



Approved Audit Plan For Fiscal Year 2011

Prepared by
Office of Inspector General

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SOUTH FLORIDA WATER MANAGEMENT DISTRICT

MEMORANDUM

To: Audit & Finance Committee Members

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

Date: October 20, 2010

Subject: Approved Audit Plan for Fiscal Year 2011

A handwritten signature in blue ink, likely belonging to John W. Williams, Inspector General.

I am pleased to present the Approved Audit Plan for Fiscal Year 2011. The development of the plan was shaped using a systematic approach to help us decide what audits need to be done. The planning process helps us to develop the theme for our audits and identify an appropriate mix of various types of audits. The audit plan helps us to determine how we can best allocate our resources and capitalize on our individual strengths.

Effective audit planning is crucial to the success of the Inspector General's Office. Our planning process involved understanding our responsibility, recapping where we have been, and identifying the auditable universe and the risks associated with various programs and activities. A draft of the audit plan was presented to the Audit & Finance Committee on October 13, 2010 and was approved by the full Governing Board on October 14, 2010, as required by the District's Internal Audit Charter.

Our Guidance

The first step in our current planning process was to ask ourselves what is the Inspector General Office's mandate. Our mandate to perform audits is clearly specified in Section 20.055 F.S., *Agency Inspectors General*. It states that in carrying out our audit mandate we should:

1. Review and evaluate the internal controls that ensure fiscal accountability.
2. Review post audit sampling of payments and accounts, where appropriate.
3. Advise in the development of performance measures for evaluating District programs.
4. Conduct financial, compliance, electronic data processing and performance audits of the District.

While the scope and assignment of audits is entirely left to the discretion of the Inspector General, the statute provides that the agency head may, at any time, direct the Inspector General to perform an audit of a program function or organizational unit. In the past, we received a number of requests from both the Governing Board and District staff to perform necessary Inspector General projects. Therefore, executing our work plan necessitates flexibility to accommodate special requests and investigations.

Our Planning Approach

Each year the District updates its working Strategic Plan and develops an annual work plan to guide management and staff in fulfilling the District's mission. The District's annual work plan is the product of the annual strategic planning cycle, which is the approach to establishing priorities, allocating resources, implementing projects, and providing accountability. This is followed by a budget process that allocates resources to accomplish the planned activities.

Our audit planning process began with reviewing the Strategic Plan and the FY 2011 Annual Work Plan to identify those programs, activities and functions that we consider present potential risk to the District. In addition to specific programs, we also focused on identifying processes that are critical to the planning cycle that affect all programs.

The audit plan reflects a consideration of risk and its relationship to the District's mission and objectives. The most ubiquitous risks to the District's mission revolve around spending, operations, data integrity and reliability, disaster recovery/contingency planning, regulatory compliance, and public perception. Some District programs, such as our many restoration projects, depend on land acquisition and construction processes, which represent high risks due to the mere magnitude of the financial resources to be consumed. Others, such as regulation, have inherent risks that are not necessarily related to program expenditures or dollar magnitude but rather represent high risk due to the nature of the function where consistency, objectivity, integrity, and strict adherence to rules and regulations are essential.

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Our audit plan is designed to provide sufficient coverage over time to reach all significant program areas. During FY 2011, we will continue to use our best judgment in prioritizing audit activities so as to be responsive to the most immediate needs of the District's Governing Board and executive management. The Approved Audit Plan for FY 2011 provides for specific audit projects covering all four of the District's major programs identified in the District's Strategic Plan, which are:

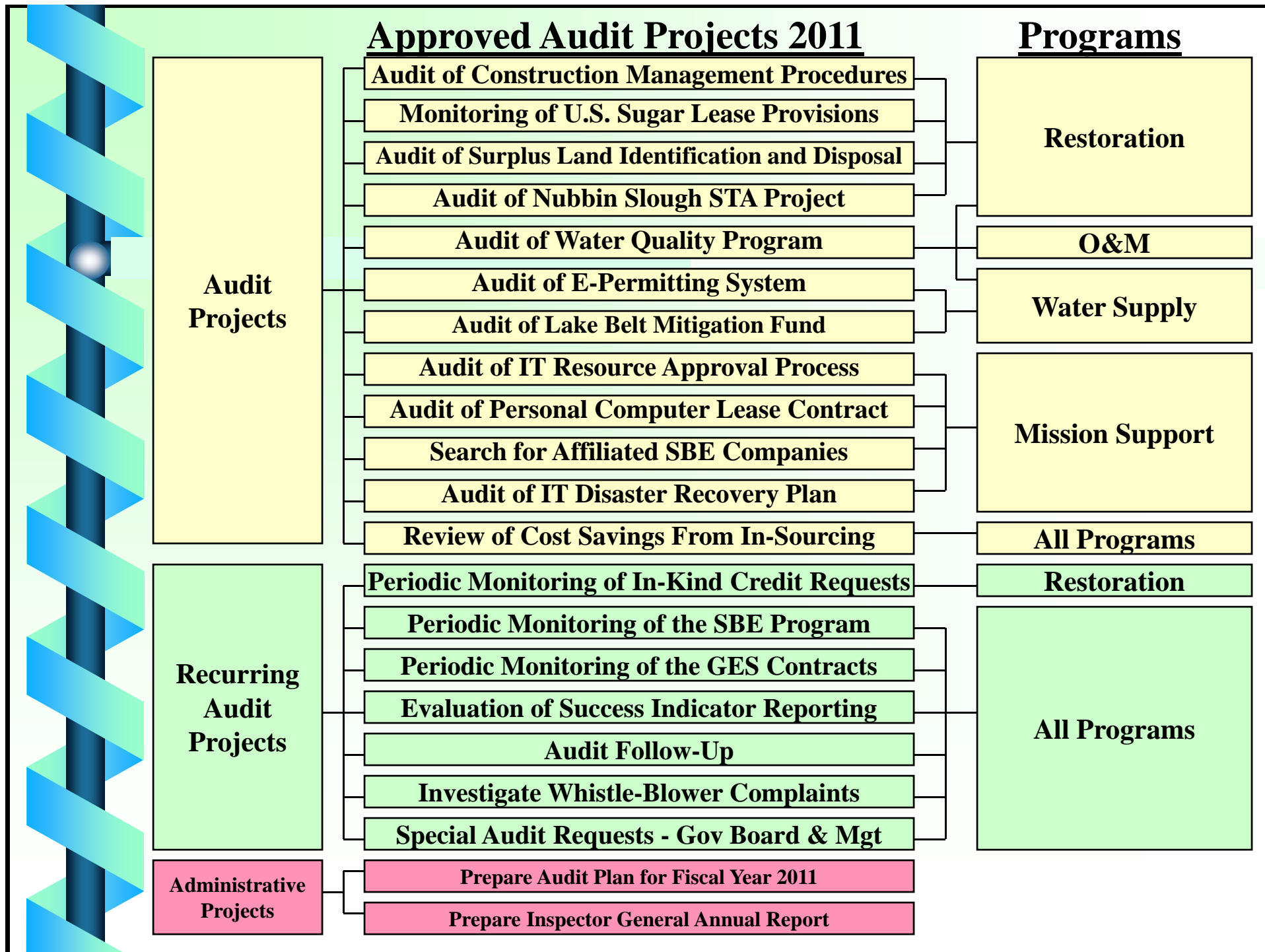
- Restoration
- Water Supply
- Mission Support
- Operations & Maintenance

Provision is also made for following up on the status of implementing prior audit recommendations as required by *Government Auditing Standards* and the District's *Internal Audit Charter*. Additionally, the audit plan provides flexibility to investigate Whistle-blower complaints and for special audit requests from the Governing Board and senior District management.

The attached schedule details of the Approved Audit Plan for Fiscal Year 2011.

