



Office of Inspector General Annual Report

Fiscal Year 2019

Prepared by
Office of Inspector General

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



SOUTH FLORIDA WATER MANAGEMENT DISTRICT

December 27, 2019

Governing Board Members:

Mr. Chauncey Goss, Chair
Mr. Scott Wagner, Vice-Chair
Mr. Carlos "Charlie" E. Martinez
Ms. Cheryl Meads
Ms. Charlette Roman
Mr. Jay Steinle
Ms. Jacqui Thurlow-Lippisch
Mr. Ron Bergeron, Sr.
Mr. Benjamin Butler

Re: Annual Report for Fiscal Year 2019

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 2019. 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: Drew Bartlett, 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, 2019.

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.

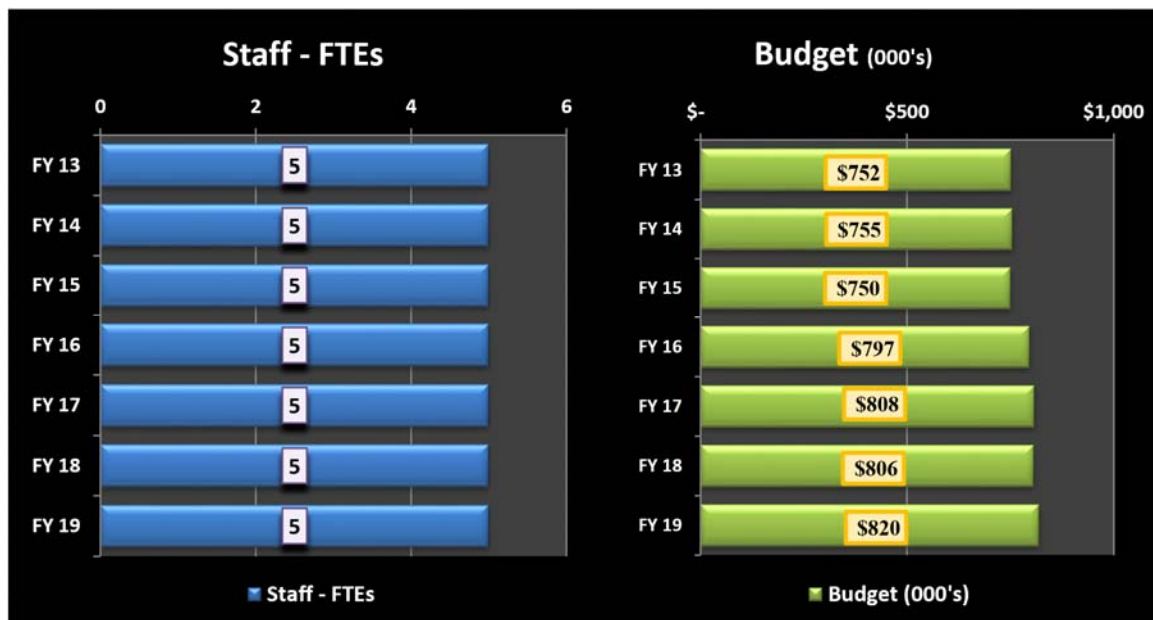
Pursuant to Sections 112.3187 through 112.31895 and Section 20.055, Florida Statutes, the Inspector General is also responsible for investigating Whistle-Blower Act complaints brought by District employees, former employees, agents, contractors, or citizens.

OFFICE STAFF and BUDGET

During FY 2019, 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 2019. A new three-year agreement (with 2 option years) was executed during FY 2019 for future years. The new contract amount is \$160,000 annually starting in FY 2020.

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 2019, the staff received training in such topics as:

