



**Audit Recommendations
Follow-Up Report
For the Period March 3, 2009
Through June 2, 2009**

Project #09-18

**Prepared by
Office of Inspector General**

**John W. Williams, Esq., Inspector General
J. Timothy Beirnes, CPA, Director of Auditing**



SOUTH FLORIDA WATER MANAGEMENT DISTRICT

Memorandum

To: Audit and Finance Committee Members:
Mr. Charles J. Dauray, Chair
Mr. Eric Buermann, Member
Mr. Michael Collins, Member

From: John W. Williams, Esq., Inspector General
Office of Inspector General

Date: June 11, 2009

Subject: Audit Recommendations Follow-Up Report -
For the Period March 3, 2009 Through June 2, 2009
Project No. 09-18

A handwritten signature in black ink, appearing to be "J.W. Williams", is written over the "From:" field of the memorandum.

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. Enclosed is the subject report that was conducted to assess the progress made in implementing audit recommendations.

In our efforts to continue to improve the audit process we utilize an audit recommendations tracking database as an integral part of monitoring the implementation status of audit recommendations. This database contains the basic audit information and recommendations. This system provides us with a vehicle to communicate and gather feedback on the status of the audit recommendations with the Governing Board, District management and the audited department/office.

Tim Beirnes, Director of Auditing, developed this report. Should you have any questions concerning the enclosed report, please feel free to call me at (561) 682-6128.

C: Carol Wehle
Tom Olliff

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EXECUTIVE SUMMARY

Audit recommendations target the economy and efficiency of District operations and compliance with our policies and statutory responsibilities. Our recommendations also focus on providing District management with suggestions that facilitate their achievement of program goals and objectives. To be effective, audit recommendations must be implemented. Additionally, *Government Auditing Standards* require following up on audit recommendations in previously issued audit reports. Accordingly, the Inspector General's Office periodically surveys departments to determine the implementation status of recommendations and to encourage their completion. This information is maintained in the Inspector General's audit recommendation tracking database. The system allows each audit staff member to update the recommendation's "status" after reviewing information provided by the departments and offices.

This report on the implementation status of audit recommendations is for the period March 3, 2009 through June 2, 2009 (the "Reporting Period"). As shown in Exhibit 1, as of March 3, 2009 there were twelve (12) recommendations that were not yet fully implemented, consisting of eight (8) that were In-Process and four (4) that were Partially Implemented. Since then, eight (8) of these recommendations have been fully implemented. As of June 2, 2009, four (4) remain in various stages of implementation, consisting of three (3) that are In-Process and one (1) that is Partially Implemented. During the Reporting Period, no recommendations were added to our recommendations tracking database.

There were no recommendations changed to the "No Longer Applicable" status during the current Reporting Period. The "No Longer Applicable" category includes items where conditions have changed subsequent to issuance of the audit report that rendered the recommendation no longer relevant, such as:

- Alternative compensating controls have been put in place.
- A decision was made to implement a new system that will address the issue making it impractical to retrofit the existing system.
- The policy, statute, or rule has changed.
- Change in strategic direction.

No recommendations fell into the “Not Implemented” category for the current and the previous report.

Following is a brief description of the attached exhibits:

- **Exhibit 1:** This Exhibit displays a summary of recommendation statuses for all audit reports with recommendations in process of implementation. Exhibit 1 also shows the changes in the status of recommendations from the beginning of the period to the end of the period.
- **Exhibit 2:** This Exhibit shows a summary of the changes in the status of recommendations by each audit report. Exhibit 2 shows only those audit reports that contained one or more recommendations that had not been fully implemented at the beginning of the reporting period.
- **Exhibit 3:** This exhibit displays detail information regarding the status of each audit recommendation. This includes the status of the recommendation for the prior reporting period and the status at the end of the current period. The comment column provides narrative information regarding implementation progress.
- **Exhibit 4:** This exhibit is a report printed directly from our Access database that contains additional information.

EXHIBIT 1
Summary of Recommendations Status

As of June 2, 2009

	In	Partially	
Prior Period Reports	Process	Implemented	Total
Status Beginning of Period	8	4	12
Implemented or Partially Implemented During Period	<u>(5)</u>	<u>(3)</u>	<u>(8)</u>
Remaining Recommendations to be Fully Implemented	<u>3</u>	<u>1</u>	<u>4</u>
Reports Issued During Current Period			
New Recommendations*	-	-	-
Implemented or Partially Implemented	<u>-</u>	<u>-</u>	<u>-</u>
Remaining Recommendations to be Fully Implemented	<u>-</u>	<u>-</u>	<u>-</u>
Current Status			
Remaining Recommendations to be Fully Implemented	<u>3</u>	<u>1</u>	<u>4</u>

