



Audit of Kissimmee River Restoration Project Cost Share For Land Acquisition Expenditures

Project #18-08

Prepared by
Office of the Inspector General

J. Timothy Beirnes, CPA, Inspector General
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SOUTH FLORIDA WATER MANAGEMENT DISTRICT

January 10, 2019

Governing Board Members

Re: Audit of KRRP Cost Share for
Land Acquisition Expenditures
Project No. 18-08

This audit was performed pursuant to the Inspector General's authority set forth in Chapter 20.055, F.S. Our audit objective primarily focused on determining whether the District requests credit for all eligible KRRP land acquisition related expenses and whether adequate supporting documentation is maintained for such expenditures. Jankie Bhagudas and I prepared this report.

Sincerely,

A handwritten signature in blue ink, reading "J. Timothy Beirnes".

J. Timothy Beirnes, CPA
Inspector General

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BACKGROUND

In accordance with the Office of Inspector General's Audit Plan, we conducted an Audit of the Kissimmee River Restoration Project (KRRP) Cost Share for Land Acquisition Expenses.

The Kissimmee River once meandered for 103 miles through central Florida. Its floodplain, reaching up to three miles wide, was inundated for long periods by heavy seasonal rains. Native wetland plants, wading birds and fish thrived in the area. However, prolonged flooding in 1947 prompted a public outcry for federal assistance to reduce flood damage to property. In 1948, the U.S. Congress authorized the U.S. Army Corps of Engineers (USACE) to construct the Central and South Florida Project, which led to engineering changes to deepen, straighten and widen the waterway.

In the 1960s, the Kissimmee River was channelized by cutting and dredging a 30-foot-deep straightaway through the meandering river and created the C-38 canal. Before channelization was complete, biologists suspected the project would have devastating ecological consequences. While the project delivered on the promise of flood protection, it also destroyed much of a floodplain-dependent ecosystem that nurtured the threatened and endangered species, as well as hundreds of other native fish and wetland-dependent animals. More than 90 percent of the waterfowl that once graced the wetlands disappeared and the number of bald eagle nesting territories decreased by 70 percent. After the waterway was transformed into a straight, deep canal, it became oxygen-depleted and the fish community it supported changed dramatically.

The U.S. Congress passed the Water Resources Development Act of 1992, which authorized ecosystem restoration of the Kissimmee River (Kissimmee River Restoration Project) and changes to several lakes in the upper basin of the watershed to support the river restoration (Headwaters Revitalization Project). The Kissimmee River Restoration Project dealt with modifications to the C-38 canal and to the water control structures in the lower basin. The Headwaters Revitalization Project authorized modifications to Lakes Kissimmee, Hatchineha, Cypress, and Tiger in the Upper Kissimmee Basin to provide increased seasonal water storage so that releases to the Kissimmee River could be made more gradually and follow a more natural seasonal distribution. Recreating the natural seasonality of flow, especially to allow floodplain inundation for long periods that

extend into the dry season, is essential to meeting the goals of the Kissimmee River Restoration Project. Headwaters Revitalization will have the additional benefit of increasing the quality and quantity of wetland habitat around the four upper basin lakes.

A March 22, 1994, cost-sharing Project Cooperative Agreement (PCA) between the U.S. Army Corps of Engineers (USACE/CORPS) and the South Florida Water Management District (Non-Federal/Local Sponsor) combined the Kissimmee River Restoration Project and the Headwaters Revitalization Project into a single entity called the Kissimmee River Restoration Project (KRRP). The agreement split the cost of the project 50-50 between the USACE and the District. The USACE is primarily responsible for design and construction and the District is primarily responsible for real estate acquisition and restoration evaluation. The KRRP's goal is to reconnect and reconstruct the physical form of the river and modify headwater inflows to mimic historical patterns, which would result in the restoration of the ecological integrity of the river's central region. This involved land acquisition; backfilling approximately 22 miles of the C-38 canal; reconnecting about 45 miles of disrupted river channels; removing two water control structures; and a comprehensive monitoring program to evaluate the success of the project in meeting its ecological goals.

After extensive planning, construction for the Kissimmee River Restoration Project began in 1999 with backfilling eight miles of the C-38 canal. Construction of the KRRP is comprised of four major phases. Three construction phases have been completed and the final phase is currently projected to be completed by 2019. When restoration is completed, more than 40 square miles of river-floodplain ecosystem will be restored, including almost 25,000 acres of wetlands and 44 miles of historic river channel. Over 320 species of fish and wildlife are expected to benefit. After construction completion, restoration monitoring will be conducted by the District for five years or until major effects stabilize.

The following photographs show areas of the Kissimmee River pre-channelization and post channelization.