Attachments

c: Carol Wehle
Tom Olliff
Sheryl Wood



South Florida Water Management District

Office of Inspector General

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Prog	Resource Area	Dept/Division	Title of Project	Background	Objectives	Correlation With Strategic Plan & Rational for Proposing Audit
	Audit Projects - 2011					
Restoration	Everglades Restoration & Capital Projects	Everglades Construction	Audit of Compliance With Construction Management Procedures	A Construction Project Administration Manual is being developed outlining the processes and procedures and internal controls for District staff and contract workers to follow for monitoring construction projects. An audit should be performed periodically to ensure that the controls are adhered to.	We will determine whether construction projects are being managed in accordance with the procedures outlined in the Construction Management Manual.	Restoration is the District's largest program and entails a significant amount of engineering and construction activities. Significant resources will be expended on engineering and construction activities over the next several years. Thus, management needs assurance that established procedures are being adhered to.
Restoration	Everglades Restoration & Capital Projects	Everglades Restoration	Monitoring of U.S. Sugar Lease Provisions	The U.S. Sugar purchase provides for a lease back of the land for several years. Lease agreements generally contain certain compliance requirements to which the leasee must adhere.	We will determine whether U.S. Sugar is complying with provisions of the lease agreement. We will also assist management with reviewing the process for monitoring the lease agreement.	Everglades Restoration is the District's largest program. The U.S. Sugar purchase, and the related lease back, will be the largest in the District's history.
Restoration	Everglades Restoration & Capital Projects	Land Acquisition	Audit of Surplus Land Identification and Disposal Process	The District periodically identifies land parcels that will not be needed for fulfilling the District's mission. Some of these parcels may be remnants parcels that were acquired a part of a larger parcel but were outside of the project footprint. Such parcels may be made available for sale and the proceeds reallocated to other District projects.	We will examine the criteria and process for identifying surplus land parcels and for disposing of such parcels.	Restoration is the District's largest program and the District has expended a significant amount of funds to acquire land over the years. In light of the declining revenue base in recent years the District's management is exploring all options to identify additional resources and reallocating existing resources to higher priorities.
Restoration	Everglades Restoration & Capital Projects	Everglades Restoration Engineering Department and Everglades Restoration Construction Department	Audit of the Nubbin Slough Stormwater Treatment Area (STA) Project	The Nubbin Slough STA is a restoration project that is part of the Northern Everglades program pursuant to the Lake Okeechobee Protection Act of 2007. The project entailed returning dry pasture into wetlands and increasing stormwater treatment near Nubbin Slough, a tributary that feeds into Lake Okeechobee. District scientists estimated that the project will result in removing about 380 kilograms of phosphorus each year from the local wetland system.	We will examine the purpose of the project and determine whether it is fulfilling its intended purpose and performing as anticipated.	Nubbin Slough is part of the Water Quality Program, which is a component of the strategic plan.

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Prog	Resource Area	Dept/Division	Title of Project	Background	Objectives	Correlation With Strategic Plan & Rational for Proposing Audit
Various	Everglades Restoration & Capital Projects and Regulatory & Public Affairs and Operations & Maintenance	Various	Audit of Water Quality Program	There are many legal requirements charging the District with water quality mandates; including, statutes, regulations, judicial orders, etc.	We will examine the District's methodology for fulfilling its water quality mission by assessing whether it provides a cohesive approach to addressing water quality issues.	Water quality is a key component of the District's mission. It is essential that the District's has a unified approach to water quality that addresses all the interconnecting mechanism within such a dynamic environment.
Water Supply	Regulatory & Public Affairs	Regulation Department	Audit of the E-Permitting System	Regulation implemented the E-Permitting Information System to manage permit application processing, approval, monitoring, and enforcement.	We will perform a post implementation review to ensure that: (1) Projected benefits of the system were achieved. (2) Physical computer assets are adequately safeguarded. (3) Technical administrative support is adequate. (4) User needs are being properly supported and measured. (5) The system contains adequate access controls to prevent unauthorized access.	The E-Permitting System supports the District's regulatory responsibilities. Post implementation reviews should be performed for a new information system to ensure that the system is functioning as designed and that the system is used in a manner that maximizes its benefits.
Water Supply	Regulatory & Public Affairs	Environmental Resource Regulation Department	Audit of the Lake Belt Mitigation Fund	The District receives special revenue funds from the State of Florida. The funds are then used for various mitigation projects (e.g., exotic plant removal). A special committee makes the decisions as to which projects are approved for using the fund's resources.	We will review the process for deciding how the Lake Belt Mitigation Fund's resources are used in order to ensure that the funds are used as agreed.	The Lake Belt Mitigation Fund addresses water quality and water supply issues. Recently, the special committee has started approving projects in which the District is not involved. Further, the trust fund has never been audited.
Mission Support	Corporate Resources	Information Technology Department	Audit of the Information Technology Resource Approval Process	Prior to District department purchasing information technology products (i.e., equipment software, etc.) they are required to obtain resource approval from the Information Technology Department. This requirement is to ensure that the IT Department's staff can support the proposed product subsequent to its purchase.	We will review the process for information technology resource approval and determine how well District departments are complying with this requirement.	Information Technology is a support to all other programs. The information technology resource approval process was established to ensure that the Information Technology Department possesses the expertise to support technology products subsequent to their purchase.

