectiveness of IRIS and ensure the accuracy of financial reporting for the Real Estate Division.

We noted the IT Division's monitoring of the system is not adequate to ensure that all errors in programming are caught in a timely manner for data integrity. There are weak controls over the input and editing of data in the system. During testing, we noted that the system allows the user to make inaccurate entries such as completion dates prior to start dates in the task manager. The system does not prevent users from overwriting information previously entered or notify the user that information has been overwritten. Moreover, we were unable to determine whether the database contains all information that is entered into the system. During testing, we noted 1,933 primary key field numbers were missing from the database sequence, with no known cause for the missing numbers. Therefore, we cannot assure a level of completeness of the database.

Lastly, we reviewed the controls over the land costs spreadsheet that is used by the Real Estate Division staff to track associated land costs. This spreadsheet has been in use over 25 years. There is a password to protect access to the spreadsheet; however, this password has not been changed since inception. Because the spreadsheet is in Excel format, there are inherent control risks, which should be addressed by the Real Estate Division and IT Division should consider the feasibility of merging the data in this spreadsheet into IRIS for greater data integrity and efficiency.

Audit of Procurement Card Expenditures

Project No. 17-16

The objective of the Audit of Procurement Card Expenditures was to determine whether P-Card expenditures were for District business, adequately supported by documentation, and properly recorded and classified in the accounting records.

The District spent approximately \$3.7 million through 21,665 P-Card transactions during Fiscal Year 2017. Our review of the internal controls related to the P-Card program indicated that the system of internal controls appears adequate to ensure that P-Card transactions were for District business, adequately supported by receipts and paid invoices, and were properly recorded and classified in the accounting records. P-Card internal controls include codified procedures, a cardholder user manual, mandatory training, P-Card imbedded software features, P-Card Administrator's program review process, and external audits. However, we noted that instances of non-compliance with the system of internal controls increased when compared to our last audit completed in 2014.

Our testing found that the area needing the most improvement was cardholder signature and supervisory approval of P-Card statements. We recommended that the P-Card Administrator remind cardholders and supervisors, through e-mail or retraining, of the importance of signing and approving the P-Card statements within the 30-day requirement. We also found that supervisory approval of P-Card expenditures was routinely performed by the cardholder's immediate supervisor, which often was a Section Leader, Section Administrator or even a Senior Scientist. This level of approval does not comply with P-Card procedures, which requires the Division Director or Bureau Chief to review and sign the monthly P-Card statement. We believe that the cardholder's immediate supervisor is better positioned in many cases to provide approval and oversight. As a result, we recommended that the District amend its P-Card procedures and requirements to authorize Section Leaders, Section Administrators and other relevant supervisors to review and approve P-Card statements.

We found no inadvertent personal purchases by employees using a P-Card, which is an improvement from the nine instances reported in the 2014 P-Card audit. Our audit procedures included tracing P-Card transactions to general ledger accounts to determine that charges were

properly coded and classified in the District accounting records. We found no coding errors; thus, the system of internal control over P-Card transaction coding and classification appears to be working as designed.

According to the P-Card Administrator, she has conducted informal reviews of the P-Card Program to ensure that P-Card statements comply with District policy and guidelines. We recommend that the P-Card Administrator conduct formal P-Card internal audits in accordance with requirements described in the P-Card Program Manual.

Audit of the Information Technology Continuity of Operations/Disaster Recovery Plan

Project No. 18-05

The objective of the Audit of the Information Technology Continuity of Operations/Disaster Recovery Plan was to evaluate the IT Department's continuity of operations strategy (COOP) to determine whether:

- The District has a comprehensive and up-to-date business continuity plan;
- The District has defined locations where the Disaster Recovery Plan could be executed; and,
- The documented Disaster Recovery Plan was periodically tested, and any necessary adjustments were incorporated into the plan.

The scope of the audit covered IT Bureau Continuity of Operations/Disaster Recovery testing and procedures occurring during Fiscal Year 2016 through Fiscal Year 2017.