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

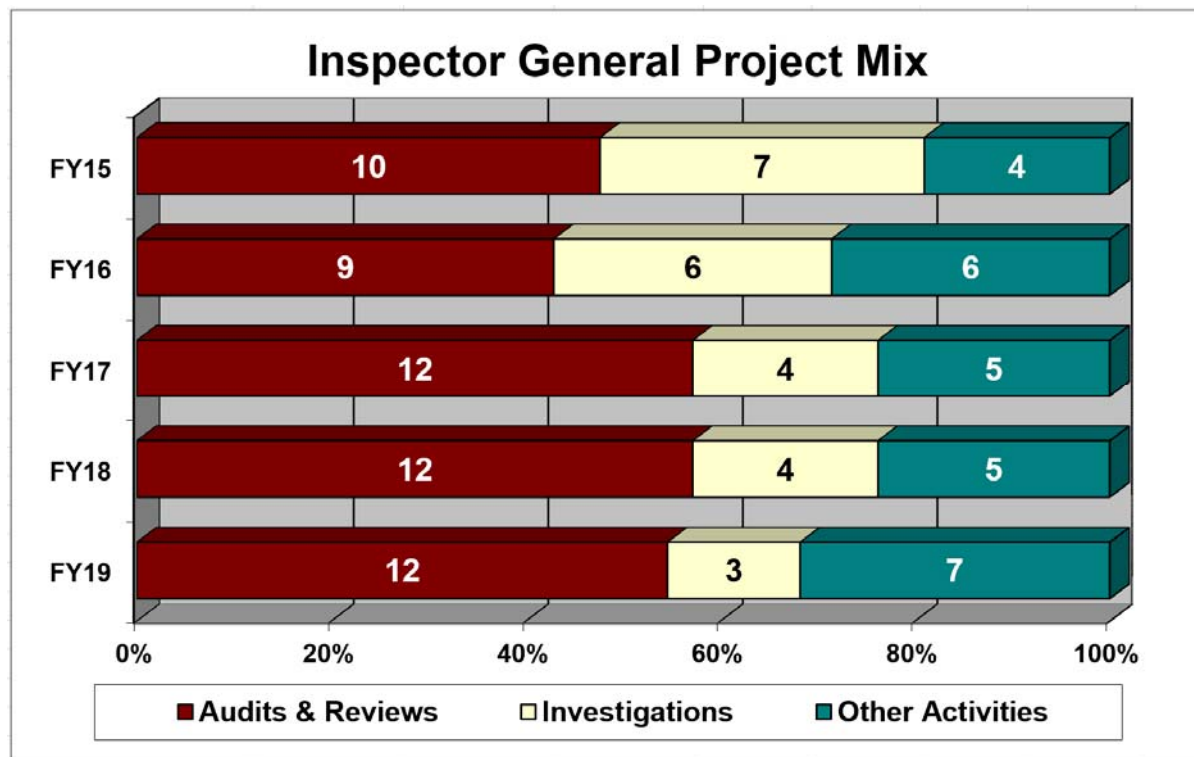
Professional development is provided through affiliations with several professional organizations, including the following:

- 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 2019, 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 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 had a comprehensive and up-to-date business continuity plan;
- The District had 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 the IT Department's 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 were 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 communicated with managers at the offsite facility concerning maintenance and testing occurring at the alternate data center, this communication was not formally documented.

We made five recommendations to improve the disaster recovery process.

Audit of CERP Cost Share for OMRR&R Costs

Project No. 18-06

The primary objective of the Audit of CERP Cost Share for OMRR&R Costs focused on determining whether the District requested credit and reimbursement for all eligible OMRR&R related expenses for CERP and Non-CERP projects.

The CERP is the most comprehensive ecosystem restoration effort being implemented by the District and USACE. Congress approved the CERP as a framework for south Florida ecosystem restoration by enacting Section 601 of the Water Resources Development Act (WRDA) of 2000. It included conceptual plans for over 50 projects to be constructed over approximately 35 to 40 years. Congress required that additional documentation be completed before projects are authorized for construction. Project Implementation Reports for nine CERP Projects have been completed and all nine have been authorized by Congress for construction.

In August 2009, the District and USACE signed the *Master Agreement for Cooperation in Constructing and Operating, Maintaining, Repairing, Replacing and Rehabilitating Projects Authorized to be Undertaken Pursuant to the Comprehensive Everglades Restoration Plan* (CERP Master Agreement). The CERP Master Agreement requires that the District and USACE develop and maintain a Five-Year CERP OMRR&R Plan. As a result, the SFER Five-

Year OMRR&R Plan was developed to fulfill the requirements of the CERP Master Agreement by providing 5-year OMRR&R expense forecasts of operations and maintenance expenses for CERP projects. Further, the Plan was expanded to include a forecast of OMRR&R costs for Non-CERP projects in the SFER Program for which the USACE has a responsibility to pay a portion of the OMRR&R costs.

Maintaining the Five-Year OMRR&R Plan is a joint effort by the District and the USACE. Specifically, the budgeted information is prepared by the District's Budget Planning and Report Section, while other project specific data are prepared by the Everglades Policy and Coordination Division and the USACE. Based on the Five-Year OMRR&R Plan for Fiscal Years 2019 – 2023, an estimated \$46 million had been budgeted for CERP and \$43 million for Non-CERP OMRR&R expenses for a total of \$89 million.

