Audit Recommendations
Follow-Up Report
For the Period January 1, 2011
Through March 31, 2011

Project #11-12

Prepared by
Office of Inspector General

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

sfwmd.gov

SOUTH FLORIDA WATER MANAGEMENT DISTRICT

Memorandum

To: Governing Board Members

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

Date: May 31, 2011

Subject: Audit Recommendations Follow-Up Report -
            For the Period January 1, 2011 Through March 31, 2011
            Project No. 11-12

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: Melissa Meeker
    Tommy Strowd

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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 Office of Inspector General has performed follow-up audit work since the office was established in 1996. Every quarter our office 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 January 1, 2011 through March 31, 2011 (the "Reporting Period"). As shown in Exhibit 1, as of December 31, 2010 there were 16 recommendations that were not yet Fully Implemented, consisting of eight (8) that were In-Process and eight (8) that were Partially Implemented. Since then, 10 of these recommendations have been have been Fully Implemented.

During the Reporting Period, no recommendations were added from newly issued reports. There are currently six (6) recommendations that are In-Process of being implemented or have been Partially Implemented as of March 31, 2011.

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 March 31, 2011

	In Process	Partially Implemented	Total
Prior Period Reports			
Status Prior Period (December 31, 2010)	8	8	16
Implemented or Partially Implemented During Period	(4)	(6)	(10)
Remaining Recommendations to be Fully Implemented	4	2	6
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	**4**	**2**	**6**

* Initial Status is set as "In-Process"

EXHIBIT 2
Audit Reports With Implementation of Recommendations in Progress
As of March 31, 2011

Audit No.	Audit Title	No. of Recs		In Process	Partially Implemented	No Longer Applicable	Implemented	
	Recommedations - Prior Period Reports							
06-19	Audit of the KRR Restoration Project In-Kind Credit Request Process	10	Prior Period Status	0	2	0	8	Complete
			Change in Status	0	-2	0	2	
			Current Period Status	0	0	0	10	
07-36	Audit of the Information Technology Department	2	Prior Period Status	0	1	0	1	Complete
			Change in Status	0	-1	0	1	
			Current Period Status	0	0	0	2	
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	0	1	0	2	Complete
			Change in Status	0	-1	0	1	
			Current Period Status	0	0	0	3	
09-04	Audit of the Vegetation Management Program	2	Initial Status	1	0	0	1	Open
			Change in Status	0	0	0	0	
			Current Period Status	1	0	0	1	
09-07	Audit of SCADA Impelmentation and Operations	6	Initial Status	0	1	0	5	Complete
			Change in Status	0	-1	0	1	
			Current Period Status	0	0	0	6	
09-23	Audit of the SAP Solutions Center	15	Initial Status	5	2	0	8	Open
			Change in Status	-2	-1	0	3	
			Current Period Status	3	1	0	11	
10-01	Audit of the District's Land Acquisition and Management Processes	9	Initial Status	2	0	0	7	Complete
			Change in Status	-2	0	0	2	
			Current Period Status	0	0	0	9	
	Recommendation - Report Issued During Current Period							
	None							
	Recommendations - All Reports							
	TOTAL	52	Prior/Initial Status	8	8	0	36	
			Change in Status	-4	-6	0	10	
			Status Current Period	4	2	0	46	
	Number of Recommendations Remaining to Be Fully Implemented	**6**		**4**	**2**			

Prior Period = As of December 31, 2010

EXHIBIT 3
Detail of In-Process and Partially Implemented Audit Recommendations
As of March 31, 2011

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	Partially Implemented	Implemented	12/31/2007	5/4/2011	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 reconciled, corrected and submitted to the Corps on May 4, 2011.
06-19	10	Audit of the KRR Restoration Project In-Kind Credit Request Process	Partially Implemented	Implemented	12/31/2007	5/4/2011	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.	Expenses were reconciled, corrected and submitted to the Corps on May 4, 2011