The IT Department maintains several Disaster Recovery and Business Continuity documents which outline protocols designed to keep the District's mission critical systems running, or to return the systems to functioning in the event of an emergency. The Disaster Recovery (DR) plan is documented in the IT Department's Business Continuity and Operations Plan. Disaster recovery is tested in the spring of each year.

Controls over backup and recovery functions for the mission-critical systems are sufficient. The backup and recovery procedures are automated, and the controls over the automation, including review of errors, appear sufficient.

The IT Department tests the DR plan annually and appears to maintain sufficient documentation of the tests and results. We noted no exceptions regarding the disaster recovery plan testing for operations and SCADA systems. The DR tests appeared to follow the procedures outlined for conducting the tests; however, staff did not update the DR plan to reflect any lessons learned from failed procedures during the tests. For example, in 2017, there was a failed procedure due to outdated licenses. Although this was rectified in the testing environment, there was no update to the disaster recovery planning documents to ensure that software licenses are updated or reviewed to ensure they are updated on a consistent basis.

We noted there could be increased communication and risk assessment controls for the disaster recovery process. Currently, employees responsible for the disaster recovery initiative perform tests of the systems annually and provide feedback to department management via “stand up” meetings, but there is no formal (documented) communication of the results. Further, staff do not maintain documentation of a risk assessment or business impact analysis for the initiative. The last documented risk assessment was conducted in 2014.

We noted that, although the IT Department communicates with managers at the offsite facility concerning maintenance and testing occurring at the alternate data center, this communication is not formally documented.

Our audit resulted in four findings and five recommendations for improvements.

Audit of DMV File Security

Project No. 18-11

Our primary objective of this project was to determine whether District internal controls related to driver license information received from the DMV are adequate to ensure that the DMV records are protected from unauthorized access, distribution, use, modification or disclosure. To accomplish our objectives, we performed the following:

- Documented and assessed the internal controls related to DMV records.
- Reviewed the DMV electronic transfer process.

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- Interviewed Information Technology staff responsible for security of the DMV records.

The District is required to establish a system of internal controls related to the monthly DMV Report to ensure that driver's license information is secured against unauthorized access, distribution, use, modification or disclosure. A summary of the key District internal controls over the monthly DMV Report is as follows:

- The DMV sends the monthly DMV Report to the District's FTP secured server. Access to this server is restricted.
- The monthly DMV Report file is zipped, and password protected.
- The monthly DMV Report was distributed only to the District's Occupational Safety Manager.
- The e-mail and attached monthly DMV Report is blocked from retention in the Enterprise Vault.
- The e-mail with the monthly DMV Report is marked "exempt from public record" to ensure that the e-mail is not inadvertently sent in a public records request.

Our examination of this system found that adequate internal controls are in place to secure the DMV records. As a result, the District is in full compliance with the MOU.

Audit of the Python Elimination Program

Project No. 18-12

The objective of the Audit of the Python Elimination Program was to examine the internal controls over hourly wages and cash bounty payments made to python hunters. To accomplish our objectives, we performed the following:

- Examined the system of internal controls over the Program.
- Observed cash payouts to python hunters.
- Reviewed cash procedures.
- Reviewed District general ledger accounts and other records related to the program.

As of July 31, 2018, Program participants have eliminated 1,334 pythons at a cost of \$292,349. Updated Program data indicates that participants have eliminated an additional 121 pythons through August 22, 2018. The Program has also provided additional benefits other than just eliminating pythons. Participants have served as land stewards reporting poachers, trespassers, fires and vandalism on District lands. The Program has also proven therapeutic for newly-returned military veterans suffering from post-traumatic stress disorder.

Participants are paid by the District for hours spent hunting and bounties for pythons captured. Bounty payments are paid in cash for pythons processed at the Homestead Field Station or by check for pythons processed at other designated intake field stations. Our discussions with Program participants revealed that they believe cash bounty payments are an important incentive. However, cash is an inherently high-risk asset.

We found that internal controls related to the Program appear sufficient to ensure that cash at the Homestead Field Station is safeguarded and transactions for hourly wages and other bounty payments are accurately processed. The Program has proper segregation of duties. Accounting controls safeguarding cash and control activities are segregated. Further, support from the Land Resources, Procurement, Finance, Information Technology and Field Operations Bureaus is integral to the Program's internal control framework.