The USACE uses the District's budget data to develop its OMRR&R budget requests. Further, the Plan is updated annually to include the following:

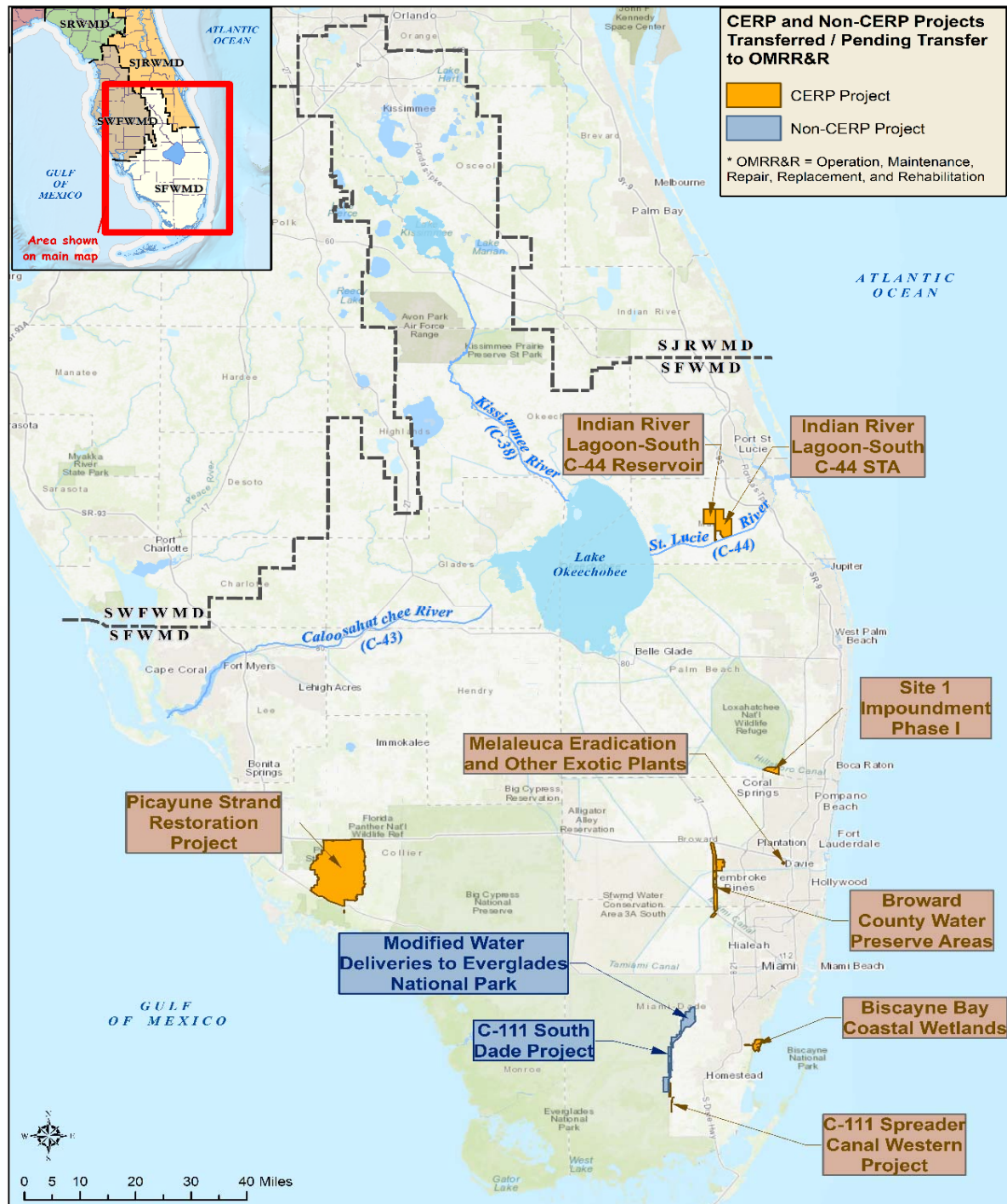
- The most current OMRR&R cost estimates;
- OMRR&R costs for new Project Partnership Agreements (PPAs) that are scheduled for execution within the upcoming 5-year period; and
- Newly identified OMRR&R requirements.

Federal statutes and/or USACE policy require that the District perform the OMRR&R for most Federal ecosystem restoration projects. However, the USACE is responsible for periodic inspection of the OMRR&R work completed by the District to ensure compliance with applicable project manuals and specifications. For all CERP and some Non-CERP projects, the USACE is contractually required to reimburse the District a percentage of the OMRR&R costs. The payment percentages are specified in each project agreement and range from 50% to 100%.

Projects transferred to the District for OMRR&R occurs after completing an operational testing and monitoring period to ensure that the project, or a functional portion of the project, is operating as designed. Costs for the operational testing and monitoring period are tracked and reported as construction costs, which are considered creditable for cost share but not for OMRR&R. Once the operational testing and monitoring period is successfully completed and the USACE and District have determined that the project, or functional portion of the project, is "operational," then the project features are transferred to the District for

OMRR&R activities. CERP and Non-CERP projects / project features transferred to the District for OMRR&R are assigned grant numbers in SAP for revenue and expense tracking purposes.

