



**Audit Recommendations
Follow-Up Report
For the Period July 1, 2010
Through September 30, 2010**

Project #10-28

**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. Joe Collins, Member
Mr. Glenn Waldman, Member

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

Date: November 12, 2010

Subject: Audit Recommendations Follow-Up Report -
For the Period July 1, 2010 Through September 30, 2010
Project No. 10-28

This audit was performed pursuant to the Inspector General's authority set forth in Section 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, prepared 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

TABLE OF CONTENTS

EXECUTIVE SUMMARY1

EXHIBIT 1: Summary of Recommendations Status3

EXHIBIT 2: Reports With Implementation of Recommendations in Progress4

**EXHIBIT 3: Detail of In-Process and Partially Implemented Audit
Recommendations5**

EXHIBIT 4: Status of Recommendations Not Fully Implemented.....8

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 July 1, 2010 through September 30, 2010 (the "Reporting Period"). As shown in Exhibit 1, as of June 30, 2010 there were eight (8) recommendations that were not yet fully implemented, consisting of six (6) that were In-Process and two (2) that were Partially Implemented. Since then, four (4) of these recommendations have been Partially Implemented. As of September 30, 2010, eight (8) remain in various stages of implementation, consisting of two (2) that are In-Process and six (6) that are Partially Implemented.

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 September 30, 2010

	In	Partially	
Prior Period Reports	Process	Implemented	Total
Status Prior Period (June 30, 2010)	6	2	8
Implemented or Partially Implemented During Period	(4)	4	-
Remaining Recommendations to be Fully Implemented	2	6	8
Reports Issued During Current Period			
New Recommendations*	-	-	-
Implemented or Partially Implemented	-	-	-
Remaining Recommendations to be Fully Implemented	-	-	-
Current Status			
Remaining Recommendations to be Fully Implemented	2	6	8

* Initial Status is set as "In-Process"

EXHIBIT 2
Audit Reports With Implementation of Recommendations in Progress
As of September 30, 2010

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	Prior Period Status	1	1	0	8	Open
			Change in Status	-1	1	0	0	
			Current Period Status	0	2	0	8	
07-36	Audit of the Information Technology Department	2	Prior Period Status	1	0	0	1	Open
			Change in Status	-1	1	0	0	
			Current Period Status	0	1	0	1	
08-09	Review of Internal Controls Over Fuel Inventory	5	Initial Status	0	1	0	4	Open
			Change in Status	0	0	0	0	
			Current Period Status	0	1	0	4	
08-12	Review of the GEPS Services Contracts	3	Prior Period Status	1	0	0	2	Open
			Change in Status	-1	1	0	0	
			Current Period Status	0	1	0	2	
09-02	Audit of Compliance with Lake Okeechobee Protection Act	2	Initial Status	2	0	0	0	Open
			Change in Status	0	0	0	0	
			Current Period Status	2	0	0	0	
09-07	Audit of SCADA Impelmentation and Operations	6	Initial Status	1	0	0	0	Open
			Change in Status	-1	1	0	5	
			Current Period Status	0	1	0	5	
	Recommendation - Report Issued During Current Period							
								Open
	Recommendations - All Reports							
	TOTAL	28	Prior/Initial Status	6	2	0	15	
Change in Status			-4	4	0	5		
Status Current Period			2	6	0	20		
	Number of Recommendations Remaining to Be Fully Implemented	8		2	6			

Prior Period = As of June 30, 2010

EXHIBIT 3
Detail of In-Process and Partially Implemented Audit Recommendations
As of September 30, 2010