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Revised	Recommendation	Management Response	Current Period Comments Regarding Status
07-36	1	Audit of the Information Technology Department	Partially Implemented	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.	Management has implemented the recommendation to the maximum extent possible considering funding and budget contrraints.
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, and 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. If the schedule for the North Shore pump station projects extends beyond FY13, the Okeechobee FS will separately install fencing to provide the physical security for the fuel tanks at these stations.
08-12	3	Review of the GEPS Services Contracts (2008)	Partially Implemented	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 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.	Management has implemented the recommendation to the maximum extent possible considering funding and budget contrraints.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Revised	Recommendation	Management Response	Current Period Comments Regarding Status
09-04	2	Audit of the Vegetation Management Program	In Process	In Process	1/31/2011	3/31/2012	Establish performance measurements that better communicate the department's success in meeting programmatic goals and objectives.	Agree. The Vegetation Management and STA Division has been working on revising the Division's performance measures to better align with our current annual work plan and processes. Improved performance measures will better communicate if we are meeting the programmatic goals and objectives of the Department.	The District identified two opportunities to improve the reporting process, 1) standardizing reporting protocols across all divisions involved in invasive exotic vegetation control and 2) implementing systematic, region-wide assessments to quantify success. To date, several milestones have been reached toward refining and implementing the proposed changes to reporting protocols, including an in-depth analysis of the District's exotic plant control process that has allowed District staff to clearly define and identify improvements for the exotic plant control process. Also, the reporting process for exotic plant control has been consolidated and standardized. Also, to directly measure the proportion of District lands that are at maintenance control for exotic invasive plants, staff has developed a region-wide invasive plant assessment protocol for District-managed lands. This protocol utilizes digital sketch mapping technology to quantify the extent of invasive plant populations in a cost-effective manner. The District currently utilizes this protocol to direct land managers to exotic plant infestations in the Greater Everglades region. This information is also used to confirm that the District has achieved maintenance control of priority invasive plants in Water Conservation Areas 2 & 3. Staff is working to identify funding within current budget levels to expand the use of this tool in order to gather this performance information for all District lands.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Revised	Recommendation	Management Response	Current Period Comments Regarding Status
09-07	1	Audit of SCADA Implementation and Operations	Partially Implemented	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.	Management has implemented the recommendation to the maximum extent possible considering funding and budget contrraints.
09-23	1	Audit of the SAP Solutions Center	Partially Implemented	Implemented	9/30/2013	9/30/2013	Consider hiring full time employees for SAP Solution Center positions considered permanent and ongoing.	Management agrees.	Management has implemented the recommendation to the maximum extent possible considering funding and budget contrraints.
09-23	3	Audit of the SAP Solutions Center	Partially Implemented	Partially Implemented	12/31/2010	3/31/2011	Develop a three year SAP Strategic Plan for maintenance that flows logically into the District Business Strategic Plan.	Management agrees.	Same status of prior period. Initial three year SAP Strategic Plan has been developed by SAP Solutions Center. SAP Solutions Center plan currently being incorporated into IT Strategic Plan as part of District Strategic Plan. SSC plan will be finalized when District Plan formally approved by Executive Office.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Revised	Recommendation	Management Response	Current Period Comments Regarding Status
