



Audit of Short Term Financing for Acceler8 Projects

Project #06-25

**Prepared by
Office of Inspector General**

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October 25, 2006

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Ms. Irela Bagué, Member
Mr. Michael Collins, Member
Mr. Nicolás Gutierrez, Jr. Esq.

RE: Audit of Short Term
Financing for Acceler8
Projects – Report # 06-25

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. The objective of our audit was to determine whether the \$110 million in short term financing obtained by the District for certain EFA and CERP Acceler8 Projects were budgeted and expended for activities approved by the Governing Board. We assessed whether the District has adequate controls in place to monitor budget transfers.

Sincerely,

John W. Williams, Esq.
Inspector General

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BACKGROUND

In accordance with the Office of Inspector General's amended audit plan, we performed an audit of the \$110 million in short term financing obtained by the District for certain Comprehensive Everglades Restoration Plan and Everglades Forever Act Acceler8 project costs to determine whether the funds were budgeted and expended as approved by the District's Governing Board.

The District's long-term plan for funding the construction costs for Acceler8 projects will be through the issuance of Certificates of Participation (COPs). In January 2006, the District's Governing Board authorized management to obtain \$110 million in short term financing to cover a portion of certain construction and land acquisition costs for the EPA and CERP Acceler8 projects. Specifically, the Governing Board authorized \$40 million to be used for the EFA Acceler8 Projects and \$70 million for CERP Acceler8 Projects. The District plans to re-pay the interim loan with the first COPs issue. The short term loan is for a period of 12 months and is due in full on January 24, 2007. The loan cannot be extended because the District is not allowed to pledge ad valorem tax revenues for debt service for periods exceeding 12 months pursuant to the Constitution of the State of Florida (Article VII, Section 12) and Section 373.559, Florida Statutes. As of September 2006, the District has borrowed \$82 million of the authorized \$110 million and expects the first COPs issue to be in mid-November 2006.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective focused on determining whether the \$110 million in short term financing obtained by the District for certain EFA and CERP Acceler8 Projects were budgeted and expended for activities approved by the Governing Board. We also determined whether the District has adequate controls in place to monitor budget transfers.

To accomplish our objective we obtained an understanding of the District's budget control process and reviewed Governing Board Resolution No. 2006-148, which authorized the financing and specified the uses of the funds. We also interviewed relevant District staff, determined whether budget modifications complied with Board Resolution No. 2006-148 and District guidelines, and examined various records to determine whether loan proceeds were expenditures for EFA and CERP Acceler8 Projects.

Our audit was conducted in accordance with Generally Accepted Government Auditing Standards.

AUDIT RESULTS

Executive Summary

We concluded that the \$110 million in short term loans were budgeted to Acceler8 project activities as authorized by the Governing Board. As of September 21, 2006, the District has borrowed \$82 million and there are no plans to borrow the remaining amount. We noted that \$52.3 million has already been spent and \$20.9 million has been encumbered for Acceler8 project activities. (Refer to Appendix 1 for details about the budget, expenditures, and encumbrances.)

Based on our review, we concluded that adequate controls are in place over budget transfers. Specifically, the District has policies in place to ensure that the Governing Board is either required to authorize or be notified of budget modifications. Further, only the Budget Division can enter transfers into the District's financial system. Our review of budget transfer activities in connection with the short term loan disclosed that transfers were approved by authorized District staff and/or the Governing Board. These transfers were intra-fund movements and complied with District guidelines. Further, we found that all expenditures were related to Acceler8 projects.

Budget Transfer Policy Requires Governing Board Approval and Budget Division Execution

Based on our review, we concluded that adequate controls are in place to ensure that budget transfers will be processed in accordance with policies and procedures. The District has policies in place to ensure that the Governing Board is either required to authorize or be notified of budget modifications. Further, only the Budget Division can enter transfers into the District's financial system. In January 2006, the District revised its budgetary control policy to mirror the ways the strategic plan, annual work plan, and annual operating budgets are developed. Specifically, the Governing Board's approval is required in the following instances:

- Transfers greater than \$150,000 for non-capital construction expenditures or \$500,000 for capital construction expenditures between departments within a Resource Area.

- Transfers greater than \$150,000 for non-capital construction expenditures or \$500,000 for capital construction within Programs.

In other instances, District management can authorize transfers; however, the Governing Board must be notified. Specifically,

- Deputy Executive Directors, Department Directors, and Program Coordinators, with approval from the Executive Office will be allowed to transfer funds between departments within a Resource Area up to \$150,000 for non-capital construction expenditures or \$500,000 for capital construction expenditures between departments with a Resource Area.
- Deputy Executive Directors, Department Directors, and Program Coordinators, with approval from the Executive Office will be allowed to transfer funds within Programs up to \$150,000 for non-capital construction expenditures or \$500,000 for capital construction expenditures.