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Prog	Resource Area	Dept/Division	Title of Project	Background	Objectives	Correlation With Strategic Plan & Rational for Proposing Audit
Mission Support	Corporate Resources	Information Technology Department	Audit of the Personal Computer Lease Contract	The District provides desktop computing to District staff through a lease arrangement. The computers are generally replaced every three years.	We will assess whether leasing personal computer continues to be the best strategy for providing desktop computing to District staff. We will also assess whether the three year interval is still in the best interest of the District.	Information Technology is a support to all other programs. The advantages of leasing verses owning equipment may change over time due to economic changes or changes in the velocity of the technology cycle.
Mission Support	Corporate Resources	Procurement Department	Search for Affiliated Small Business Enterprise Companies	The District's SBE Rule provides specific disclosure requirements if an SBE is related to another company. Our Office will utilize ACL software in performing this audit.	We will perform a search for duplicates of various data fields in the SBE database, which may be an indication of possible company affiliations.	Procurement activities are included in the Strategic Plan under Mission Support. The SBE program is an approach to facilitate the Governing Boards initiative of spreading the District's work around among the South Florida business community.
Mission Support	Corporate Resources	Information Technology Department	Audit of the Information Technology Disaster Recovery Plan	The District supports 28 different information technology systems. It is imperative that the District have a comprehensive Disaster recovery plan in the event that the equipment housing this data is lost in a disaster.	We will examine the District's disaster recovery plan to determine that, 1)the District has a comprehensive up-to-date disaster recovery plan, 2) has defined locations where the disaster recovery plan could be executed, and 3) that the disaster recovery plan was periodically tested and any necessary adjustments were incorporated into the plan.	Information Technology is a support to all other programs. An audit of the disaster recovery plan has not be performed before by our Office.
All Programs	All Resource Areas	All Departments & Divisions	Review of Cost Savings from In-Sourcing	Several audit reports in recent years have concluded that the District could realize significant cost savings by replacing contract workers with full time employees (FTE's). In some of the instances, management has succeeded in obtaining FTE positions to replace some of these contract workers.	We will analyze those instances where contract workers have been replaced with FTE's to assess how effectively the change have been working and determine the actual cost savings realized.	Imbedded in the District's strategic plan, management is always striving to identify ways to accomplish the District's mission in a more effective and cost efficient manner.