Kissimmee River - Prior to and After Channelization

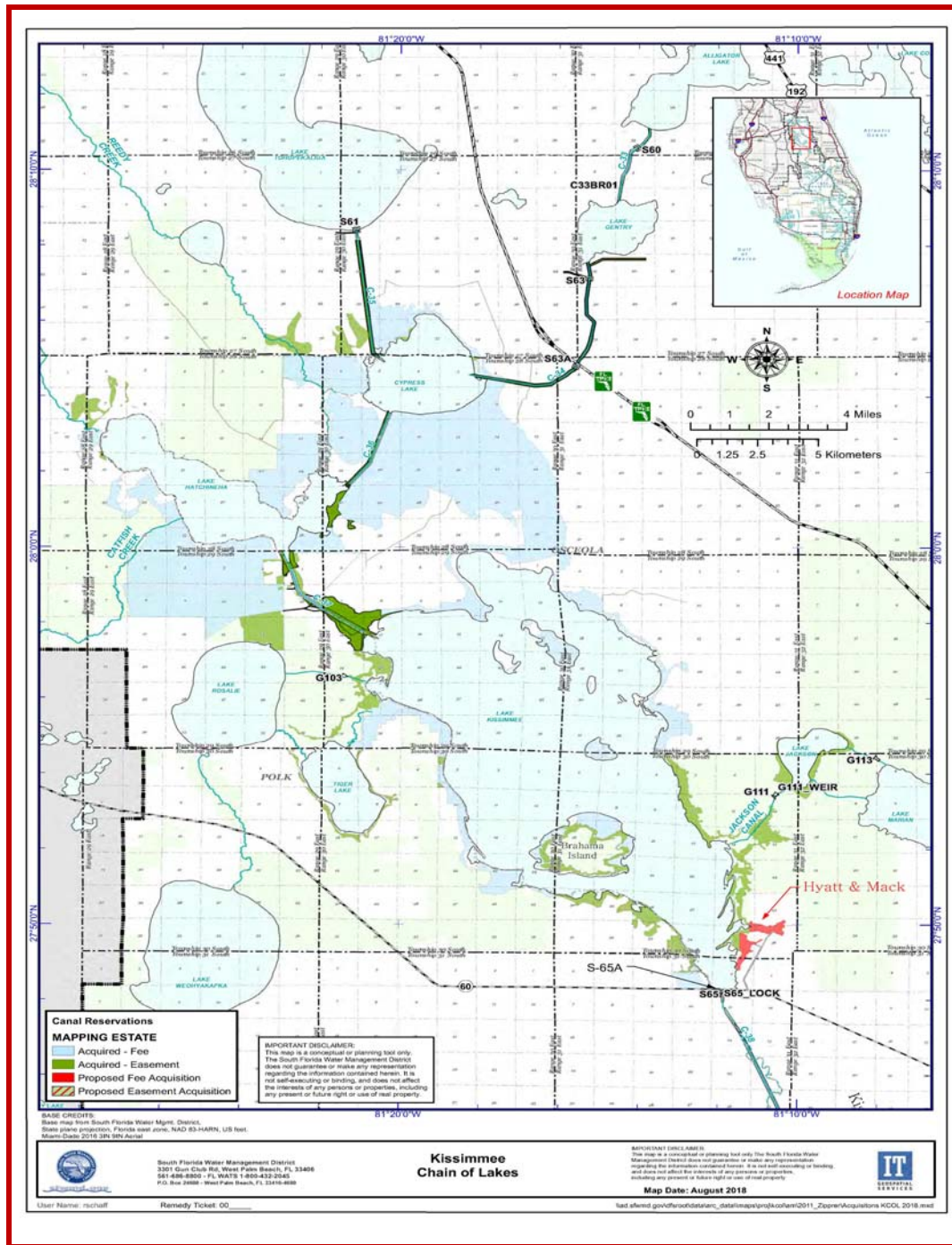


Several resource areas throughout the District are involved in the KRRP including the Real Estate Division, Lake and River Ecosystems Section, Finance Bureau, and Everglades Policy and Coordination Unit. The Real Estate Division is responsible for land acquisition and has acquired approximately 99,018 acres of the 99,369 acres needed to complete the KRRP.

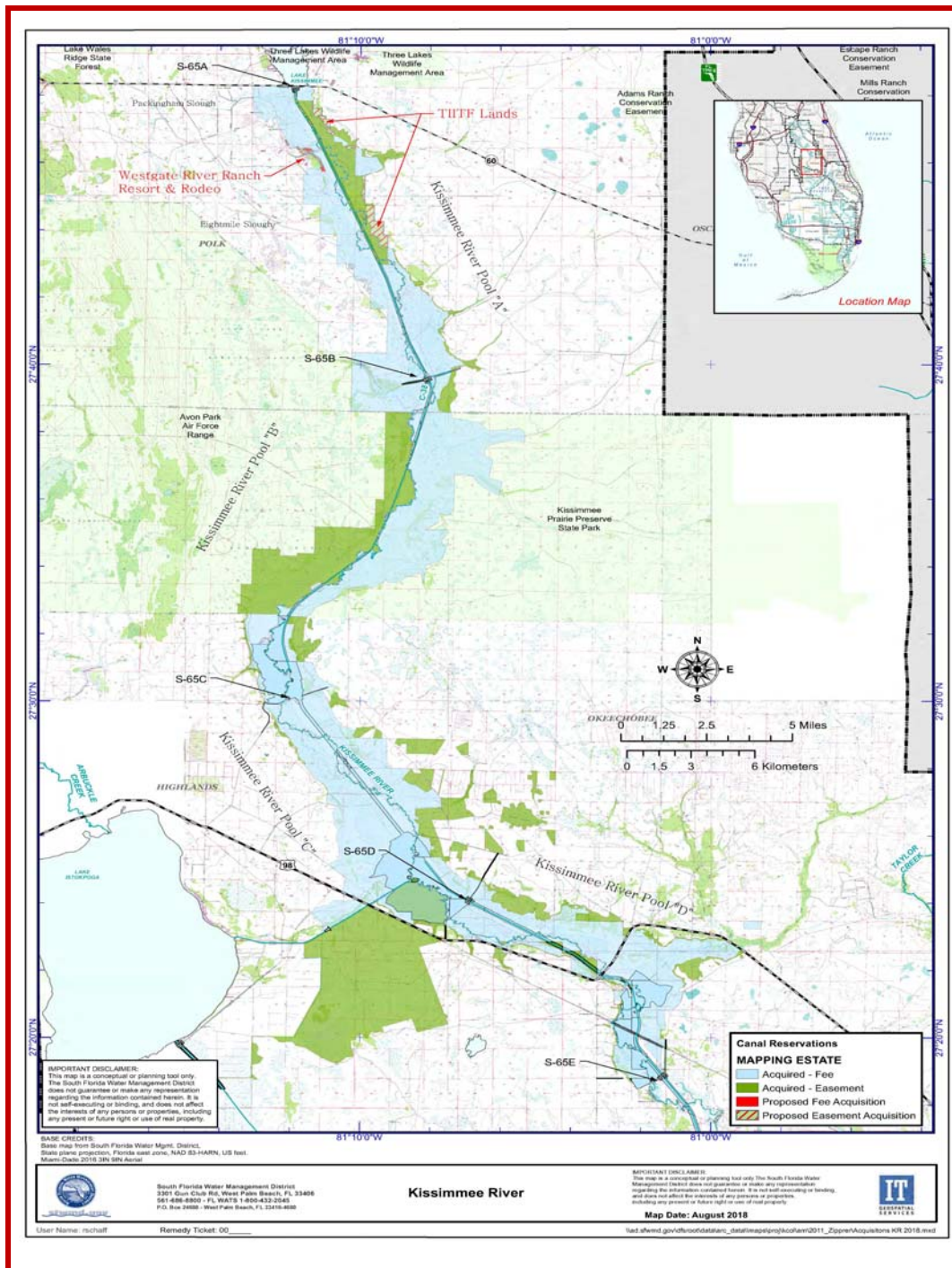
KRRP Land Acquisition Status				
Acquisition Status	Upper Basin	Lower Basin	Total Acres	
	Acres			
Acquired	36,249	62,769	99,018	99.65%
Remaining Acquisitions	314	37	351	0.35%
Total Acres	36,563	62,806	99,369	100%

The maps on the following two pages depicts the District's land acquisition status.

KRRP - Upper Basin Land Acquisition Status, August 2018



KRRP – Lower Basin Land Acquisition Status, August 2018



The Real Estate Division is also responsible for submitting a Certification of Lands and Claim for Credit Package for each tract to the USACE, which generally includes the following:

- Title Certificate – Based on a review of District land acquisition records and other relevant public records, certifies that the District owns the real estate interest being claimed and is signed by the title examiner.
- Attorney’s Certificate – Authenticates the title examiner’s signature
- Maps of the certified lands
- Recorded deed or document of conveyance
- Title policy
- Appraisal
- Summary or work document of the acquisition for complex deals
- Relocation documentation
- Claim for credit, which include land cost and administrative expenses associated with the tract acquisition; for example, attorneys fees, expert witness fees, title fees, and staff costs.