The bank account reconciliation is a key component of the internal control system for safeguarding cash that is performed quarterly by the Finance Bureau's Functional Analyst, who is independent of the cash handling duties at the Homestead Field Station. The storekeeper at the Homestead Field Station also prepares a monthly bank reconciliation that is approved by two staff. Periodic surprise cash counts would further enhance the Program's internal controls.

Physical access controls at the Homestead Field Station include fences, entrance gates, building cameras, alarm systems and access card readers. However, these access controls are less effective at the python intake area that is located in a remote area of the Homestead Field Station grounds where hunters and their associates enter the grounds on a regular basis to collect cash payments for pythons captured. To improve security and protect the District, we recommended that the District install a camera in the approximate area of the python intake - structure location to document who is on premises and the cash payments. During our audit, the District installed a security camera at the intake structure area.

The District has approved a total of 34 participants in the Program; however, several had under 100 hours hunting with very little success removing pythons. We recommended that these less productive participants should be considered for replacement.

We also found that bi-weekly invoice preparation for participant hunting time is still a manual and time-consuming process performed by the project manager. It may have been necessary for the project manager to assume this responsibility early in the Program, but we found that the participants have become better at completing administrative tasks over time and as a result we recommended that invoice preparation be delegated to the participants.

Audit of the Cell Phone Stipend ***Project No. 18-13***

The objective of the Audit of the Cell Phone Stipend focuses on evaluating the effectiveness of the District's cell phone stipend program and determine whether:

- The current stipend program is more cost efficient compared to the previous method of providing devices directly;
- The established criteria for determining eligibility for receiving a stipend is applied consistently; and
- Employees are compensated according to the designated stipend level.

The scope of the audit included wireless device payments and plans for employees between Fiscal Years 2015 and 2017, as well as comparative analysis of the wireless device payments prior to the start of the stipend program.

Overall, our audit disclosed that the stipend program has been effective and is more cost efficient than the former process of providing District-owned devices to employees. The stipend method has reduced the total wireless devices cost from approximately \$318,000 in 2013 to \$163,000 in 2017, for an annual savings of about \$155,000, a reduction of almost 50%. The average amount paid to employees has decreased \$191 annually.

We concluded that the stipend payments to employees were paid accurately and aligned with the employees' approved stipend levels. However, the controls over the stipend process could be strengthened to ensure consistency and accuracy in the approval process, and formally outline expectations for the program.

Specifically:

- The policies and procedures in Muni-Code should be updated to include specifics of the stipend process.
- The IT Division should implement formal documented review processes to ensure that when employees transfer to new positions their eligibility for the stipend is reassessed based on the new job responsibility.
- The District should develop a formal policy regarding the use of text messaging for District business and their impact on public records requests.

We made two recommendations to strengthen the controls over the stipend program.

G4S Security Contract Analysis

Project No. 18-02

At the request of management, we analyzed the cost of performing the security guard function with District employees compared to cost of contracting with G4S Secure Solutions (USA), Inc. to provide these services.

We concluded that the cost to provide security guard services using District employees would be approximately \$316,000 annually. This compares to \$213,758 for G4S Secure Solutions (USA), Inc. Thus, the District will save approximately \$100,000 annually by continuing to contract for these services.

Follow-Up Audits

Follow-Up Audit for 7/1/17 – 9/30/17

Project No. 18-01

This report on the implementation status of audit recommendations was for the period July 1, 2017 through September 30, 2017 (the “Fourth Quarter of FY 2017 Reporting Period”). As of July 1, 2017, there were four (4) recommendations that were not yet Fully Implemented. During the Fourth Quarter of FY 2017 Reporting Period, four (4) of these recommendations were completed. During the Fourth Quarter of FY 2017 Reporting Period, no recommendations were added from newly issued audit reports. In total from all reports, no recommendations were In-Process of being implemented as of September 30, 2017.