**Locations of CERP and Non-CERP Projects / Project Features Transferred/
Pending Transfer to OMRR&R by Fiscal Year 2024**



Based on the Five-Year OMRR&R Plan for Fiscal Years 2020 – 2024, several additional CERP and Non-CERP projects/project features are projected to be transferred to the District for OMRR&R. Staff needs to follow-up on all project feature transfers to OMRR&R to ensure that reimbursements are requested in a timely manner.

The District and the USACE jointly determined expenditure types and activities eligible for OMRR&R reimbursement. Eligible costs include salaries (including fringe and indirect overhead), contractual services, operating expenses, and depreciation for the C-111 South Dade County Project (S332B, S332-C, and S332-D). Eligible costs also include vehicles and equipment, for which the usage rates are approved annually by the USACE.

The Administrative Services Division coordinated with Information Technology Division and created specifications in SAP to identify and track OMRR&R reimbursable costs. On a quarterly basis, the Finance Bureau generate Business Warehouse cost reports for each OMRR&R / SAP grant, which are used as the basis for OMRR&R invoice and supporting documentation. Invoices are routed to various staff, if necessary, for internal review and approval.

After the internal review, the OMRR&R invoices are transmitted to the USACE under a cover letter signed by the Director of the Administrative Services Division requesting USACE payment for the appropriate portion of OMRR&R costs.

Overall, the District has an adequate process in place to ensure that eligible OMRR&R expenses are tracked; however, some improvements are needed to further strengthen the process. Our analysis disclosed that due to various reasons the District could be eligible for an additional \$535,568 in cost share expenses from the USACE for the period October 1, 2015 to June 30, 2018.

Further details of these OMRR&R expenditures are summarized in the following table.

OMRR&R Reimbursements Due to the District from the USACE		
Expenditure Classifications		Due from USACE
Additional Reimbursements Identified by Audit	Incorrect Fringe and Indirect Rates Used	\$ 33,476
	Unclaimed Expenses	56,899
	Invoice Calculation Errors for SAP Grant 3002	345,666
	Unclaimed Vehicle and Equipment Usage Costs	179,676
	Unclaimed Cost Share Expenses for Project Feature Transferred Since December 2016	60,629
	Overstated Costs (Primarily Due to Staff Oversight)	(140,778)
	Total Additional Payments Identified by Audit	\$ 535,568
Unpaid	Depreciation - Fiscal Years 2016 – 2019	\$ 12,487,937
	Operation and Maintenance Reimbursements – Fiscal Years 2016, 2017, and 2018 (1 st – 3 rd Quarters)	\$ 1,086,721
	Total Unpaid Invoiced Expenses	\$ 13,574,658
Total Reimbursement Due from the USACE		\$ 14,110,226

Starting in Fiscal Year 2016, the USACE's annual budget request to pay the District for its share of OMRR&R costs has been insufficient. As a result, the USACE owes the District \$13,574,658, which is comprised of \$1,086,721 in operation and maintenance expenses and \$12,487,937 for depreciation. District management had discussions with USACE officials at all levels on several occasions expressing concerns about the funding issue.

We made 15 recommendations to improve the OMRR&R cost share process.

Audit of KRRP Real Estate Cost Share Project No. 18-08

The objective of the Audit of Kissimmee Restoration Program (KRRP) Real Estate Cost Share focused on determining whether the District requests credit for all eligible KRRP land acquisition related expenses and whether adequate supporting documentation is maintained for such expenditures. During the prior year we had performed an audit of the KRRP restoration evaluation expenses to determine whether the District requested credit for all eligible KRRP restoration evaluation expenses; such as, project coordination, monitoring, modeling and operational studies (*Audit #16-06*). Two separate audits were performed because the crediting processes are separate and different. The Finance Bureau submits restoration

related expenses for credit while the Real Estate Division submits land acquisition related expenses for credit.

The U.S. Congress passed the Water Resources Development Act of 1992, which authorized ecosystem restoration of the Kissimmee River (Kissimmee River Restoration Project) and changes to several lakes in the upper basin of the watershed to support the river restoration (Headwaters Revitalization Project). A March 22, 1994, cost-sharing 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 Kissimmee River Restoration Project and the Headwaters Revitalization Project into a single entity called the Kissimmee River Restoration Project (KRRP). The agreement split the cost of the project 50-50 between the USACE and the District. The USACE is primarily responsible for design and construction and the District is primarily responsible for real estate acquisition and restoration evaluation. The Real Estate Division is also responsible for submitting a Certification of Lands and Claim for Credit Package for each tract to the USACE.

As of November 2017, the USACE estimated that the KRRP's cost will be about \$766 million. The USACE's KRRP total project costs are summarized in the table below. USACE's costs are primarily construction related. The District's costs are primarily land acquisition related; however, it also includes District restoration evaluation costs and cash contributions to the USACE. These costs are based on actual and projected costs through the completion of the KRRP in 2025.