As of November 2017, the USACE estimated that the KRRP's cost will be about \$766 million. The USACE's KRRP total project costs are summarized in the table below. USACE's costs are primarily construction related. The District's costs are primarily land acquisition related; however, it also includes District restoration evaluation costs and cash contributions to the USACE. These costs are based on actual and projected costs through the completion of the KRRP in 2025.

KRRP Costs Based on USACE Records, as of November 2017 (Does not Reflect Audit Findings)				
Partners	Costs Thru Fiscal Year 2017	Fiscal Year 2018 - Projected USACE and District Costs - <i>Note 1</i>	Projected Costs Fiscal Years 2019 to 2025	Total KRRP Projected Costs
USACE	\$ 372,768,000	\$ 3,115,000	\$ 7,264,000	\$ 383,147,000
District	\$ 169,760,000	\$ 199,720,000	\$ 13,558,000	\$ 383,038,000
Total	\$ 542,528,000	\$ 202,835,000	\$ 20,822,000	\$ 766,185,000
Projected 50/50 Cost Share Obligations				
			USACE	\$383,092,500
			District	\$383,092,500

Note 1

The District's projected costs of \$199,720,000 includes various costs; for example:

- 1) Lower basin land acquired and not yet credited by the USACE totaling about \$57 million.*
- 2) Upper basin costs totaling about \$78 million, which include costs such as submitted lands and administrative costs not yet credited; acquired lands to be submitted for credit; relocation costs to be submitted; remaining acquisitions; and other real estate expenses not previously submitted.*

Based on the USACE's record, the District's portion of the KRRP costs are as follows.

USACE KRRP Actual and Projected Expenditures <i>As of November 2017</i>	
Restoration Evaluation Expenditures	
Various Kissimmee River Restoration Project Activities; for example:	
➤ Kissimmee River and Headwaters Revitalization	
➤ Kissimmee River Restoration Evaluation Program	
➤ Kissimmee Basin Modeling and Operations Study	
➤ Vegetation Mapping Kissimmee River Floodplain	
➤ Kissimmee Basin Hydrologic Monitoring	\$ 80,373,000
Estimated Land Acquisition Expenses (Note 1)	
Land Acquisition and Associated Acquisition Costs	\$ 294,489,000
District's Cash Contribution	
Total District Cash Contribution to the USACE (<i>Discrepancy between USACE and District's records – detailed below</i>)	\$ 8,176,000
Total District Cost	\$ 383,038,000

Note 1

Our audit focused on the District's land acquisition related costs. It should be noted that the District provides the USACE with land acquisition related cost data. Our audit disclosed issues that were primarily for certain expenses not yet approved by the USACE. These issues will be discussed in detail in our report.

Based on the Project Cooperation Agreement, if the value of the District's contributions is less than 50 percent of the total project costs, during the period of construction, the District is required to contribute additional cash in the amount necessary to make the District's contribution of the project equal to 50 percent of the total project costs.

Further, based on the USACE's master cost share spreadsheet, the District made cash contributions totaling \$7,267,000. However, based on a separate detailed cash contribution schedule obtained from the USACE, the District has contributed \$9,623,241 to the USACE (see Appendix I for details). During our audit, the Office of Federal Policy and Coordination Unit resolved this discrepancy with the USACE. The USACE concluded that the District contributed \$9,623,241 in cash; thus, the District's cash contribution is understated by \$2,356,241 on the USACEs cost share spreadsheet.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective primarily focused on determining whether the District requests credit for all eligible KRRP land acquisition related expenses and whether adequate supporting documentation is maintained for such expenditures. We recently performed an audit of the KRRP restoration evaluation expenses to determine whether the District requested credit for all eligible KRRP restoration evaluation expenses; such as, project coordination, monitoring, modeling and operational studies (*Audit #16-06*). We performed two separate audits because the crediting processes are separate and different. The Finance Bureau submits restoration related expenses for credit while the Real Estate Division submits land acquisition related expenses for credit.

To accomplish our objectives, we obtained an understanding of the credit request process for KRRP land acquisition and related expenses by interviewing Real Estate Division and other relevant District staff. We reviewed KRRP information maintained on the District's and USACE's website. We obtained the Real Estate Acquisition Section's KRRP land acquisition spreadsheets, which are the primary tool for tracking land acquisition expenditures; and determined whether the information reflected on the spreadsheets is accurate by comparing the data to several sources; for example, data maintained in the Integrated Real Estate Information System (IRIS),¹ credit requests to the USACE for tract expenditures, USACE approval letters, and KRRP land acquisition related expenses maintained in LGFS and SAP. In instances where there were discrepancies, we obtained explanations from Real Estate Division staff. We also verified whether expenses were adequately documented.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹ IRIS is used primarily by the Real Estate Division to track land acquisitions and includes the following information: tract number, acreage, prior owner, acquisition cost, acquisition type, service requests, certification data, documents, such as deeds and appraisals, and comments.

AUDIT RESULTS

Executive Summary

Overall, the District has an adequate process in place to ensure that eligible KRRP land acquisition related expenses are tracked, and the status of USACE credit requests are documented. Based on the Real Estate Division's master spreadsheet of KRRP land acquisition related expenses, the District's estimated expenses will be at least \$300 million. These expenses are classified by credit submittal status to the USACE. As part of our audit we reviewed expenses in certain categories. For example, we concluded that \$63 million in claims for land and administrative credit submitted to the USACE that have not yet been approved are adequately documented and correctly recorded on the crediting summary spreadsheets for the upper and lower basins.

However, we identified several areas that could be improved including expediting claims for potential expenses. Our audit disclosed both overstated and understated expenses on the District's master KRRP spreadsheet, which impacted the District's costs reflected on the USACE KRRP master spreadsheet. In addition, we were able to quantify some of these expenses; however, the Real Estate Division will have to analyze certain tracts to determine the correct costs, adjust the necessary District spreadsheets, and ensure that the USACE is notified of the updated expenses so that the USACE's master spreadsheet can be revised. Specifically, we found that real estate acquisition related expenses reflected on the Real Estate Division's master spreadsheet are understated by \$11,862,962 and overstated by \$3,463,065. As a result, we identified net understated expenses totaling \$8,399,897, which is summarized in the following table.