* Initial Status is set as "In-Process"

EXHIBIT 2
Audit Reports With Implementation of Recommendations in Progress
As of June 2, 2009

Audit No.	Audit Title	No. of Recs		In Process	Partially Implemented	No Longer Applicable	Implemented	
Recommendations - Prior Period Reports								
06-19	Audit of the KRR Restoration Project In-Kind Credit Request Process	10	Status Prior Period	3	1	0	6	Open
			Change in Status	-1	0	0	1	
			Status Current Period	2	1	0	7	
07-36	Audit of the Information Technology Department	2	Status Prior Period	2	0	0	0	Open
			Change in Status	-1	0	0	1	
			Status Current Period	1	0	0	1	
08-04	Audit of CERP Land Acquisition costs Incurred by Other Organizations	7	Status Prior Period	2	3	0	2	Complete
			Change in Status	-2	-3	0	5	
			Status Current Period	0	0	0	7	
08-12	Review of the GEPS Services Contracts	3	Status Prior Period	1	0	0	2	Complete
			Change in Status	-1	0	0	1	
			Status Current Period	0	0	0	3	
Recommendation - Report Issued During Current Period								
	No new recommendations added.							
	TOTAL	22	Status Prior Period	8	4	0	10	
Change in Status			-5	-3	0	8		
Status Current Period			3	1	0	18		
	Number of Recommendations Remaining to Be Fully Implemented	4		3	1			

Prior Period = As of March 3, 2009

EXHIBIT 3
Detail of In-Process and Partially Implemented Audit Recommendations
As of June 2, 2009

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
06-19	2	Audit of the KRR Restoration Project In-Kind Credit Request Process	In Process	In Process	9/30/2007	9/30/2009	Submit future restoration In-Kind Credit Requests at least annually to the USACE for restoration expenses and land acquisition expenses not charged to specific tracts.	As noted in the audit, the District has elected to complete some Critical Restoration Projects (Lake Trafford, Southern CREW and Tamiami Culverts) on its own. This has created an imbalance in the 50/50 cost share. The District did this because the USACE was approaching its legislative spending cap for the Critical Projects. This would have prevented them from further financial participation.	The Kissimmee Division is working with USACE to finalize the backlog of in-kind credit requests for 1992-2004. USACE staff are currently reviewing these requests and have informed SFWMD of an estimated completion date of 3/10/09. The remaining backlog of requests (2005-2008) will be submitted shortly. Future requests will be submitted at least annually. Still on target to be completed by the revised due date of 9/30/09.
06-19	3	Audit of the KRR Restoration Project In-Kind Credit Request Process	In Process	Implemented	12/31/2007	9/30/2009	Remind the USACE that the District is awaiting a response to the request for approval to use the same fringe benefit and indirect cost rates as those approved for CERP.	Water Resource Development Act (WRDA) 2007 became law on November 8, 2007 and will help reduce this cost-share imbalance. WRDA 2007 increased the USACE authorized spending cap for Critical Restoration Projects from \$75 million to \$95 million. The USACE will allocate a portion of this increased funding to the District sponsored projects.	On March 24, 2009, the USACE sent correspondence back to the District confirming that the District has approval to use the same fringe benefit and indirect cost rates for the Kissimmee River Restoration project as those approved for CERP.
06-19	5	Audit of the KRR Restoration Project In-Kind Credit Request Process	In Process	In Process	12/31/2007	9/30/2009	Determine the amount of unclaimed expenses incurred for environmental assessments and submit a claim for these expenses as construction costs.	Each Critical Restoration Project is covered by a separate Project Cooperative Agreement, which outlines cost-sharing responsibilities for the project. Currently, there is no provision to balance the 50/50 cost-share across all of the projects. This sets up a situation where the USACE is required to request cash contributions for some projects and provide reimbursement for others. In the upcoming Water Resource Development Acts or Appropriation Bills, the District will attempt to get Congress to authorize the USACE to balance the 50/50 cost-share across all projects with the District. This would eliminate the need for cash contributions and reimbursements	Finance staff is assisting the Kissimmee Construction Project Division in preparing their USACE construction costs submission, including environmental risk assessment costs. Environmental assessment costs have not yet been submitted. In communication with the USACE, it was determined that the cost of environmental assessments related to land acquisition should be submitted as an adjunct to project construction costs, not as a cost to land acquisition. Therefore, environmental assessment costs were formally withdrawn and relevant documentation was provided to the Kissimmee Construction Projects Division for their submission of project construction costs to the USACE. The revised completion date for submitting these costs is July 2009 (Previous revised completion date was 5/1/09)

