



**Audit Recommendations
Follow-Up Report
For the Period January 1, 2012
Through March 31, 2012**

Project # 12-17

**Prepared by
Office of Inspector General**

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



SOUTH FLORIDA WATER MANAGEMENT DISTRICT

Memorandum

To: Governing Board Members

From: J. Timothy Beirnes, CPA, Inspector General
Office of Inspector General

Date: April 30, 2012

Subject: Audit Recommendations Follow-Up Report -
For the Period January 1, 2012 through March 31, 2012
Project No. 12-17

A handwritten signature in blue ink, likely belonging to J. Timothy Beirnes, the Inspector General.

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 organizational units.

Should you have any questions concerning the enclosed report, please feel free to call me at (561) 682-6398.

C: Melissa Meeker
Robert Brown
Deena Reppen
Carolyn Ansay

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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, 2012 through March 31, 2012 (the "Reporting Period"). As shown in Exhibit 1, as of December 31, 2011 there were nine (9) recommendations that were not yet Fully Implemented, consisting of five (5) that were In-Process and four (4) that were Partially Implemented. Since then, three (3) 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, 2012.

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, 2012

	In	Partially	
Prior Period Reports	Process	Implemented	Total
Status Prior Period (December 31, 2011)	5	4	9
Implemented or Partially Implemented During Period	(1)	(2)	(3)
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, 2012

Audit No.	Audit Title	No. of Recs		In Process	Partially Implemented	No Longer Applicable	Implemented	
	Recommendations - Prior Period Reports							
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	
09-23	Audit of the SAP Solutions Center	15	Initial Status	3	1	0	11	Open
			Change in Status	0	0	0	0	
			Current Period Status	3	1	0	11	
10-07	Audit of the RECOVER Program	4	Prior Period Status	1	2	0	1	Open
			Change in Status	0	-2	0	2	
			Current Period Status	1	0	0	3	
10-26	Audit of General Engineering and Professional Services Contracts	9	Initial Status	1	0	0	8	Complete
			Change in Status	-1	0	0	1	
			Current Period Status	0	0	0	9	
	Recommendations - All Reports							
	TOTAL	33	Prior/Initial Status	5	4	0	24	
			Change in Status	-1	-2	0	3	
			Status Current Period	4	2	0	27	
	Number of Recommendations Remaining to Be Fully Implemented	6		4	2			

Prior Period = As of December 31, 2011

EXHIBIT 3
Detail of In-Process and Partially Implemented Audit Recommendations
As of March 31, 2012

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
08-09	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. The project is tentatively budgeted for FY13 construction.
09-23	3	Audit of the SAP Solutions Center	Partially Implemented	Partially Implemented	12/31/2010	6/30/2012	Develop a three year SAP Strategic Plan for maintenance that flows logically into the District Business Strategic Plan.	Management agrees.	The 3 year strategic plan for maintenance will address two aspects of the SAP environment. The first are the various projects and initiatives (including significant enhancements, new module implementations, process efficiencies/streamlining, SAP product updates, and cost reducing measures) that are anticipated being undertaken in FY13 - FY15. The second are the realignment of resources (FTE and contract) to satisfy the District's SAP support needs while reducing the overall cost of SAP support. This includes the reduction in contractors from the current 16 to 9 by the end of FY12 and 7 by the end of FY13. This would reduce the total SAP Solutions Center staffing from the current 38 to 29 by the end of FY13, assuming the ability to hire all of the current open positions. The FY13 - FY15 three year strategic plan is targeted to be written and submitted by 6/30/2012. An initial draft of the SAP Solution Center FY15 three year strategic plan is completed and will be merged into the draft version of the Information Technology Bureau's Strategic Plan.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
09-23	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.	No change from prior period - see other item updates for transition plan to reduce contractors. The SSC has moved District resource(s) designated as "SAP high potentials" from the IT organization to the SSC with the purpose of replacing contractors after knowledge transition is complete. Will also be taking into consideration Key Performance Indicators such as SAP Support Cost per Active User and Support Equivalent FTE per 100 Active Users to ensure that they are not negatively impacted by any changes in SSC structure.
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.	Three contractor positions have been eliminated with a fourth to be eliminated by April 30. Beyond that SSC contract staff will roll off based on the following plan: - 6/30/2012 - 2 contractors will roll off leaving 11 contractors in the SSC. - 9/30/2012 - 2 contractors will roll off leaving 9 contractors in the SSC. Note: The 6/30/2012 and 9/30/2012 roll off dates and number of contractors rolled off are dependent on the SSC's ability to recruit FTE resources with the required experience and skills to replace the targeted contractors. In addition, of the nine SSC positions that were open on 1/12/2012, seven have been filled as of 4/5/2012. The remaining two open positions are being actively recruited and should be filled before 5/31/2012.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
09-23	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.	Three contractor positions have been eliminated with a fourth to be eliminated by April 30. Beyond that SSC contract staff will roll off based on the following plan: - 6/30/2012 - 2 contractors will roll off leaving 11 contractors in the SSC. - 9/30/2012 - 2 contractors will roll off leaving 9 contractors in the SSC. Note: The 6/30/2012 and 9/30/2012 roll off dates and number of contractors rolled off are dependent on the SSC's ability to recruit FTE resources with the required experience and skills to replace the targeted contractors. In addition, of the nine SSC positions that were open on 1/12/2012, seven have been filled as of 4/5/2012. The remaining two open positions are being actively recruited and should be filled before 5/31/2012.
10-07	1	Audit of the RECOVER Program	In Process	In Process	10/31/2011	5/31/2012	Develop jointly with the USACE an updated RECOVER Program Management Plan as required by the CERP Master Program	Agree. A draft PMP update has been submitted and circulated with the expectation that the Design Coordination Team (a partnership with the Corps) will review in May. Following comments, it is expected that the PMP will be finalized by October 2011.	Staff is working with the USACE to make the final revisions to the Project Management Plan and resend out for management review. Staff is very close to completion, if not by the end of this month certainly by May. Delay was due to staffing changes at the USACE.