KRRP Land Acquisition Related Expenses Understated and Overstated Expenses Identified by Audit			
Expenditure Classifications	Understated	Overstated	Net Amount
Credited			
Land and Administrative Costs	\$ 302,467	\$ (32,500)	\$ 269,967
Submitted but Not Yet Credited			
Land and Administrative Costs	\$ 2,096,935	\$ (183,267)	\$ 1,913,668
Estimated Costs to Be Submitted for Credit			
Acquired Land and Administrative Costs	\$ 8,873,294	\$ (727,186)	\$ 8,146,108
Donated Land and Administrative Costs	\$ 257,248		\$ 257,248
Real Estate Costs Not Previously Requested, e.g., Labor and Non-Labor Project Costs	\$ 85,694	\$ (2,520,112)	\$ (2,434,418)
Jointly Owned Impacted Lands	\$ 175,000		\$ 175,000
	\$ 9,391,236	\$ (3,247,298)	\$ 6,143,938
Salary Expenses Identified by Audit			
Salary Expenses not Included on Master Spreadsheet as Expenses to be Claimed	\$ 72,324		\$ 72,324
Total Expenses Not Reflected on Master Spreadsheet	\$ 11,862,962	\$ (3,463,065)	\$ 8,399,897

The understatements were primarily because the District's KRRP master spreadsheet was not updated timely and expenses were identified after credit requests were submitted to the USACE. The overstatements were primarily because expenses classified as not submitted for credit had been submitted for credit.

Further, we identified several other instances of overstatement; however, we could not quantify the amount of overstated expenses as these transactions required detailed analysis by Real Estate Division staff. The expenses included changes to tracts already credited and tracts submitted for credit to the USACE, and salary expenses for Fiscal Years 2009 – 2010.

In addition, we identified the following issues that must be resolved to ensure the District is requesting credit in a timely manner and its records are accurate.

- Approximately \$53 million in real estate acquisition related costs have yet to be submitted to the USACE for credit. This includes acquired lands, relocations, donations, and other previously unsubmitted costs.
- Time spent by an employee working on KRRP credit certifications were not directly charged to the KRRP between 2015 to early 2018.
- Our comparison of data on the summary crediting spreadsheets for the upper and lower basins to IRIS revealed several discrepancies between the spreadsheets and IRIS; for example, historical tracts and incorrect acreage.

According to Real Estate Division staff, the primary reason for the huge credit request backlog and some of the other issues we found is primarily due to a lack of resources assigned to prepare and submit acquisition related expenses for credit and adequately maintain the relevant records. Specifically, due to staff reductions in 2011 the position allocated to the employee responsible for credit request submittals was eliminated. In 2015, an employee was hired and trained and tasked primarily with KRRP crediting responsibilities. However, this employee separated from the District in early 2018 after only six tracts were submitted to the USACE. In August 2018, another employee assumed these responsibilities.

Further, based on the USACE's cost share spreadsheet, the District made cash contributions totaling \$7,267,000. However, based on the USACE's KRRP cash contribution schedule, the District has contributed \$9,623,241. During our audit, the Office of Federal Policy and Coordination Unit resolved this discrepancy with the USACE. The USACE concluded that the District contributed \$9,623,241 in cash; thus, the District's cash contribution is understated by \$2,356,241 on the USACEs cost share spreadsheet.

It is important that KRRP real estate acquisition expenses on the master sheet are accurate since these expenses are used by the USACE to determine the cost share amount and any cash payments due. We made 19 recommendations to improve the reporting and tracking of KRRP real estate acquisition related expenses.

Process in Place to Ensure Credit is Claimed For Land Acquisition Related Expenses

Overall, the District has an adequate process in place to ensure that eligible KRRP land acquisition related expenses are tracked, and the status of USACE credit requests are documented; however, some improvements are needed to further strengthen the process. The USACE maintains a crediting spreadsheet² of the total KRRP costs, which includes the USACE's and the District's costs. The Real Estate Division tracks real estate acquisition related costs on a master summary spreadsheet, which is shared with the USACE to update its master spreadsheet. The Real Estate Division's master summary spreadsheet tracks upper basin and lower basin costs separately and costs within each basin are categorized; for example,

- acquisition costs credited,
- acquisition costs submitted to the USACE but not yet credited,
- acquisition costs to be submitted by the District for credit; e.g., acquired and donated tracts, relocations costs, and labor costs,
- credited approved by the USACE for engineering in lieu of land acquisition,
- estimated cost of remaining acquisitions, and
- denied costs; for example, policy land denials.

Since the USACE spreadsheet is used to track KRRP costs, we verified whether the land acquisition expenses reflected on the Real Estate Division's master summary spreadsheet were accurately reflected on the USACE master KRRP spreadsheet. Based on our tests, we concluded that the costs reflected on the USACE's spreadsheet were the same as those on the Real Estate Division's spreadsheet. However, we noted that the Real Estate Division spreadsheet indicated a submittal (Rolling Meadow Ranch lands) at \$22,431,000 while the USACE's master summary spreadsheet reflected an approved amount of only \$6,760,000. This is due to differences in appraisal methodologies between the sponsors, which the District is appealing. In the interim, the Real Estate

² The USACE spreadsheet is referred to as the Kissimmee PB2A Out Year Budget (Authorized Project Features). It is used to track actual and projected total project and shareable costs by the USACE and the District; District cash contributions, and any projected contributions. Further, it includes different project elements and the corresponding costs; for example, real estate, relocations, channels and canal projects, planning, engineering and design.

Division should revise its master spreadsheet to reflect a credit of \$6,760,000. During our review of this credit request, we noted that the credit was requested based on the District's ownership interest instead of acres of land within the KRRP project boundary.

Next, we traced the amounts on the Real Estate Division's master summary spreadsheet to other detailed crediting spreadsheets and relevant documentation maintained by the Real Estate Division and performed various tests to ensure that the District's land acquisition related expenses are accurate. Any overstated or understated expenses may impact the District's cost share portion and require cash contributions to the USACE. Based on our analysis of the costs on the master summary spreadsheet, we found:

- Discrepancies between the costs on the summary spreadsheet and supporting documentation.
- Process improvements are needed to ensure that real estate acquisition related records are accurate.
- Increased resources are needed to expedite the claim submittal process.

The District's land acquisition related expenses as reported on the master summary spreadsheet, at the commencement of our audit, are listed in the following table. Issues found during our audit tests are noted in the table and detailed in the report.