KRRP Costs Based on USACE Records, as of November 2017				
Partners	Costs Thru Fiscal Year 2017	Fiscal Year 2018 - Projected USACE and District Costs	Projected Costs Fiscal Years 2019 to 2025	Total KRRP Projected Costs
USACE	\$ 372,768,000	\$ 3,115,000	\$ 7,264,000	\$ 383,147,000
District	\$ 169,760,000	\$ 199,720,000	\$ 13,558,000	\$ 383,038,000
Total	\$ 542,528,000	\$ 202,835,000	\$ 20,822,000	\$ 766,185,000
Projected 50/50 Cost Share Obligations				
USACE				\$383,092,500
District				\$383,092,500

Based on the USACE's record, the District's portion of the KRRP costs are as follows.

USACE KRRP Actual and Projected Expenditures As of November 2017	
Restoration Evaluation Expenditures	
Various Kissimmee River Restoration Project Activities; for example: <ul style="list-style-type: none">➤ Kissimmee River and Headwaters Revitalization➤ Kissimmee River Restoration Evaluation Program➤ Kissimmee Basin Modeling and Operations Study➤ Vegetation Mapping Kissimmee River Floodplain➤ Kissimmee Basin Hydrologic Monitoring	\$ 80,373,000
Estimated Land Acquisition Expenses (Note 1)	
Land Acquisition and Associated Acquisition Costs	\$ 294,489,000
District's Cash Contribution	
Total District Cash Contribution to the USACE (<i>Discrepancy between USACE and District's records – detailed below</i>)	\$ 8,176,000
Total District Cost	\$ 383,038,000

Note 1

Our audit focused on the District's land acquisition related costs. It should be noted that the District provides the USACE with land acquisition related cost data. Our audit disclosed issues that were primarily for certain expenses not yet approved by the USACE. These issues will be discussed in detail in our report.

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.

Further, based on the USACE's master cost share spreadsheet, the District made cash contributions totaling \$7,267,000. However, based on a separate detailed cash contribution schedule obtained from the USACE, the District has contributed \$9,623,241 to the USACE. During our audit, the Office of Federal Policy and Coordination Unit resolved this discrepancy with the USACE. The USACE concluded that the District contributed \$9,623,241 in cash; thus, the District's cash contribution is understated by \$2,356,241 on the USACEs cost share spreadsheet.

Overall, the District has an adequate process in place to ensure that eligible KRRP land acquisition related expenses are tracked, and the status of USACE credit requests are documented. Based on the Real Estate Division's master spreadsheet of KRRP land acquisition related expenses, the District's estimated expenses will be at least \$300 million. These expenses are classified by credit submittal status to the USACE. As part of our audit we reviewed expenses in certain categories. For example, we concluded that \$63 million in claims for land and administrative credit submitted to the USACE that have not yet been approved are adequately documented and correctly recorded on the crediting summary spreadsheets for the upper and lower basins.

However, we identified several areas that could be improved including expediting claims for potential expenses. Our audit disclosed both overstated and understated expenses on the District's master KRRP spreadsheet, which impacted the District's costs reflected on the USACE KRRP master spreadsheet. In addition, we were able to quantify some of these expenses; however, the Real Estate Division needed to analyze certain tracts to determine the correct costs, adjust the necessary District spreadsheets, and ensure that the USACE was notified of the updated expenses so that the USACE's master spreadsheet could be revised. Specifically, we found that real estate acquisition related expenses reflected on the Real Estate Division's master spreadsheet are understated by \$11,862,962 and overstated by \$3,463,065.

We identified net understated expenses totaling \$8,399,897, which is summarized in the following table.

KRRP Land Acquisition Related Expenses Understated and Overstated Expenses Identified by Audit			
Expenditure Classifications	Understated	Overstated	Net Amount
Credited			
Land and Administrative Costs	\$ 302,467	\$ (32,500)	\$ 269,967
Submitted but Not Yet Credited			
Land and Administrative Costs	\$ 2,096,935	\$ (183,267)	\$ 1,913,668
Estimated Costs to Be Submitted for Credit			
Acquired Land and Administrative Costs	\$ 8,873,294	\$ (727,186)	\$ 8,146,108
Donated Land and Administrative Costs	\$ 257,248		\$ 257,248
Real Estate Costs Not Previously Requested, e.g., Labor and Non-Labor Project Costs	\$ 85,694	\$ (2,520,112)	\$ (2,434,418)
Jointly Owned Impacted Lands	\$ 175,000		\$ 175,000
	\$ 9,391,236	\$ (3,247,298)	\$ 6,143,938
Salary Expenses Identified by Audit			
Salary Expenses not Included on Master Spreadsheet as Expenses to be Claimed	\$ 72,324		\$ 72,324
Total Expenses Not Reflected on Master Spreadsheet	\$ 11,862,962	\$ (3,463,065)	\$ 8,399,897

The understatements were primarily because the District's KRRP master spreadsheet was not updated timely and expenses were identified after credit requests were submitted to the USACE. The overstatements were primarily because expenses classified as not submitted for credit had been submitted for credit.