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	5	Audit of the KRR Restoration Project In-Kind Credit Request Process	In Process	Partially Implemented	12/31/2007	12/31/2010	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	Updated Expenses were submitted to the Corps but additional information was requested. During the second reconciliation, staff discovered a discrepancy in the financial reports from the old financial system which will result in additional crediting opportunities. Staff is reconciling information for submission.
06-19	10	Audit of the KRR Restoration Project In-Kind Credit Request Process	Partially Implemented	Partially Implemented	12/31/2007	12/31/2010	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.	Updated expenses were submitted to the Corps, but additional information was requested. During the second reconciliation, staff discovered a discrepancy in the financial reports from the old financial system which will result in additional crediting opportunities. Staff is reconciling information for submission.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
07-36	1	Audit of the Information Technology Department	In Process	Partially Implemented	10/30/2009	9/30/2011	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. Executive Office received approval to convert five IT Contractor Positions to full time positions. These positions will be recruited in FY2011 and the estimated full year savings will be \$1,950,033. The net savings from the five IT contractors is \$263,446 that takes into account a three month recruiting period and cubicle reconfiguration costs. The total \$1.95 million savings from wave 1 included contractors from FY2010 that were not budgeted in FY2011. The gross savings from the five contractor conversions from wave 1 is \$366,635. Additionally, IT has provided information to Executive Office about the remaining contractors positions that could be converted to full time positions and result in further cost savings.
08-09	2	Review of Internal Controls Over Fuel Inventory	Partially Implemented	Partially Implemented	9/30/2009	9/30/2013	Implement physical security measures that were identified by Emergency/Security Management.	Fencing repairs will be done in FY2010. New fences will be deferred to future years due to FY2010 budget constraints. For security systems, we will coordinate with Security Management to have them budget for these systems in future years.	The fencing for the north shore pump station (i.e. 127, 129, 131, 133, 193) has been added to the trash rake projects at each of the site and all construction will be completed by the end of FY13.
08-12	3	Review of the GEPS Services Contracts (2008)	In Process	Partially Implemented	11/1/2010	9/30/2011	Consider seeking authorization for additional staff positions in order to replace higher cost contractor workers, that are performing ongoing 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.	Procurement agrees with this recommendation. Executive Office received approval to convert 13 ERCP contractors to full time positions. These positions will be recruited in FY2011 and the estimated full year savings will be \$8,798,872
09-02	1	Audit of Compliance with Lake Okeechobee Protection Act	In Process	In Process	1/31/2011	1/31/2011	Carefully analyze the reasons why an updated Lake Okeechobee Protection Plan Evaluation Report for 2010 may not be necessary. If it is determined that a reevaluation is not necessary then request approval from the legislature not to submit the Lake Okeechobee Protection Plan Evaluation Report for 2010.	The amendments to the 2007 legislature created the Northern Everglades Protection Program which required an update to the Lake Okeechobee plan in 2008. Recognizing the report is due tri-annually, staff is working on the 2011 Update for the Northern Everglades and Estuaries Protection Plan.	Plan is on Schedule

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
09-02	2	Audit of Compliance with Lake Okeechobee Protection Act	In Process	In Process	1/31/2011	1/31/2011	Alert senior management about the potential issues that could delay reducing the phosphorus load to 140 metric tons per year prior to the January 1, 2015 legislative mandate.	This action is in progress	Plan is on Schedule
09-07	1	Audit of SCADA Implementation and Operations	In Process	Partially Implemented	3/31/2011	3/31/2011	Consider hiring full time employees to perform SCADA work that is considered permanent and ongoing.	Management concurs with recommendation. SCADA staff developed a staffing analysis that showed a need for 25 FTEs to replace site installation contractors with a cost savings of \$1 million per year once implemented. The FY09 budget included authorization to hire 10 staff to replace contractors. This was part one of a multi-year proposed replacement of contractors with FTEs for long-term ongoing core work efforts. No new positions were included in the FY10 budget. Staff is reviewing the contractor transition plan and will propose additional FTEs in FY11. Until the transition is complete, the District will have to continue to rely upon some level of contracting to provide SCADA installation and maintenance/repair services.	O&M has requested 10 new positions in FY11 to bring SCADA maintenance activities in-house. The positions are part of the "second wave" of new positions which the District is awaiting approval from the Governor to implement. In addition, two FTE's were requested and approved for maintenance of compartment B&C SCADA facilities; these positions are currently under recruitment.