Audit No.	Rec No.	Audit Title	Status Prior Report	Status Current Report	Due Date		Recommendation	Management Response	Current Period Comments Regarding Status
					Original	Revised			
10-07	2	Audit of the RECOVER Program	Partially Implemented	Implemented	6/30/2011	3/31/2012	Submit RECOVER Work-In-Kind costs to the USACE at least quarterly, in accordance with the Design Agreement cost sharing	The Finance and Administration Department agrees that RECOVER Work-in-Kind (WIK) cost reports have not been submitted timely for fiscal years 2008, 2009 and 2010. Both the Design Agreement and the CERP Guidance Memorandum #37 mention filing a quarterly informational report but CERP Guidance Memorandum #37 also specifically defines filing timelines for an official Project Manager signed semi-annual report. The reason the reports have not been filed timely since fiscal year 2007 is due to the fact the District implemented the SAP Project Systems module which rendered existing WIK reports obsolete. As a result, new WIK reports had to be designed, tested and verified to ensure that the District captured the WIK data now contained in SAP Project Systems. This required the use of a dedicated SAP Solution Center Business Warehouse resource to work with the Accounting Division to design and test new WIK reports before they could be submitted to the Corps. For various reasons, BW resources for this effort were not readily available to Accounting and within the SAP Solution Center. As such, the WIK report redesign and testing took longer than anticipated.	All official reports have been submitted through Q1 and Q2 of fiscal year 2011. Preliminary quarterly reports have been submitted on time for all quarters through Q1 of fiscal year 2012. Now that fiscal year 2011 has been closed, Finance is performing a final review of costs relating to the second six months of that fiscal year and expects to submit an official report to the USACE on or before May 15, 2012. Waiting for the fiscal year to be closed before submitting the last two quarters of the fiscal year eliminates the need for adjustments. A quarterly preliminary report for the 2nd quarter of 2012 will be submitted timely by April 25, 2012.
10-07	3	Audit of the RECOVER Program	Partially Implemented	Implemented	5/31/2011	3/31/2012	Track climate change monitoring expenditures related to CERP projects and submit District expenditures to the Corps for RECOVER Work-in-Kind credit	Agree. The Corps recently acknowledged that their climate change costs were being captured under CERP RECOVER. The District captured these costs in project systems and through functional codes. These codes have been provided to Accounting and Finance to submit for cost share crediting.	Finance has submitted Sea Level Rise Project costs (Project # 100536) up through Q1 and Q2 of fiscal year 2011 to the USACE. Now that fiscal year 2011 is closed, finance is in the process of reviewing Q3 and Q4 costs for fiscal year 2011 to be submitted on or before May 15, 2012. Waiting for the fiscal year to be closed eliminates the need for adjustments. No further costs will be submitted starting in the fiscal year 2012 and beyond because upper management decided Sea Level Rise Study projects will not be associated with the RECOVER program after fiscal year 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			
10-26	6	Audit of General Engineering and Professional Services Contracts	In Process	Implemented	11/1/2011	3/31/2012	Ensure that the SBE Section's Small Business Enterprise Utilization spreadsheet is accurately maintained and the reasons for low utilization are adequately documented in the Small Business Enterprise files. In addition, consider including the reasons for low Small Business Enterprise utilization on the spreadsheet	Agreed. The method utilized to capture SBE utilization is inefficient and lends itself to producing inaccurate information. An enhancement for recording utilization has been identified and a request presented to the SAP Solutions Center for implementation. Due to budget constraints, the request has been put on hold. The current method will be reviewed to add additional columns for recording suggested information.	Enhanced reporting of utilization is now available with the implementation of the SBE work order tracking screen in SAP.