Further, we identified several other instances of overstatement; however, we could not quantify the amount of overstated expenses as these transactions required detailed analysis by Real Estate Division staff. The expenses included changes to tracts already credited and tracts submitted for credit to the USACE, and salary expenses for Fiscal Years 2009 – 2010.

In addition, we identified the following issues that must be resolved to ensure the District is requesting credit in a timely manner and its records are accurate.

- Approximately \$53 million in real estate acquisition related costs had yet been submitted to the USACE for credit. This includes acquired lands, relocations, donations, and other previously unsubmitted costs.
- Time spent by an employee working on KRRP credit certifications were not directly charged to the KRRP between 2015 to early 2018.
- Our comparison of data on the summary crediting spreadsheets for the upper and lower basins to IRIS revealed several discrepancies between the spreadsheets and IRIS; for example, historical tracts and incorrect acreage.

According to Real Estate Division staff, the primary reason for the huge credit request backlog and some of the other issues we found is primarily due to a lack of resources assigned to prepare and submit acquisition related expenses for credit and adequately maintain the relevant records.

We made 19 recommendations to improve the reporting and tracking of KRRP real estate acquisition related expenses.

Audit of DMV File Security - 2018

Project No. 18-11

The primary objective of this project was to determine whether District internal controls related to driver license information received from the Florida Department of Motor Vehicles (DMV) are adequate to ensure that the DMV records are protected from unauthorized access, distribution, use, modification or disclosure. Pursuant to a Memorandum of Understanding (MOU) between the District and the DMV, 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 is 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.

As of July 31, 2018, Program participants had eliminated 1,334 pythons at a cost of \$292,349. Updated Program data indicates that participants had 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.

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 appeared sufficient to ensure that cash at the Homestead Field Station is safeguarded and transactions for hourly wages and other bounty payments were accurately processed. The Program had proper segregation of duties. Accounting controls safeguarding cash and control activities were segregated. Further, support from the Land Resources, Procurement, Finance, Information Technology and Field Operations Bureaus was 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 prepared a monthly bank reconciliation that was 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 had 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 be considered for replacement.

We also found that bi-weekly invoice preparation for participant hunting time was 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 had 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, we recommended that the controls over the stipend process be strengthened to ensure consistency and accuracy in the approval process, and formally outline expectations for the program. We made two recommendations to strengthen the controls over the stipend program.

Audit of the Employee Separation Process

Project No. 18-17

The objective of the Audit of the Employee Separation Process was to determine the extent to which controls over retracting district property and revoking access to District facilities and information systems are adequate when an individual separates from the District. The audit scope covered employee separation procedures for the period of Fiscal Year 2016 through Fiscal Year 2018. This audit included contractors, employees and anyone who had

received access to District resources, including volunteers, interns, and Governing Board members.

Overall, our testing showed that the documentation controls over separations were in place and working to ensure an accurate account of separated individuals. Employees, contractors, interns/volunteers and Governing Board members are tracked in Human Resources Information System (HRIS) when they are onboarded into the District. When an individual is separated from the District, whether through voluntary/involuntary separation, retirement, or completion of a contract or internship, HRIS is updated to reflect the separation, an email is sent to all pertinent staff regarding the separation, and documentation is included in the system. Each District employee in the sample who separated via retirement or voluntary separation had a completed separation form on file. Employees who were involuntarily separated were documented sufficiently in HRIS as well. Not all contractors in the sample were documented in HRIS accurately.

Although property retrieval appears to depend on the employee's management retrieving any items from the employee at separation, the controls of inventory reconciliation appear to mitigate the risks of the District's property not being returned. There were no instances noted of lost/stolen property as a result of separation.

The District is accurately tracking and attempting to retrieve tuition reimbursement payments from employees who did not fulfill the time requirements of employment after receiving said payments. We noted that the Finance Bureau invoices former employees for collection of any payments that were above the amount of the employee's final paycheck in accordance with District policies.

There appeared to be weaknesses in controls over the separation of contract workers. Completed separation forms were not on file for all contract workers. The documentation for contract workers was not centralized. Disabling access to the network and facility depends on the Project Manager notifying Human Resources that a contract worker was no longer at the District.

We noted that Human Resources relied on the Oracle Identity Management (OIM) interface to disable network access in the Identity Management (IDM) system based on inputs from HRIS. We noted that network access was not always disabled in a timely manner once

an individual was separated from the District. Several reasons were identified for why the OIM interface does not update the IDM system properly.