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># 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: 12/31/2010</p>	<p>Partially Implemented</p>	<p>Updated Expenses were submitted to the Corps but additional information was requested. During the second reconciliation, staff discovered a discrepancy in the financial reports from the old financial system which will result in additional crediting opportunities. Staff is reconciling information for submission.</p> <p>Auditor Update: 11/5/2010</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>Original Due Date: 12/31/2007 Revised Due Date: 12/31/2010</p>	<p>Partially Implemented</p>	<p>Updated expenses were submitted to the Corps, but additional information was requested. During the second reconciliation, staff discovered a discrepancy in the financial reports from the old financial system which will result in additional crediting opportunities. Staff is reconciling information for submission.</p> <p>Auditor Update: 11/5/2010</p>	
07-36	Audit of the Information Technology Department		
<p># 1 Consider hiring full time employees for IT positions considered permanent and ongoing.</p> <p>Original Due Date: 10/30/2009 Revised Due Date: 9/30/2011</p>	<p>Partially Implemented</p>	<p>The IT Department agrees with this recommendation. Executive Office received approval to convert five IT Contractor Positions to full time positions. These positions will be recruited in FY2011 and the estimated full year savings will be \$1,950,033. The net savings from the five IT contractors is \$263,446 that takes into account a three month recruiting period and cubicle reconfiguration costs. The total \$1.95 million savings from wave 1 included contractors from FY2010 that were not budgeted in FY2011. The gross savings from the five contractor conversions from wave 1 is \$366,635. Additionally, IT has provided information to Executive Office about the remaining contractors positions that could be converted to full time positions and result in further cost savings.</p> <p>Auditor Update: 11/5/2010</p>	
08-09	Review of Internal Controls Over Fuel Inventory		
<p># 2 Implement physical security measures that were identified by Emergency/Security</p>	<p>Partially Implemented</p>	<p>The fencing for the north shore pump station (i.e. 127, 129, 131, 133, 193) has been added to</p>	

Audit No.	Audit Name
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Recommendation	Current Status	Auditor's Comment
Management.		the trash rake projects at each of the site and all construction will be completed by the end of FY13.
Original Due Date:	9/30/2009	Auditor Update: 11/5/2010
Revised Due Date:	9/30/2013	

08-12	Review of the GEPS Services Contracts
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# 3	Consider seeking authorization for additional staff positions in order to replace higher cost contractor workers, that are performing on-going activities, with employees.	Partially Implemented	Procurement agrees with this recommendation. Executive Office received approval to convert 13 ERCP contractors to full time positions. These positions will be recruited in FY2011 and the estimated full year savings will be \$8,798,872
Original Due Date:	1/1/2010	Auditor Update:	11/5/2010
Revised Due Date:	9/30/2011		

09-02	Audit of Compliance with Lake Okeechobee Protection Act
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# 1	Carefully analyze the reasons why an updated Lake Okeechobee Protection Plan Evaluation Report for 2010 may not be necessary. If it is determined that a reevaluation is not necessary then request approval from the legislature not to submit the Lake Okeechobee Protection Plan Evaluation Report for 2010.	In Process	Plan is on Schedule.
Original Due Date:	1/31/2011	Auditor Update:	11/5/2010
Revised Due Date:	1/31/2011		
# 2	Alert senior management about the potential issues that could delay reducing the phosphorus load to 140 metric tons per year prior to the January 1, 2015 legislative mandate.	In Process	Plan is on Schedule.
Original Due Date:	1/31/2011	Auditor Update:	11/5/2010
Revised Due Date:	1/31/2011		

09-07	Audit of SCADA Implementation and Operations
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# 1	Consider hiring full time employees to perform SCADA work that is considered permanent and ongoing.	Partially Implemented	O&M has requested 10 new positions in FY11 to bring SCADA maintenance activities in-house. The positions are part of the "second wave" of new positions which the District is awaiting approval from the Governor to implement. In addition, two FTE's were requested and approved for maintenance of compartment B&C SCADA facilities; these positions are currently under recruitment.
Original Due Date:	3/31/2011	Auditor Update:	11/5/2010
Revised Due Date:	3/31/2011		