09-23	4	Audit of the SAP Solutions Center	In Process	In Process	9/30/2013	9/30/2013	Use benchmarking and industry standards to determine appropriate staffing levels and expenditures. This should include partnering with Information Technology for knowledge transfer and additional FTE's.	Management agrees.	Based on SAP Solutions Center findings and post-audit bench-marking, SSC strongly believes that current resource levels within the SSC are at or below headcount levels needed to adequately support Solutions Center activities. The Solutions Center continues to benchmark itself against other like public entities to verify that support levels continue to be in line with industry standards. Where possible & considering such factors as Separation of Duty (SOD) & SDLC process controls, SSC will utilize District resources with adequate SAP knowledge to assist with SAP support within the Solutions Center.
09-23	6	Audit of the SAP Solutions Center	In Process	Implemented	3/15/2011	3/15/2011	Develop and keep a business case current since it is the key input to decisions made throughout the life of the project and to help the Project Sponsors assess whether project modifications and scope changes are adding business value.	Management concurs and will track and communicate return on investment (ROI).	For any new initiatives started post audit, the Solutions Center will comply with request.
09-23	11	Audit of the SAP Solutions Center	In Process	In Process	9/30/2013	9/30/2013	Plan for all contractors within the SAP Solutions Center to shadow a full time employee and to roll off after a maximum of two years of service.	Management concurs with the spirit of this recommendation. Converting contract support to FTEs where appropriate and cost effective will be pursued. For certain specialized functions, or short term needs contractual support will likely continue to be needed into the future.	SAP Solutions Center is complying with this request within current resource mix. Note that initial Contractor-to-FTE conversion exercise involving six positions that would have enabled the SSC to comply with this request to a significant degree is currently on hold until Executive Office provides final direction on budget/personnel topics. Going forward, a mix of Contractor/FTEs mix is required to provide satisfactory SAP support to the District. This scenario will continue until further direction from the Executive Office.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date Original	Due Date Revised	Recommendation	Management Response	Current Period Comments Regarding Status
09-23	12	Audit of the SAP Solutions Center	In Process	In Process	9/30/2013	9/30/2013	Roll the existing contractors off based on the current five year SAP contract and use the IT Department's Project Management Office (PMO) for project management instead of contractors. Bring the total resources down to between 5 to 9 consultants within a 9 month window.	Management again concurs with the spirit of this recommendation. Converting contract support to FTEs where appropriate and cost effective will be pursued. For certain specialized functions, or short term needs contractual support will likely continue to be needed into the future.	SSC currently utilizes IT PMO office for two large cross functional initiatives. SSC will continue to leverage IT PMO on future projects as needed. SSC cannot comply at this time with request to bring total contractor resources down to 5-9 contractors within a 9 month window without severely jeopardizing SAP support for the District. Contractors can only be reduced if a like skilled District FTE is in place to provide similar support. Reduction window is directly related to approved FTE positions in SSC.
09-23	13	Audit of the SAP Solutions Center	In Process	Implemented	12/31/2010	3/31/2011	Develop clear business support and a plan prior to purchasing additional software products.	Management concurs.	SAP Solutions Center will comply with this request when new software/functionality of material value is considered for purchase in the future. Note that short-term plan of SSC is to maximize use of existing functionality rather that purchase additional functionality for foreseeable future.
10-01	7	Audit of the District's Land Acquisition and Management Processes	In Process	Implemented	3/31/2011	4/30/2011	Establish a Land Oversight Committee to oversee the acquisition and appraisal processes.	Agree.	Complete. Staff presented the scope of the Land Oversight Committee to the Governing Board Project and Lands Committee in April. Regular meetings of the committee have been established in advance of Governing Board meetings.
10-01	9	Audit of the District's Land Acquisition and Management Processes	In Process	Implemented	8/31/2011	3/31/2011	Scrub and/or re-solicit the District's approved appraiser listing every two years.	Agree. However, it is recommended that the list be approved every three years with potential for renewals. This is consistent with Procurement standards.	Procurement is in the process of soliciting the various categories of firms based on the Department of Environmental Protection list of approved appraisal firms.