KRRP Land Acquisition and Related Expenses Based on Unaudited Real Estate Division Data, April 2017 (Note 1)			
Expenditure Classifications / <i>Audit Findings / Notes</i>	Upper Basin	Lower Basin	Total
Credited by USACE			
Land and Administrative Costs – <i>Various Issues</i>	\$ 26,917,000	\$ 117,684,000	\$ 144,601,000
PL 91-646 Relocations - <i>Note 2</i>	\$ 77,000	\$ 712,000	\$ 789,000
Engineering in Lieu of Acquisition - <i>Note 3</i>	\$ 3,785,000	\$ 5,111,000	\$ 8,896,000
Total Submitted and Credited	\$ 30,779,000	\$ 123,507,000	\$ 154,286,000
Submitted but Not Yet Credited by the USACE			
Land and Administrative Costs – <i>Various Issues</i>	\$ 18,375,000	\$ 44,460,000	\$ 62,835,000
PL 91- 646 Relocations - <i>Note 2</i>	\$ 636,000	\$ 1,821,000	\$ 2,457,000
Reappraisal - Rolling Meadow Ranch - <i>Note 4</i>	\$ 22,431,000	-	\$ 22,431,000
Total Submitted but Not Yet Credited	\$ 41,442,000	\$ 46,281,000	\$ 87,723,000
Estimated Costs to Be Submitted to USACE for Credit			
Acquired Land – <i>Understated and Overstated Costs</i>	\$ 16,745,000	\$ 6,194,000	\$ 22,939,000
PL 91-646 Relocations for 350 Tenants - <i>Note 2</i>	\$ 13,338,000	-	\$ 13,338,000
Donated Land – <i>Estimated Costs Understated</i>	\$ 1,647,000	\$ 333,000	\$ 1,980,000
Real Estate Costs – <i>Overstated Costs - Note 5</i>	\$ 4,391,000	\$ 3,734,000	\$ 8,125,000
Est. Remaining Acquisitions - <i>Note 6</i>	\$ 10,000,000	\$ 1,250,000	\$ 11,250,000
Jointly Owned Impacted Lands – <i>Estimated Costs Understated</i>	-	\$ 425,000	\$ 425,000
Total to be Submitted for Credit	\$ 46,121,000	\$ 11,936,000	\$ 58,057,000
Total Real Estate Acquisition	\$118,342,000	\$ 181,724,000	\$ 300,066,000
Expenses Not Credited / Denied by the USACE			
Policy Lands - <i>Note 7</i>	\$ 7,690,000	\$ 566,000	\$ 8,256,000
Administrative Costs - <i>Note 8</i>	\$ 156,000	\$ 325,000	\$ 481,000
PL 91-646 Relocations - <i>Note 2</i>	\$ 4,000	\$ 74,000	\$ 78,000
Total	\$ 7,850,000	\$ 965,000	\$ 8,815,000

Notes

Note 1	At the beginning of our audit, we obtained the data presented in this table from the Real Estate Division. These costs are used by the USACE to determine the District's 50/50 cost share portion of the KRRP. As part of our audit tests, we verified some of the costs. Based on our tests, we concluded that the Real Estate Division must revise certain costs. The issues we identified will be discussed in detail in our report.
Note 2	<u>PL 91-646 Relocations</u> : This Public Law is also referred to as the <i>Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970</i> provides for "uniform and equitable treatment of persons displaced from their homes, businesses, or farms by Federal and federally assisted program to establish uniform and equitable land question policies for the Federal and Federally assisted programs." In 2011, the Real Estate Division began compiling credit requests for the 350 tenant relocations; however, due to staff reductions the claim packages were not completed. As a result, detailed audit tests of relocation expenses were limited since most relocation expenses have not yet been submitted for credit.
Note 3	<u>Engineering in Lieu of Acquisitions</u> : Engineering solutions totaling \$8,896,201 implemented by the District in residential subdivisions instead of acquiring lands and displacing the residents, which would have resulted in substantially higher costs. The subdivisions are as follows: (1) Hatchineha Estates (\$707,600), (2) Chandley Point and Grape Hammock (\$3,077,265), (3) Hidden Acres (\$4,563,484), and (4) Kissimmee River Shores (\$547,852). Audit test was limited to reviewing the USACE's approval letter dated April 15, 2015.
Note 4	<u>Reappraisal – Rolling Meadow Ranch</u> : The District has claimed \$22,431,000; however, the USACE has approved only \$6,760,000 due to differences in appraisal methodology. USACE's master summary spreadsheet reflects the \$6,760,000. The District is appealing the USACE's appraisal methodology. In the meantime, the Real Estate Division should include the amount credited by the USACE on its master spreadsheet. Thus, expenses should be reduced by \$15,671,000. Further adjustments may be necessary based on dispute resolution.
Note 5	<u>Real Estate Costs</u> : Includes certain labor and non-labor costs incurred from June 1, 2006 to May 31, 2016, that were not previously submitted or identified for credit. It also includes cost allocated to tracts that are in the acquisition process. The Finance Bureau assisted in compiling the data and the Real Estate Division determined whether the expenses appear creditable.
Note 6	<u>Estimated Remaining Acquisitions</u> : Projected costs for acquiring the remaining lands needed for the KRRP. Estimated amounts include legal and administrative costs. Some of the acquisition related costs are classified as Real Estate Costs in the category above. Court action may be needed for certain acquisition; thus, costs may increase.
Note 7	<u>Policy Lands</u> : The District did not receive credit for any policy lands. These lands represent lands below 52.5 feet which are subject to federal navigation servitude and were required of the original Kissimmee River Project. Includes actual and project amounts.
Note 8	<u>Administrative Costs</u> : Include environmental audit costs, which were subsequently reclassified and submitted as construction costs.

We performed various tests to determine whether costs on the real estate master summary spreadsheet were accurate and used multiple sources to ensure that cost are adequately substantiated. These sources included IRIS, supporting spreadsheets (summary crediting spreadsheets for the upper and lower basins), claim requests to the USACE, USACE approval letters, and discussions with Real Estate Division staff. The results of our tests are detailed in the following sections.

Credited Land and Administrative Costs

Overall, our audit disclosed that the Real Estate Division's records adequately documents the \$144,601,000 in costs approved by the USACE for credited land and acquisition related costs spreadsheets. Our conclusion is based on comparing sampled tract data indicated on the summary crediting spreadsheets for the upper and lower basins to data maintained in IRIS and on the Real Estate Division's server; however, it appears that the Real Estate Division does not have a process in place to ensure that tract changes after approval / certification are identified for reanalysis. Specifically, in some instances certain approved tracts are no longer valid in IRIS and in other instances the District could claim additional expenses. According to Real Estate Division staff, these discrepancies will have a minor impact on the credit approval amounts for certain tracts. Nevertheless, these issues should be resolved to reflect the accurate cost share amounts and further improve the District's records. These issues are detailed in the following sections.

Changes to Approved Tracts

Our tests disclosed that the status of certain credited tracts on the crediting summary spreadsheets for the upper and lower basins were listed as historical in IRIS instead of valid. The historical status denotes that changes were made to the tracts after USACE certification; however, these changes were not reflected on the summary crediting spreadsheets, which are the primary source of information for approved tracts. Our review of IRIS disclosed that in these instances after the USACE's approved credit, the tracts were split which resulted in new tracts, mergers with other tracts, exchanges for other tracts, or disposal of fee interests and retainment of easements. Further, pending acquisitions may result in further splitting, merging, swapping or disposing of approved tracts. According to Real Estate Division staff, changes may have been made to certified tracts for various reasons; for example,

- Revisions of the KRRP boundary after USACE approval.
- The District acquired fee interests; however, it was determined that only easements were needed for the project.
- The District had to purchase more land than needed because certain landowners would only sell the entire parcel and not just the portion required for the project.