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
06-19	10	Audit of the KRR Restoration Project In-Kind Credit Request Process	Partially Implemented	Partially Implemented	12/31/2007	6/30/2009	Reconcile total expenditures charged to the KRR program per the District's financial system ("F" program code) to total expenditures claimed for in-kind credit (or will be claimed in the future under the established process.)	Agree. Watershed Management now uses P3E project management software for the Kissimmee River Restoration Project and updates are made monthly to reflect budget expenditures.	Total expenditures charged to the KRR program have been reconciled with total expenditures claimed for in-kind credit. All future expenditures and in-kind credit claims will be reconciled under the established process. We are in the process of verifying that Everglades Restoration and Operations and Maintenance Resource areas are coordinating to determine if there are any outstanding expenditures that will need to be reconciled. Still on target to be completed by the revised due date of 6/30/2009.
07-36	1	Audit of the Information Technology Department	In Process	In Process	10/30/2009	Unable to Determine	Consider hiring full time employees for IT positions considered permanent and ongoing.	We agree that the addition of the 39 FTEs to cover core functions that are currently performed by contractors would result in a savings of approximately \$2.6 million dollars per year on an ongoing basis. We would prefer to have FTEs performing these core functions because we believe our staffing model would be more stable. We also recognize that there may be limitations to the number of FTEs that can be added at this time.	The IT Department agrees with this recommendation; however, the Executive Office is in discussions regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.
07-36	2	Audit of the Information Technology Department	In Process	Implemented	11/30/2008	5/31/2009	Consider hiring full time employees for IT positions considered permanent and ongoing.	We agree that a strategy and a plan of action and milestones should be completed to optimize the use of contract workers. We already have several processes in place that control this function.	During the preparation of the FY '10 budget submission, the IT Department initiated an involved process to optimize our outsourcing opportunities. First, every contractual position was reviewed to determine the necessity. Then, we identified areas where FTEs could share some of the work load to maximize the knowledge transfer and cost savings. Next, we reduced hours of each of the contractors to maximize our cost savings. Finally, these efforts resulted in a cost savings of \$1.39 million (23% reduction) in contractual funds, a deletion of 4 contractors, and a reduction of at least 50% of the time allowed for 3 other contractors.
08-04	1	Audit of CERP Land Acquisition Costs Incurred by Other Organizations	Partially Implemented	Implemented	1/1/2009	4/1/2009	Reduce the cost of the tracts identified in this audit report as being overstated in the District's accounting records.	Management concurs with the recommendation and will research the tracts identified in the audit and adjust the carrying values accordingly.	There were eleven land tracts identified in the audit findings whose costs were over-stated. The eleven tracts have been researched, and adjustments have been booked to the general ledger (Palmar 23100-084, 085; Palmar 23116-018, 019, 022, 023, 024; Allapattah GM100-005, 007; and Westerra X100-025, 027).

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
08-04	2	Audit of CERP Land Acquisition Costs Incurred by Other Organizations	Partially Implemented	Implemented	2/1/2009	5/1/2009	Develop and document procedures to ensure that the Accounting Division is made keenly aware of tracts acquired with contributions from external partners and the details regarding the contributions (e.g., whether contributions were made for title interest, whether contributions were not proportionate to the percentage of title interest given up for the contribution).	Management concurs with the recommendation. The Land Acquisition Department together with the Accounting Division will work together to develop procedures that will ensure that land is recorded properly.	New procedures have been implemented by the Accounting and Financial Services Division to identify land acquisitions involving external partners including the review of each Governing Board agenda involving MOA/MOU's or funding agreements, and review of all purchase and sale agreements of land. In addition, monthly meetings with the Land Acquisition Department and the Accounting and Financial Services Division are being held to discuss land transactions. Finally, the Accounting and Financial Services Division has reconciled all land acquisitions occurring in FY 09 and 08 as reflected in IRIS to the District's financial records.
08-04	3	Audit of CERP Land Acquisition Costs Incurred by Other Organizations	In Process	Implemented	1/1/2009	5/1/2009	Remove all State-owned tracts from the District's asset records.	Management concurs with the recommendation and will write-off the purchase price of land that is not owned by the District	There were five tracts identified in the audit findings as owned by the State that are reflected in the District's books. The five tracts have been researched, removed from District assets records, and adjustments have been reflected in the general ledger (W9308-130, W9309-168, 462; W9310-027; FG100-017).
08-04	6	Audit of CERP Land Acquisition Costs Incurred by Other Organizations	In Process	Implemented	4/1/2009	5/1/2009	Compare Land Acquisition's listing of tracts acquired for CERP to the SAP Asset Module to ensure that all tracts are accurately reflected in the Accounting Division's records.	Management concurs with the recommendation. The Accounting Division and Land Acquisition will work together to reconcile Land Acquisition's records to records within SAP.	There were eight tracts identified in the audit findings whose asset records in IRIS do not agree to SAP. These tracts have been researched and adjustments have been made. (Pines Ventures W9201-018; Beame GR100-082; Weekley W9201-061, 072, 075, 076, 080, 087)
08-04	7	Audit of CERP Land Acquisition Costs Incurred by Other Organizations	Partially Implemented	Implemented	2/1/2009	5/1/2009	Develop procedures to ensure that all donated tracts are properly recorded in the District's accounting records.	Management concurs with the recommendation. Land Acquisition will develop a procedure notifying the Accounting Division of donated tracts	There were eight tracts identified in the audit findings whose asset records in IRIS do not agree to SAP. These tracts have been researched and adjustments have been made. (Pines Ventures W9201-018; Beame GR100-082; Weekley W9201-061, 072, 075, 076, 080, 087)
08-12	3	Review of the GEPS Services Contracts	In Process	Implemented	1/1/2010	1/1/2010	Consider seeking authorization for additional staff positions in order to replace higher cost contractor workers, that are performing on-going activities, with employees.	Management concurs with this recommendation; however, the addition of Full Time Employees (FTEs) to the District's authorized staffing levels is being coordinated between the Executive Office and the Governor's Office.	Procedures are now in place in the Accounting and Financial Services Division to identify donated tracts prior to the receipt of the donation. New procedures include the review of each Governing Board agenda involving donations and review of all land agreements. In addition, monthly meetings with the Land Acquisition Department and the Accounting and Financial Services Division are being held to discuss land transactions.