Follow-Up Audit for 10/1/17 – 12/31/17

Project No. 18-05

This report on the implementation status of audit recommendations was for the period October 1, 2017 through December 31, 2017 (the “First Quarter of FY 2018 Reporting Period”). As of October 1, 2017, there were no recommendations that were not yet Fully Implemented from previously issued audit reports. During the First Quarter of FY 2018 Reporting Period, 14 recommendations were added from newly issued audit reports. Ten (10) of these recommendations were either implemented at the time of report issuance or were implemented during the First Quarter of FY 2018 Reporting Period. Four (4) of these recommendations were In-Process of being implemented as of December 31, 2017.

Follow-Up Audit for 1/1/18 – 3/31/18

Project No. 18-11

This report on the implementation status of audit recommendations was for the period January 1, 2018 through March 31, 2018 (the “Second Quarter of FY 2018 Reporting Period”). As of December 31, 2017, there were four (4) recommendations that were not yet Fully Implemented from previously issued audit reports. During the Second Quarter of FY 2018 Reporting Period, one (1) of these recommendations was completed. During the Second Quarter of FY 2018 Reporting Period, 10 recommendations were added from newly issued audit reports and were in the process of implementation. In total from all reports, 13 recommendations were In-Process of being implemented as of March 31, 2018.

Follow-Up Audit for 4/1/18 – 6/30/18
Project No. 18-14

This report on the implementation status of audit recommendations is for the period April 1, 2018 through June 30, 2018 (the “Third Quarter of FY 2018 Reporting Period”). As shown in Exhibit 1, as of March 31, 2018 there were 13 recommendations that were not yet Fully Implemented from previously issued audit reports. During the Third Quarter of FY 2018 Reporting Period, implementation was completed for 12 of these recommendations. In total from all reports, one (1) recommendation is In-Process of being implemented as of June 30, 2018.

INVESTIGATIONS

Investigation issues arise from many different sources including: District management, District staff members, vendors, and citizens. The Chief Inspector General for the Office of the Governor and other State Agency Inspectors General’s also refer certain cases to our office. During FY 2018 we received a total of four (4) complaints from various sources. A short summary of each complaint follows.

Complaint Regarding Complete Services ***Project No. 17-17***

We received a Whistle-blower complaint, dated September 4, 2017, from a former lock tender at the S-65A lock located on the Kissimmee River, 10 miles south of State Road 60 in Osceola County. The Complainant and her partner were employees of Complete Services of South Florida, Inc. (Complete Services) assigned to the S-65A lock until they were terminated on August 3, 2017. Because of the remote location of the S-65A lock, the lock property includes a house that the Complainant and her partner lived in while employed as lock tenders. The S-65 and S-65C locks also have lock tender residences.

The Complainant contended that Complete Services took retaliatory action against her for disclosing information to the District’s Project Manager that is protected by the Whistle-blower Act. The Complainant made the disclosures concerning contractual non-compliance to the District’s Project Manager on June 15, 2017. Approximately six weeks later, on August 3,

2017, Complete Services terminated the Complainant and her partner. The Complainant sent a written complaint to our Office on September 4, 2017 claiming retaliation.

Complete Services was awarded a three-year contract with two one-year renewal options starting in October 1, 2013 ending September 30, 2018 to operate and maintain 12 navigational boat locks located on the Kissimmee River Waterway and the perimeter of Lake Okeechobee. The total contract amount for the 5-year period was \$3.7 million. The contract requires Complete Services to provide a minimum of one lock tender and sufficient back-up personnel to operate each lock in accordance with the lock operation hours and minor preventive maintenance activities.

Our objective was to assess the merits of the allegations and determine whether the Complainant's disclosures were protected under the Whistle-blower Act. We also assessed whether Complete Services complied with contractual terms and conditions related to pest control and cleaning services at the lock tender residence.

During our investigation, we made numerous attempts to reach the Complainant to obtain additional information in support of various allegations, but the Complainant did not return our telephone calls or e-mail requests. However, this did not preclude us from obtaining sufficient evidence to support our findings and conclusions based on our investigation objectives.