In some instances, the new actions may result in reduced credit amounts; for example, 20 acres estimated at \$32,500, included in an approved certification that was determined to be outside the KRRP boundary.

We could not determine the total impact the modification to the approved tracts will have on the credited amounts because some transactions are complex and must be performed by Real Estate Division staff. Specifically, Real Estate Division staff will have to track all changes to the original tracts, determine cost allocation to each tract, determine whether credit requests will have to be resubmitted to the USACE, update IRIS and the summary credit spreadsheets. Further, negotiations for remaining KRRP land acquisitions may result in additional land swaps, splits, and disposals of certain approved tracts. According to Real Estate Division staff, changes to the approved tracts could have a minor impact on the credited amount. Nevertheless, the crediting spreadsheets should be updated to reflect accurate tract data.

Additional Credit to be Claimed

Our review of certified tracts disclosed that the Real Estate Division can claim additional credits totaling \$302,467 for certain expenses. Following are the specific details:

Credited Land and Administrative Costs <i>Additional Credit to be Claimed</i>	
Description of Additional Credit	Amount
<u>Reservation Credit / Grazing Costs:</u> Several instances where claimed amounts for tracts were reduced by reservation credit /grazing costs. According to Real Estate Division staff, it appears that credit claims were incorrectly reduced by the cost for landowners to use the land until it is needed for the project. As a result, staff stated that revised claims will be submitted for the unclaimed costs.	\$ 185,170
<u>Unclaimed Land Cost:</u> It appears that the land cost for a tract totaling \$68,812 was not included in the District's credit certification package, which included several tracts approved by the USACE. Further, after credit was approved certain tracts were split; however, IRIS and the Real Division's spreadsheet were not updated. According to Real Estate Division staff, they will review the certification further and request credit for any additional costs.	\$ 68,812
<u>Tract 19103-664:</u> The District submitted its claim for credit in April 2008; however, it appears that an additional \$13,609 in expenses for seller's attorney and expert fees was allocated to this tract in September 2008. As a result, an additional claim for \$13,609 should be submitted for credit.	\$ 13,609
<u>Tract 19103-759:</u> The District's claim was submitted in February 2009; however, based on a revised tract sheet it appears that additional salary expenses was allocated to this tract. As a result, the Real Estate Division should determine whether an additional claim should be submitted for credit.	\$ 5,426
<u>Tracts 19103-238 and 19103-303:</u> Based on the approval letters, it appears the USACE denied relocation expenses; however, if additional documentation is submitted the expenses may be approved.	\$ 29,450
Total	\$ 302,467

To ensure that real estate acquisition related expenses and other relevant data are accurate, we discussed the following improvements with Real Estate Division staff:

- Analyze all tracts that were revised after claim approval to determine whether revised claim certifications should be submitted to the USACE.
- Update the summary crediting spreadsheets to reflect valid tracts, and accurate costs and acreage.
- Implement procedures to ensure that changes to certified tracts are identified for reanalysis on the summary crediting spreadsheets.
- Update IRIS to reflect revised claim / credit amounts.

Submitted Land and Administrative Costs Pending USACE's Review

Based on the Real Estate Division's summary crediting spreadsheets, about \$63 million in land and administrative costs have been submitted and are pending review by the USACE. The District submitted most of these claims during 1999 and 2009; however, the most recent were submitted in April 2017 (certifications for six tracts). We determined whether the submitted claimed costs are accurately recorded on the summary crediting spreadsheets and whether the District requested credit for all eligible costs by reviewing data maintained in the District's LGFS and in SAP³ financial systems, IRIS, claim requests, and other supporting documentation.

Overall, we concluded that the \$63 million in claims for land and administrative credit submitted to the USACE that have not yet been approved are adequately documented and correctly recorded on the crediting summary spreadsheets for the upper and lower basins. However, we identified \$2,096,935 in potential understated expenses and \$183,267 in overstated expenses. Thus, the District can claim credit for additional expenses totaling \$1,913,668. We also found a few other instances that could result in reducing the credit due to the District; for example, lands submitted for credit were subsequently determined to be out of the KRRP boundary. We could not determine the total impact these tracts will have on the requested credit amounts because some transactions are complex and must be analyzed by Real Estate Division staff. We concluded that the Real Estate Division will have to reanalyze the claims to determine the revised credit amounts.

³ The District's legacy financial system (LGFS) was replaced by SAP in June 2006.

Details regarding the \$2,096,935 in understatements and \$183,267 in overstatements, and examples of the issues to be resolved by the Real Estate Division, are detailed in the table below and in the table on page 23.

Submitted Land and Administrative Costs Pending USACE's Review Understated Costs - Additional Credit to be Claimed	
Description of Understated Costs	Amount
<u>Tracts 19102-196, 19102-197, and 19102-198:</u> Credit requests totaling \$6,486,611 were submitted to the USACE in 2006. However, based on our review of revised tract sheets and land costs in IRIS, we concluded that the creditable expenses should be \$8,464,760. This difference could result in additional credit totaling \$1,978,149. It appears that this difference is primarily due to increased land costs and revised requests were not submitted to the USACE. Further, the crediting summary spreadsheets were not revised to indicate the additional expenses that can be claimed. As a result, KRRP real estate acquisition related expenses appear understated by about \$2 million. Real Estate Division staff agreed that the credit requests will have to be revised and resubmitted to reflect the revised costs.	\$ 1,978,149
<u>Grape Hammock / Chandley Point – 58 tracts:</u> Based on the summary crediting spreadsheet, a claim was submitted for \$722,741 to fix the wastewater system on 58 tracts of the Grape Hammock / Chandley Point fish camp. It should be noted the costs were for an engineering solution in lieu of land acquisition that resulted in cost savings to the District. Based on our review of IRIS, the costs for the 58 tracts totaled \$827,027. Since this claim has been submitted but not approved, the Real Estate Division can submit the additional cost \$104,286 for credit and the crediting summary spreadsheets revised to reflect the increased claim request. In addition, based on IRIS, the 58 tracts total 22.94 total acres; however, the District did not acquire any land interests. Thus, acreage data should not be reflected in IRIS. According to Real Estate Division staff, IRIS will be revised to reflect zero acre for each of the 58 tracts.	\$ 104,286
<u>Tracts 18117-002 and 18117-004:</u> Based on the claim for credit for acquisition expenses, the land acquisition cost claimed was reduced by \$14,500 for a small unrelated tract of land that was conveyed back to the seller. The District's claim request should not have been reduced. As a result, an amended claimed for the \$14,500 should be requested and the crediting summary spreadsheets revised to reflect the increased claim request.	\$ 14,500
Total	\$2,096,935