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Prog	Resource Area	Dept/Division	Title of Project	Background	Objectives	Correlation With Strategic Plan & Rational for Proposing Audit
Recurring Audit Projects						
Restoration	Everglades Restoration & Capital Projects	Various	Periodic Monitoring of In-Kind Credit Requests for Federal Cost Share Projects	The District has several major cost share programs with the U.S. Army Corps of Engineers, including: The Kissimmee River Restoration, Critical Restoration Projects, and the Comprehensive Everglades Restoration Project (CERP).	We will periodically examine In-Kind credit requests for the various cost-share projects to ensure that the established process is effectively capturing all eligible costs.	Restoration is the District's largest program. Approximately 75% of the FY 2010 budget is appropriated for restoration projects. In the coming years, the District will likely be requesting billions of dollars in in-kind credit towards its share of these major restoration projects.
Mission Support	Corporate Resources	Procurement	Periodic Monitoring of the SBE Program	The rule establishing the SBE Program became effective July 26, 2006. The program's objective is to enhance opportunities for small businesses to provide goods and services to the District.	We will monitor the SBE Program participation to ensure that the program is generating results.	Procurement activities are included in the Strategic Plan under Mission Support. The SBE program is an approach to facilitate the Governing Boards initiative of spreading the District's work around among the South Florida business community.
Mission Support	Corporate Resources	Procurement	Periodic Monitoring of Professional Services Contract (GEPS, STS, & ITS)	General Engineering & Professional Services, (GEPS), Science & Technology Services (STS), and Information Technology Services (ITS), entail a District procurement strategy to expedite the process for acquiring engineering and other professional services while also maintaining competitiveness and spreading work among qualified firms.	We will examine the General Engineering & Professional Services (GEPS), Science & Technology Services (STS), and Information Technology Services (ITS), contracts to determine that: (1) Work is equitably spread around among qualified firms. (2) Vendors are fulfilling SBE commitments.	The procurement process supports all programs. While the professional services contacts approach provide a methodology to expedite procurement of services, it increases the risk for circumventing the District procurement philosophy and policies.
All Programs	District-Wide Corporate Resources	All Departments & Divisions Finance & Administration/ Budget Division and Enterprise Project Management	Evaluation of Success Indicator Reporting	The District's Strategic Plan and Annual Work Plans contain Success Indicators to measure execution of the plan. The District's strategic plan provides for submitting quarterly performance reports to the Governing Board.	We will examine substantive evidence to verify the representations made in the progress reports regarding the achievement of success indicators. We will also assess whether the established success indicators appropriately measure desired outcomes. We will select one or two quarterly reports during FY10 to audit but we will not announce in advance which quarter(s) will be selected.	The Strategic Plan provides performance measures to track progress on a regular basis. Performance measurements need independent verification to ensure that reported information is objective. This significantly enhances the credibility of reported information.
All Programs	All Resource Areas	All Departments & Divisions	Audit Follow-Up	Generally Accepted Government Audit Standards require follow-up regarding the implementation status of previous audit findings and recommendations.	We will verify that recommendations in prior audit reports have been appropriately implemented in a timely manner and provide a written report at each quarterly Audit and Finance Committee meeting	Follow-up on previous audit recommendations is required by Government Auditing Standards and the District's Internal Audit Charter.

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All Programs	All Resource Areas	All Departments & Divisions	Whistle-Blower Act Complaints	The Office of Inspector General periodically receives Whistle-Blower complaints. We have a statutory responsibility to investigate these complaints and issue a report of our findings and conclusions.	Whistle-blower complaints are received sporadically during the year. We will review each complaint to assess its validity.	The IG is responsible for performing investigations per Section 20.055, F. S., and the District's <i>Internal Audit Charter</i> .
All Programs	All Resource Areas	All Departments & Divisions	Audit Requests from Governing Board and Senior District Staff	The Inspector General's Office will entertain requests for audit and investigations from Governing Board and Senior District Staff on an as needed basis.	As specified in the Inspector General Act & District Policy (Internal Audit Charter)	Provides flexibility in the audit plan to accommodate special requests for audits and investigations from the Governing Board and senior management that arise throughout the year.
Administrative Projects						
N/A	N/A	N/A	Audit Plan for Fiscal Year 2012	The Audit and Finance Committee Charter requires the Inspector General to submit an annual work plan to the committee for approval	We will prepare an annual work plan and submit it to the Audit and Finance Committee for approval in accordance with the Audit and Finance Committee Charter.	N/A
N/A	N/A	N/A	Office of Inspector General Annual Report	State Statutes, Section 20.055(7) requires the Inspector General to submit an annual report to the agency head.	We will prepare an annual report summarizing each audit and investigation completed during the year.	N/A