We also noted that the process of disabling badge access could be strengthened. We found badges for three individuals were not disabled at the time of testing. These accounts have since been disabled. However, because the badge access system does not track when badges are disabled, we were unable to determine whether physical access at the District was disabled in a timely manner when individuals separated.

We made six recommendations to strengthen the controls over the employee separation process.

Audit of DMV Data File Security - 2019

Project No. 19-02

The primary objective of this project was to determine whether District internal controls related to driver license information received from the Florida Department of Motor Vehicles (DMV) are adequate to ensure that the DMV records are protected from unauthorized access, distribution, use, modification or disclosure. Pursuant to a Memorandum of Understanding (MOU) between the District and the DMV, 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. To accomplish our objectives, we performed the following:

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

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- The monthly DMV Report is 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 Recommendations Follow-Up Reports

Audit Recommendations Follow-Up Report for 7/1/18 – 9/30/18 Project No. 18-16

This report on the implementation status of audit recommendations was for the period July 1, 2018 through September 30, 2018 (the “Fourth Quarter of FY 2018 Reporting Period”). As of June 30, 2018, there was one (1) recommendation that was not yet Fully Implemented from previously issued audit reports. This recommendation was in the process of being implemented. During the Fourth Quarter of FY 2018 Reporting Period, 13 recommendations were added from a newly issued audit report. Twelve (12) of these recommendations were either implemented at the time of report issuance or were implemented during the Fourth Quarter of FY 2018 Reporting Period. In total from all reports, two (2) recommendations were In-Process of being implemented as of September 30, 2018.

Audit Recommendations Follow-Up Report for 10/1/18 – 12/31/18 Project No. 19-04

This report on the implementation status of audit recommendations was for the period October 1, 2018 through December 31, 2019 (the “First Quarter of FY 2019 Reporting Period”). As of September 30, 2019, there were two (2) recommendation that were not yet Fully Implemented from previously issued audit reports. These recommendations were in the process of being implemented. During the First Quarter of FY 2019 Reporting Period, 11 recommendations were added from three (3) newly issued audit report. Eight (8) of these

recommendations were either implemented at the time of report issuance or were implemented during the Reporting Period. In total from all reports, four (4) recommendations were In-Process of being implemented as of December 31, 2018.

***Audit Recommendations Follow-Up Report for 1/1/19 – 3/31/19
Project No. 19-11***

This report on the implementation status of audit recommendations was for the period January 1, 2019 through March 31, 2019 (the “Second Quarter of FY 2019 Reporting Period”). As of December 31, 2018, there were four (4) recommendation that were not yet Fully Implemented from previously issued audit reports. One (1) of these recommendation’s was implemented during the Second Quarter of FY 2019 Reporting Period and the status of one (1) recommendation was changed to No Longer Applicable. Nineteen (19) recommendations were added from one newly issued audit report, of which seven (7) were either implemented at the time of report issuance or were implemented during the Second Quarter of FY 2019 Reporting Period. In total from all reports, 14 recommendations were In-Process of being implemented as of March 31, 2019.

***Audit Recommendations Follow-Up Report for 4/1/19 – 6/30/19
Project No. 19-16***

This report on the implementation status of audit recommendations was for the period April 1, 2019 through June 30, 2019 (the “Third Quarter of FY 2019 Reporting Period”). As of March 31, 2018, there were 14 recommendation that were not yet Fully Implemented from previously issued audit reports. Two (2) of these recommendations were implemented during the Third Quarter of FY 2019 Reporting Period. No recommendations were added during the period from newly issued audit reports. Twelve (12) recommendations were In-Process of being implemented as of June 30, 2019.

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 2019 we received a total of three (3) complaints from various sources. A short summary of each complaint follows.

Complaint Regarding Alleged Violation of CCNA Procurement Rules *Project No. 19-05*

We investigated an e-mail Complaint from an association representing themselves' as Florida Professionals Protecting CCNA, dated February 11, 2019, contending that the District's Request for Proposal (RFP) 600000944 for *Ecological and Environmental Scientific and Technology Support Services*, dated January 25, 2019, should have been solicited under Section 287.055 F.S. the Consultant's Competitive Negotiations Act (CCNA Statute). As a result, the Complainant contended that the RFP did not comply with District Procurement rules.

The CCNA Statute is a qualification-based contractor selection process that considers factors other than cost, such as the skills of professional personnel, past performance, etc. The CCNA Statute mandates a negotiated procurement for the acquisition of services for District projects that require certain licensed professionals including architects, engineers, landscape architects, registered land surveyors, and mappers. The CCNA Statute requires the submission of technical proposals without cost information.