Submitted Land and Administrative Costs Pending USACE's Review Overstated Costs	
Description of Overstated Costs	Amount
<u>Tract 19102-016:</u> The original credit request was reduced by \$153,759 and resubmitted to the USACE for approval. However, the summary crediting spreadsheet were not revised to reflect the reduction. As a result, KRRP real estate acquisition related expenses are overstated by about \$153,759.	\$ (153,759)
<u>General Expense Tracts - 18000-000 and 19000-000:</u> These original credit requests were reduced by \$1,800 and \$27,708, respectively, and resubmitted to the USACE. However, the summary crediting spreadsheets were not revised to reflect the revised amounts. As a result, KRRP real estate acquisition related expenses are overstated by \$29,508. These claims also included salary expenses; however, we could not fully substantiate the expenses based on the data maintained in IRIS. As a result, we requested that Real Estate Division staff further research these claims to ensure that the claims are adequately substantiated.	\$ (29,508)
Total	\$(183,267)
Tracts to be Reanalyzed and Resubmitted	
<u>Tracts 18403-006, 18403-008, 18403-033, and 18403-034:</u> Based on the summary crediting spreadsheets, credit requests totaling \$625,980 for these tracts were submitted to the USACE in 2007. The District's claim was based on fee interest in the tracts. However, after the credit request was submitted it was determined that in certain instances only flowage easements were needed, which resulted in tract mergers, surpluses, and disposals. Thus, these tracts are all indicated as historical in IRIS with notes to resubmit the certification requests to reflect only flowage easements. However, there are no indications on the summary crediting spreadsheets that the claims must be revised and resubmitted to the USACE. Further, according to Real Estate Division staff, the revised claim amounts may be lower than the original claims.	
<u>Tracts 19103-190 and 19103-191:</u> Credit for land acquisition related expenses totaling about \$1.5 million was requested for these two lower basin tracts in 2008. However, based on IRIS, in 2010 it was determined that certain acres submitted for credit were not in the project boundary. Our review disclosed that the credit amounts requested were not reduced on the summary crediting spreadsheet. As a result, the amount of expenses submitted and pending review by the USACE is overstated. The Real Estate Division should determine the revised credit amounts and revise the summary crediting spreadsheet so that accurate costs are reported to the USACE. In addition, the Real Estate Division should consider submitting revised credit requests for expenses within the KRRP boundary.	

To ensure that the District's expenses are accurately reflected on the USACE master spreadsheet, the Real Estate Division should consider the following actions for the issues we have identified:

- Submit revised claim requests to the USACE.
- Revise the summary crediting spreadsheets to reflect correct tracts, costs, and acreage.
- Update IRIS to reflect revised claim / credit amounts.
- Implement procedures to ensure that changes to tracts that have been submitted for certification and pending USACE review are identified for reanalysis on the crediting summary spreadsheets.

Land and Administrative Costs to be Submitted to USACE for Credit

Based the Real Estate Division's records, an estimated \$58,057,000 in land acquisition related claims must be compiled and submitted to the USACE for KRRP crediting. The costs are grouped in the following categories: acquired lands, costs that have not been previously submitted, donated lands, relocations, and pending acquisition costs. We reviewed all categories except relocations (\$13,338,000) and pending acquisitions (\$11,250,000).⁴ Thus, our audit population included \$33,469,000 in expenses to be submitted for credit and audit tests included some of these expenses. Our audit disclosed understated expenses totaling \$9,391,236 and overstated expenses totaling \$3,247,298. Thus, a net of \$6,143,938 in additional costs appears to be eligible for credit submission. Our review disclosed that some of these costs resulted in overstating real estate acquisition expenses because the same costs may also be included in other categories of expenses on the master crediting spreadsheet. In addition, some other overstated expenses appear to be included in this category; however, we could not determine the total amount. The Real Estate Division will determine these overstatements during their review of these expenses for creditability.

It is important that KRRP real estate acquisition expenses on the master sheet are accurate since these expenses are used by the USACE to determine the cost share amount and any cash payments due. According to Real Estate Division staff, the primary reason for the credit request backlog and some of the other issues we found is primarily due to a lack of resources assigned to prepare and submit acquisition related expenses for credit and adequately maintain the relevant records. Specifically, due to staff reductions in 2011 the position allocated to the employee responsible for credit request submittals was eliminated. In 2015, an employee was hired and trained and tasked primarily with KRRP crediting responsibilities. However, this employee separated from the District in early 2018 after only six tracts were submitted to the USACE. In August 2018, another employee assumed these responsibilities.

⁴ 1) Relocations – In 2011, the Real Estate Division began compiling credit requests for the 350 tenant relocations; however, due to staff reductions, the claim packages were not completed and submitted for credit. As a result, detailed audit tests of these relocation expenses were not performed. Real Estate Division staff showed us the files and detailed the remaining work to be completed before the costs can be submitted for credit. 2) Pending Acquisitions – Excluded since acquisitions are still pending.

The results of our audit are summarized in the following table and detailed in the subsequent sections.

Summary Audit Results of \$33.5 Million in Expenses to be Submitted for Credit as of April 2017	
<i>Acquired Land and Administrative Expenses = \$22,939,000</i>	
Understated expenses due to:	
➤ Newly identified tracts eligible for credit	
➤ Additional expenses allocated to the newly identified tracts	\$ 8,873,294
Overstated by a potential duplicate claim	\$ (727,186)
<i>Donated Land = \$1,980,000</i>	
Understated administrative expenses:	
➤ \$214,000 not reflected on the upper basin's summary crediting spreadsheet; thus, not on the master spreadsheet.	
➤ \$43,248 included on the lower basin summary crediting spreadsheet but not the master spreadsheet	\$ 257,248
<i>Real Estate Costs Not Previously Submitted = \$8,125,000 June 1, 2006 – May 31, 2016</i>	
Understated expenses for expert fees	\$ 85,694
Overstated by the same expenses that are also included as expenses on other line items of the Real Estate Division's master summary of KRRP costs, unsubstantiated, or not creditable expenses	\$ (2,520,112)
<i>Jointly Owned Impacted Lands ⁵ = \$425,000</i>	
Understated by at least \$175,000. According to Real Estate Division staff, the \$425,000 is an estimated amount can be increased by at least \$175,000 to \$600,000	\$ 175,000
Audit Totals	
Understated Expenses	\$ 9,391,236
Overstated Expenses	\$ 3,247,298
Net Understated Expenses	\$ 6,143,938

⁵ Lands purchased by the District and the State of Florida for Kissimmee Prairie State Park that have been impacted by the KRRP. Thus, the District can claim credit.

Acquired Land and Administrative Expenses Not Submitted for Credit

Based on the Real Estate Division's master crediting spreadsheet, dated April 2017, about \$22,939,000 in land and administrative costs (upper basin = \$16,745,000, lower basin = \$6,194,000) has to be submitted to the USACE for crediting. However, our audit disclosed that this amount should be increased by a net total of \$8,146,108 to \$31,085,108 to accurately reflect the total estimated land and administrative expenses to be submitted for credit. Specifically, our review of the supporting summary spreadsheets disclosed that the lower basin costs should be reported as \$14,340,108 not \$6,194,000 as reflected on the District's and USACE's master spreadsheets.