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		
# 2	Implement physical security measures that were identified by Emergency/Security Management.	Partially Implemented	<p>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. The project is tentatively budgeted for FY13 construction.</p>
	Original Due Date:	9/30/2009	Auditor Update: 4/30/2012
	Revised Due Date:	9/30/2013	
09-23	Audit of the SAP Solutions Center		
# 3	Develop a three year SAP Strategic Plan for maintenance that flows logically into the District Business Strategic Plan.	Partially Implemented	<p>The 3 year strategic plan for maintenance will address two aspects of the SAP environment. The first are the various projects and initiatives (including significant enhancements, new module implementations, process efficiencies/streamlining, SAP product updates, and cost reducing measures) that are anticipated being undertaken in FY13 - FY15. The second are the realignment of resources (FTE and contract) to satisfy the District's SAP support needs while reducing the overall cost of SAP support. This includes the reduction in contractors from the current 16 to 9 by the end of FY12 and 7 by the end of FY13. This would reduce the total SAP Solutions Center staffing from the current 38 to 29 by the end of FY13, assuming the ability to hire all of the current open positions. The FY13 - FY15 three year strategic plan is targeted to be written and submitted by 6/30/2012. An initial draft of the SAP Solution Center FY15 three year strategic plan is completed and will be merged into the draft version of the Information Technology Bureau's Strategic Plan.</p>
	Original Due Date:	12/31/2010	Auditor Update: 4/30/2012
	Revised Due Date:	6/30/2012	
# 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	<p>No change from prior period - see other item updates for transition plan to reduce contractors. The SSC has moved District resource(s) designated as "SAP high potentials" from the IT organization to the SSC with the purpose of replacing contractors after</p>

Audit No.	Audit Name
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Recommendation	Current Status	Auditor's Comment
<p>Original Due Date: 9/30/2013</p> <p>Revised Due Date: 9/30/2013</p>		<p>knowledge transition is complete. Will also be taking into consideration Key Performance Indicators such as SAP Support Cost per Active User and Support Equivalent FTE per 100 Active Users to ensure that they are not negatively impacted by any changes in SSC structure.</p> <p>Auditor Update: 4/30/2012</p>
<p># 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.</p> <p>Original Due Date: 9/30/2013</p> <p>Revised Due Date: 9/30/2013</p>	In Process	<p>Three contractor positions have been eliminated with a fourth to be eliminated by April 30. Beyond that SSC contract staff will roll off based on the following plan: - 6/30/2012 - 2 contractors will roll off leaving 11 contractors in the SSC. - 9/30/2012 - 2 contractors will roll off leaving 9 contractors in the SSC.</p> <p>Note: The 6/30/2012 and 9/30/2012 roll off dates and number of contractors rolled off are dependent on the SSC's ability to recruit FTE resources with the required experience and skills to replace the targeted contractors. In addition, of the nine SSC positions that were open on 1/12/2012, seven have been filled as of 4/5/2012. The remaining two open positions are being actively recruited and should be filled before 5/31/2012.</p> <p>Auditor Update: 4/30/2012</p>
<p># 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 window.</p> <p>Original Due Date: 9/30/2013</p> <p>Revised Due Date: 9/30/2013</p>	In Process	<p>Three contractor positions have been eliminated with a fourth to be eliminated by April 30. Beyond that SSC contract staff will roll off based on the following plan: - 6/30/2012 - 2 contractors will roll off leaving 11 contractors in the SSC. - 9/30/2012 - 2 contractors will roll off leaving 9 contractors in the SSC.</p> <p>Note: The 6/30/2012 and 9/30/2012 roll off dates and number of contractors rolled off are dependent on the SSC's ability to recruit FTE resources with the required experience and skills to replace the targeted contractors. In addition, of the nine SSC positions that were open on 1/12/2012, seven have been filled as of 4/5/2012. The remaining two open positions are being actively recruited and should be filled before 5/31/2012.</p> <p>Auditor Update: 4/30/2012</p>

Audit No.		Audit Name	
Recommendation		Current Status	Auditor's Comment
10-07		Audit of the RECOVER Program	
# 1	Develop jointly with the USACE an updated RECOVER Program Management Plan as required by the CERP Master Program Management Plan.	In Process	Staff is working with the USACE to make the final revisions to the Project Management Plan and resend out for management review. Staff is very close to completion, if not by the end of this month certainly by May. Delay was due to staffing changes at the USACE.
	Original Due Date: 10/31/2011		Auditor Update: 4/30/2012
	Revised Due Date: 5/31/2012		