The District's RFP solicitation for ecological and environmental scientific and technology support services was through a Non-CCNA qualification-based competitive process that allowed for consideration of professional skills and past performance factors similar to a CCNA procurement, but also cost information. The Complainant contended that the services solicited under this RFP are typically performed by professional engineers or engineering interns. Of the eight different disciplines included in the solicitation, the Complainant identified six work components that they believed should have been procured in

accordance with a CCNA procurement and two that were outside of the CCNA Statute. The District had formally responded to the Complainant through an addendum to the RFP.

We found the allegation that the RFP solicitation for scientific support services did not comply with competitive procurement provisions of the District's Procurement Policy was unfounded. The Complainant contended that many of the services solicited under this RFP are typically performed by professional engineers or engineering interns and therefore should have been a CCNA procurement; however, the support services solicited were focused on scientific services and would not involve design and/or construction of public works type projects that required professional engineering licenses or certifications.

The Complainant acknowledged that engineers have the skillset to fulfill some but not all of the needed support services. Thus, to ensure a pool of respondents that had the resources and relevant expertise to provide all the scientific support services needed, the RFP solicitation was a Non-CCNA procurement open to all qualified respondents including engineers, which is consistent with the competitive provisions of the Procurement Policy.

Investigation Regarding Allegation of Landowner Violating ERP Permit *Project No. 19-06*

We received an anonymous complaint over the phone on February 14, 2019, alleging District permit non-compliance. The Complainant appeared to be conversant in and had an understanding of permit matters. The Complainant believed the owner was leasing the property, who lived in another state, and likely was unaware of the lease's activities. The property was being used as a transfer station for horticultural waste (tree branches, leaves, etc.) and possibly a mulch producer. The alleged permit non-compliance issues are as follows:

- Berms have been destroyed
- Burning structure is on premises
- Dry detention area is filled with dirt and horticultural debris
- Operations appears to exceed legal property boundaries

We determined that the violation was a regulatory matter and that the violation should be handled through the District Regulation Compliance system, which requires certain follow-up procedures to ensure permit compliance. We referred this matter to the appropriate District regulatory staff to determine whether any permit violations had occurred and take appropriate enforcement action if deemed necessary. Thus, no formal investigation by our Office was deemed necessary.

Complaint Regarding Alleged Theft of Intellectual Property ***Project No. 19-15***

We received an e-mail complaint from a Complainant alleging that the District had committed contract fraud that he valued at \$1 million. In this e-mail and others, the Complainant claimed, at times unintelligibly and with improper spelling and grammar, that the District in concert with other parties had stolen his software programs that he developed, which he contends restores the river wetlands, natural levees, weirs, dykes and lakes throughout the Everglades. According to the Complainant, the program also surveys the entire everglades restoration plans. He alleges that his stepfather colluded with another individual (who he describes as a friend of his stepfather and the District) and others to “rip him off”. He mentioned that on one occasion the “fraudsters” were able to gain access to his computer to steal his intellectual property through a hatch in a cabinet underneath the floorboard from the apartment below”. Further, he claims that “fraudsters” burglarized his home in Hollywood, Florida during the night last summer. When asked for the name of District staff members that had perpetrated the act, he did provide us with a person’s name; however, based on a search of the District’s Human Resources database, no such individual had ever worked at the District.

We found no probable cause to warrant an investigation of this complaint as we were unable to corroborate any information provided by the Complainant. We determined that there was no connection between the District, the Complainant and the alleged fraud. No formal investigation by our Office was deemed necessary.

OTHER PROJECTS

Peer Review

The peer review for our Office was completed on April 24, 2019, covering the three-year period ended December 31, 2018. Florida State statutes require inspector general's to perform audits in accordance with *Government Auditing Standards* promulgated by the Comptroller General of the United States. One of those standards requires an external independent peer review once every three years to assess the audit organization's conformance with applicable professional standards.

The review was performed through the Association of Local Government Auditors peer review program. Our peer review Team Leader was Jenny Scott, Senior Management Auditor, City of Portland Audit Services Division; assisted by Team Member, Stewart Reid, Senior Auditor, Fairfax County Internal Audit Office.

The peer review process can result in three levels of compliance: 1) Pass, 2) Pass with Deficiencies, or 3) Failure. Our Office received a "Pass" compliance report, which means that in the reviewers opinion our quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with applicable *Government Auditing Standards* for audits completed during the period January 1, 2016 through December 31, 2018.

Administrative Projects

During FY 2019, our Office completed the following administrative projects:

- Developed the FY 2020 Annual Audit Plan
- Completed the Office of Inspector General Annual Report
- Maintained and updated the Office of Inspector General Web Site
- Coordinated with Procurement to execute a new contract for the annual audits of the District's Comprehensive Annual Financial Report.

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- Managed the District's 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, 2018.
 - Provided reply to correspondence to the Joint Legislative Audit Committee (JLAC) regarding the status of corrective action taken regarding an audit recommendation included in three successive annual report management letters.