The allegation that Complete Services took retaliatory action against the Complainant and her partner for disclosing information to the District's Project Manager that is protected by the Whistle-blower Act is unfounded. The Complainant disclosed non-compliance with ancillary provisions of the contract between Complete Services and the District that we found were de minimis and not of the nature delineated in the Whistle-blower Act.

According to the Complete Services owner, the lock tenders' failure to operate the locks in accordance with the lock operation schedule was the primary factor for their discharge. Further, the Complainant and her partner maintained the lock tender residence in poor condition; the premises were littered with garbage, infested with bugs, and in disrepair, resulting in substantial cost to Complete Services for cleanup and repairs.

We did not investigate matters related to alleged wage disputes or violations between Complete Services and its employees. We recommended that the Complainant bring this matter to the appropriate federal or state agency.

Investigation of Dammed Canal in Haines City

Project No. 17-18

We investigated a complaint dated, September 5, 2017, from a citizen concerning flooding on property located in Haines City, Florida. According to the Polk County Appraiser, the property is approximately 18 acres. The Complainant contended that a concrete dam constructed by a downstream neighbor is obstructing the natural waterflow of a creek running through the complainant's property and causing excessive flooding.

This matter had been previously reviewed and/or investigated by Florida Department of Environmental Protection (FDEP), Southwest Florida Water Management District (SWFWMD) and the South Florida Water Management District (SFWMD). In 2001, SWFWMD investigated a flooding complaint related to a 20-inch high concrete dam, which was constructed by the downstream neighbor. SWFWMD concluded that the unauthorized dam was altering the flow of water, it was unpermitted and in violation of Chapter 373 Florida Statutes, and Rule 40D-4.041(1), Florida Administrative Code. Shortly thereafter, the dam was removed, except for a 55-square foot and 2-inches thick concrete pad and the case was closed. In June 2016, the Complainant contacted the SFWMD's Orlando Service Center because of drainage issues on his property and requested a site meeting to discuss alleged downstream obstructions. The SFWMD forwarded the complaint to FDEP and in July 2016, FDEP conducted a site visit of the Complainant's property and the neighboring downstream property. FDEP found that the concrete pad, which remained after demolition of the dam, was not obstructing downstream waterflow and was exempted from FDEP regulations. FDEP also stated that both parties appeared to agree that the accumulation of sediment in the stream is the primary source of flooding issues. In July 2017, the Complainant again contacted the SFWMD because of continued flooding issues and believed that an obstruction was still in place. SFWMD regulatory staff inspected the previous dam site and the area around that location for obstructions. No waterflow obstructions were noted.

Our objective was to meet with the Complainant and conduct a site visit to determine whether any previously identified or, new downstream obstructions were impeding the natural waterflow of the creek running through the Garrison's property. The Complainant contends that pastureland on the northside of the property floods causing the cattle to get stuck in mud.

Our observations were consistent with information previously reported by FDEP, SWFWMD and SFWMD regulatory staff. The allegation that a concrete dam constructed by a downstream neighbor was obstructing the natural waterflow of a creek running through the Complainant's property is unfounded. We found no downstream obstructions that impedes natural waterflow. Our observations indicated water flowing at a steady rate through the downstream area where the dam was previously located.

Complaint Regarding Hydrologic Database Contract ***Project No. 18-04***

We received a complaint from a vendor regarding possible irregularities in the contracting of Hydrologic Database Archival within the Hydro Management Section. After reviewing the information provided, we concluded that the nature of the complaint did not entail allegations of fraud, waste, abuse, gross mismanagement or other misconduct. Thus, no formal investigation was deemed necessary.

OTHER PROJECTS

Administrative Projects

During FY 2018, our Office completed the following administrative projects:

- Developed the FY 2019 Annual Audit Plan
- Completed the Office of Inspector General Annual Report
- Maintained and updated the Office of Inspector General Web Site
- Managed the contract with RSM, US, LLP, for External Independent Auditing Services. The District received an unqualified opinion on its financial statements for the year ended September 30, 2017
- Coordinated the State Auditor General's Audit of the District