Exhibit 4

Status of Recommendations Not Fully Implemented

Audit No.	Audit Name		
Recommendation	Current Status	Auditor's Comment	
06-19	Audit of the KRR Restoration Project In-Kind Credit Request Process		
<p># 2 Submit future restoration In-Kind Credit Requests at least annually to the USACE for restoration expenses and land acquisition expenses not charged to specific tracts.</p> <p>Original Due Date: 9/30/2007 Revised Due Date: 9/30/2009</p>	<p>In Process</p>	<p>The Kissimmee Division is working with USACE to finalize the backlog of in-kind credit requests for 1992-2004. USACE staff are currently reviewing these requests and have informed SFWMD of an estimated completion date of 3/10/09. The remaining backlog of requests (2005-2008) will be submitted shortly. Future requests will be submitted at least annually. Still on target to be completed by the revised due date of 9/30/09.</p> <p>Auditor Update: 6/9/2009</p>	
<p># 5 Determine the amount of unclaimed expenses incurred for environmental assessments and submit a claim for these expenses as construction costs.</p> <p>Original Due Date: 12/31/2007 Revised Due Date: 9/30/2009</p>	<p>In Process</p>	<p>Finance staff is assisting the Kissimmee Construction Project Division in preparing their USACE construction costs submission, including environmental risk assessment costs. Environmental assessment costs have not yet been submitted. In communication with the USACE, it was determined that the cost of environmental assessments related to land acquisition should be submitted as an adjunct to project construction costs, not as a cost to land acquisition. Therefore, environmental assessment costs were formally withdrawn and relevant documentation was provided to the Kissimmee Construction Projects Division for their submission of project construction costs to the USACE. The revised completion date for submitting these costs is July 2009 (Previous revised completion date was 5/1/09)</p> <p>Auditor Update: 6/9/2009</p>	
<p># 10 Reconcile total expenditures charged to the KRR program per the District's financial system ("F" program code) to total expenditures claimed for in-kind credit (or will be claimed in the future under the established process.)</p>	<p>Partially Implemented</p>	<p>Total expenditures charged to the KRR program have been reconciled with total expenditures claimed for in-kind credit. All future expenditures and in-kind credit claims will be reconciled under the established process. We are in the process of verifying that Everglades Restoration and Operations and Maintenance Resource areas are coordinating to determine if there are any outstanding expenditures that will need to be reconciled. Still on target to be completed by the revised due date of 6/30/2009.</p>	

Audit No.	Audit Name
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Recommendation	Current Status	Auditor's Comment
Original Due Date: 12/31/2007 Revised Due Date: 6/30/2009		Auditor Update: 6/9/2009

07-36	Audit of the Information Technology Department
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# 1	Consider hiring full time employees for IT positions considered permanent and ongoing.	In Process	The IT Department agrees with this recommendation; however, the Executive Office is in discussions regarding the feasibility of implementing this recommendation and they have taken the lead for this recommendation.
	Original Due Date: 10/30/2009 Revised Due Date: 10/1/2009		Auditor Update: 6/9/2009