In sum, these requirements are designed to ensure that the Governing Board is aware of fund movements and can question any proposed transfers.

In addition to obtaining approval from the Governing Board, there are controls in place in the new SAP system that requires transfers to be executed by the Budget Division after transfers are approved by the Governing Board. Only the Budget Division can post budget modifications.

Short Term Loans Budgeted to Acceler8 Projects Approved by the Governing Board

Our review disclosed that the \$110 million in short term loans approved by the Governing Board were budgeted to EFA and CERP Acceler8 projects. Based on the fiscal year 2006 adopted budget, the District anticipated that approximately \$160 million in financing for the Acceler8 projects would be required. However, in April 2006, District management requested that the Governing Board approve an amendment which reduced the financing amount to \$110 million. Our review of other budget activities in the SAP system disclosed that transfers were approved by authorized District staff and/or the Governing Board. These transfers were intra-fund movements and complied with District policies and procedures.

Short Term Loan Proceeds Properly Used for Acceler8 Project Expenditures

As of late September 2006, approximately \$52.3 million of the loan proceeds have been expended. Based on our review, we determined that the expenses were incurred for EFA and CERP Acceler8 projects. It should be noted that in addition to the \$52.3 million, \$23.1 million of the loan was used by the Real Estate Division pursuant to the Governing Board's authorization to acquire land for the C-44 Acceler8 project. This acquisition was ultimately funded with Fiscal Year 2007 Save Our Everglades Trust Fund money, as planned by management, and the expenditures were moved to the Save Our Everglades Trust Fund.

APPENDIX 1

Office of the Inspector General
 Short Term Financing: Budget and Expenditure Activity, As of September 21, 2006
 Funds 415 and 416

			A	B	C	D	E	F	G	H	I
			Adopted Budget - FY06	April Budget Amendment	January and July Budget Transfers	August Budget Transfer	(B+C+D) Total Adjustments	(A+E) Final Modified Budget	Expenditures	Encumbrances	F - (G+H) Available Budget
Project Name	Fund										
B509	EAA STA Comp. B	415	\$ 12,200,000	\$ 300,000	\$ 89,210	\$ 1,132,504	\$ 1,521,714	\$ 13,721,714	\$ 12,267,471	\$ 1,453,805	\$ 438
B510	EAA STA Comp. C	415	15,100,000	300,000	(89,210)	1,771,882	1,982,672	17,082,672	9,551,697	5,848,502	1,682,474
P505	Acme	415	12,100,000		(Approved in Jan.)	(2,904,386)	(2,904,386)	9,195,614	605,685	3,167,311	5,422,618
B599	Short Term Loan Costs	415							41,463	-	(41,463)
Sub-Total Fund 415			\$ 39,400,000	\$ 600,000	\$ -	\$ -	\$ 600,000	\$ 40,000,000	\$ 22,466,316	\$ 10,469,617	\$ 7,064,067
P107	IRL South- C-44 Reservoir*	416	\$ 17,935,700		\$ 5,180,500		\$ 5,180,500	\$ 23,116,200	\$ -	\$ -	\$ 23,116,200
P503	Picayune Strand	416	12,600,000		(5,180,500)		(5,180,500)	7,419,500	179,811	1,369,592	5,870,097
P504	C-43	416	4,000,000	1,845,000	(Approved in July)		1,845,000	5,845,000	5,317,826	577,174	(50,000)
P506	Site 1	416	1,700,000	(1,700,000)			(1,700,000)	-	-	-	-
P507	C-44	416	10,600,000					10,600,000	9,372,371	247,115	980,514
P508	EAA Storage Reservoir	416	73,700,000	(50,680,700)			(50,680,700)	23,019,300	14,922,761	8,206,129	(109,589)
P513	WCA 3A/3B Seepage Mgmt	416	100,000	(100,000)			(100,000)	-	-	-	-
P514	C-11	416	100,000	(100,000)			(100,000)	-	-	-	-
P515	C-9	416	200,000	(200,000)			(200,000)	-	-	-	-
B599	Short Term Loan Costs	416							43,537	-	(43,537)
	O & M Charges (Erroneous)	416							112	-	(112)
Sub-Total Fund 416			\$ 120,935,700	\$ (50,935,700)	\$ -	\$ -	\$ (50,935,700)	\$ 70,000,000	\$ 29,836,417	\$ 10,400,010	\$ 29,763,574
Grand Total			\$ 160,335,700	\$ (50,335,700)	\$ -	\$ -	\$ (50,335,700)	\$ 110,000,000	\$ 52,302,732	\$ 20,869,627	\$ 36,827,641