Exhibit 4
Status of Recommendations
Not Fully Implemented

Audit No.	Audit Name

Recommendation	Current Status	Auditor's Comment

08-09   **Review of Internal Controls Over Fuel Inventory**

Recommendation	Current Status	Auditor's Comment
# 2 Implement physical security measures that were identified by Emergency/Security Management.	**Partially Implemented**	The fencing for the north shore pump station (i.e. 127, 129, 131, 133, and 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. If the schedule for the North Shore pump station projects extends beyond FY13, the Okeechobee FS will separately install fencing to provide the physical security for the fuel tanks at these stations.
Original Due Date: 9/30/2009		Auditor Update: 5/25/2011
Revised Due Date: 9/30/2013		

09-04   **Audit of the Vegetation Management Program**

Recommendation	Current Status	Auditor's Comment
# 2 Establish performance measurements that better communicate the department's success in meeting programmatic goals and objectives.	**In Process**	The District identified two opportunities to improve the reporting process, 1) standardizing reporting protocols across all divisions involved in invasive exotic vegetation control and 2) implementing systematic, region-wide assessments to quantify success. To date, several milestones have been reached toward refining and implementing the proposed changes to reporting protocols, including an in-depth analysis of the District's exotic plant control process that has allowed District staff to clearly define and identify improvements for the exotic plant control process. Also, the reporting process for exotic plant control has been consolidated and standardized. Also, to directly measure the proportion of District lands that are at maintenance control for exotic invasive plants, staff has developed a region-wide invasive plant assessment protocol for District-managed lands. This protocol utilizes digital sketch mapping technology to quantify the extent of invasive plant populations in a cost-effective manner. The District currently utilizes this protocol to direct land managers to exotic plant infestations in the Greater Everglades region. This information is also used to confirm that the District has achieved maintenance control of priority invasive plants in Water Conservation Areas 2 & 3. Staff is working to identify funding within current budget levels to expand the use of this tool in order to gather this performance information for all District lands.
Original Due Date: 1/1/2011		Auditor Update: 2/2/2011

	Recommendation	Current Status	Auditor's Comment
	Revised Due Date: 1/1/2012		

09-23 **Audit of the SAP Solutions Center**

	Recommendation	Current Status	Auditor's Comment
#3	Develop a three year SAP Strategic Plan for maintenance that flows logically into the District Business Strategic Plan.	**Partially Implemented**	Initial three year SAP Strategic Plan has been developed by SAP Solutions Center. SAP Solutions Center plan currently being incorporated into IT Strategic Plan as part of District Strategic Plan. SSC plan will be finalized when District Plan formally approved by Executive Office.
	Original Due Date: 12/31/2010		Auditor Update: 5/25/2011
	Revised Due Date: 3/31/2011		
#4	Use benchmarking and industry standards to determine appropriate staffing levels and expenditures. This should include partnering with Information Technology for knowledge transfer and additional FTE's.	**In Process**	Based on SAP Solutions Center findings and post-audit bench-marking, SSC strongly believes that current resource levels within the SSC are at or below headcount levels needed to adequately support Solutions Center activities. The Solutions Center continues to benchmark itself against other like public entities to verify that support levels continue to be in line with industry standards. Where possible & considering such factors as Separation of Duty (SOD) & SDLC process controls, SSC will utilize District resources with adequate SAP knowledge to assist with SAP support within the Solutions Center.
	Original Due Date: 9/30/2013		Auditor Update: 2/2/2011
	Revised Due Date: 9/30/2013		
#11	Plan for all contractors within the SAP Solutions Center to shadow a full time employee and to roll off after a maximum of two years of service.	**In Process**	SAP Solutions Center is complying with this request within current resource mix. Note that initial Contractor-to-FTE conversion exercise involving six positions that would have enabled the SSC to comply with this request to a significant degree is currently on hold until Executive Office provides final direction on budget/personnel topics. Going forward, a mix of Contractor/FTEs mix is required to provide satisfactory SAP support to the District. This scenario will continue until further direction from the Executive Office.
	Original Due Date: 9/30/2013		Auditor Update: 5/25/2011
	Revised Due Date: 9/30/2013		
#12	Roll the existing contractors off based on the current five year SAP contract and use the IT Department's Project Management Office (PMO) for project management instead of contractors. Bring the total resources down to between 5 to 9 consultants within a 9 month	**In Process**	SSC currently utilizes IT PMO office for two large cross functional initiatives. SSC will continue to leverage IT PMO on future projects as needed. SSC cannot comply at this time with request to bring total contractor resources down to 5-9 contractors within a 9 month

Audit No.	Audit Name

Recommendation	Current Status	Auditor's Comment
window.		window without severely jeopardizing SAP support for the District. Contractors can only be reduced if a like skilled District FTE is in place to provide similar support. Reduction window is directly related to approved FTE positions in SSC.
Original Due Date: 9/30/2013		Auditor Update: 5/25/2011
Revised Due Date: 9/30/2013		