The District's master spreadsheet was understated because it was not updated in a timely manner to include newly identified tracts eligible for credit reflected on the summary crediting spreadsheet for the lower basin. Specifically, according to Real Estate Division staff, costs associated with newly identified creditable tracts totaling about \$6.6 million for the lower basin were included the summary credit spreadsheet but not on the master spreadsheet. Further, we found that based on the revised tract sheets for these tracts, the expenses were understated by \$780,212 on the crediting spreadsheets. In addition, our review disclosed that about \$727,186 in claims for two lower basin tracts (19102-148 and 19102-149) on the summary crediting spreadsheet classified as not yet submitted to the USACE appears to be part of two tracts that were approved in 2001. Specifically, in 2007 the two tracts were split, and fee interest were disposed of because they were not needed for the project; however, the conservation easements were retained. Since credit was already approved for the tracts associated with the easements, new claims should not be requested. This would result in duplicate claim requests, which would overstate credit due to the District.

As a result, the Real Estate Division should delete these tracts on the summary crediting spreadsheet as tracts to be submitted for credit. Instead, the costs allocated to the fee interests should be transferred to the retained easements. We also noted that the lower basin's summary crediting spreadsheet and IRIS were not revised to reflect the updated tracts and cost data. In this instance, the Real Estate Division should reanalyze and resubmit the claim, if necessary.

Donated and Administrative Claims to be Submitted for USACE's Review

Based on the Real Estate Division's summary crediting spreadsheets, an estimated \$2 million in donated land and administrative costs must be submitted to the USACE for crediting. However, our review disclosed that the upper basin summary crediting spreadsheet did not include the estimated \$214,000 in administrative costs that could be claimed. During our audit, Real Estate Division staff added these expenses to the credit summary spreadsheet. In addition, an estimated \$43,248 in administrative costs were included on the lower basin summary crediting spreadsheet but not the master spreadsheet. As a result, the master crediting spreadsheet has to be updated by \$257,248. In addition, we found that the District received a donation of 4.41 acres (tract 19101-067); however, the tract was not included on the list of donated tracts to be submitted for credit.

Previously Unidentified Labor and Non-Labor Acquisition Related Expenses

The Real Estate Division's master crediting spreadsheet includes an estimated \$8,125,000 in expenses (upper basin = \$4,391,000 and lower basin = \$3,734,000) classified as not previously submitted for credit. These expenses were incurred during the period June 1, 2006 to May 31, 2016, and include labor, land acquisition related costs for acquired tracts that have been credited, tracts that are being acquired, and project related costs. It should be noted that in 2016 the Finance Bureau assisted the Real Estate Division in compiling these costs and the Real Estate Division determined whether the costs were creditable. Based on our review of costs, we found that some costs were creditable, for example, sampled expenses classified as future creditable expenses and salary expenses from October 1, 2010 to May 31, 2016. However, we found that \$2,520,112 are overstated, duplicated, unsubstantiated, or not creditable and identified \$85,694 in additional creditable expenses.

The results of our review are detailed in the following table.

Overstated / Duplicated / Unsubstantiated / Non-Creditable Costs	
Description	Amount
Tract costs that are also reflected on the summary crediting spreadsheet for the upper basin. These costs were submitted for credit in April 2017.	\$ (1,706,972)
Costs that are also included on the summary crediting spreadsheet for the lower basin and on the tract expenses sheets. These tracts were approved for credit.	\$ (102,272)
Costs that was identified in our <i>Audit of KRRP - Restoration Evaluation Expenditures</i> as expenses to be submitted to the USACE for credit. As a result, these costs have already been accounted for and are overstated.	\$ (558,331)
Costs that appear to also be included on the master summary spreadsheet as lower basin expenses to be submitted for credit. The expenses are categorized as future creditable tract expenses to be claimed. However, based on our review, the tracts are also indicated on the summary crediting spreadsheet for the lower basin as expenses to be submitted to credit. As a result, these expenses appear duplicated.	\$ (43,676)
Unsubstantiated tract expenses.	\$ (53,993)
Fringe and overhead expenses for Fiscal Years 2009 – 2010 that were allocated to non-creditable tracts; for example, tracts outside the KRRP boundary. Specifically, base salary amounts for Fiscal Years 2009 - 2010 were allocated to specific tracts and included on tract sheets for credit request. As a result, fringe and overhead expenses are included in this category as expenses not previously claimed. We determined that fringe and overhead expenses totaled about \$650,000 for Fiscal Years 2009 - 2010. However, based on our review of the tracts to which base salaries were allocated, we identified \$54,868 in non-creditable expenses. We identified several other issues, which may result in reducing the remaining \$595,132 in fringe and overhead expenses eligible for credit (see finding titled <i>Fiscal Years 2009 – 2010 Salary Expense Issues</i> for the detailed discussion).	\$ (54,868)
Total	\$ (2,520,112)
Understated Costs	
Additional expert fee expenses for a tract (19101-065) certified by the USACE are not included as additional expenses to be claimed.	\$ 85,694
Total	\$ 85,694

Based on the results of our review, the Real Estate Division should revise the previously unreported expense category on the master real estate spreadsheet by removing duplicate costs accounted for in other categories on the same spreadsheet and the costs identified in our previous KRRP audit. In addition, remove all non-creditable costs. Further, the Real Estate Division should review the expenses in this category when updating the master spreadsheet to ensure that costs are not duplicated in other categories of the spreadsheet as overstatements may impact the District's expenses and cash payments to the USACE, if any.

Fiscal Years 2009 – 2010 Salary Expense Issues

Unclaimed salary expenses incurred during the period June 1, 2006 to May 31, 2016, are included in the expenses classified as previously unidentified acquisition related expenses on the master crediting spreadsheet. During our review of the detailed spreadsheets supporting these expenses, we noted that the salary expenses for Fiscal Years 2009 – 2010 included only overhead and fringe costs. Real Estate Division staff explained that these costs have not previously been accounted for. Specifically, Fiscal Years 2009 – 2010 base salaries charged to KRRP internal orders⁶ were allocated on a quarterly basis equally to KRRP land tracts with any IRIS activity, and the allocated amounts were recorded on each corresponding tract expense sheet. Subsequently, in 2016, the Finance Bureau assisted the Real Estate Division and determined that the corresponding fringe and overhead expenses totaled about \$650,000. As part of our audit tests we determined whether Fiscal Years 2009 – 2010 salary expenses were properly accounted for. We concluded that some of the salary and related expenses are creditable; however, some appear non-creditable.

⁶ Internal orders are used to track expenditures and consist of 12 characters. The first four characters represent the program code; the next four are used for different purposes depending on the internal order type (e.g., specific project activity); and the final four digits represent the cost center.

Our review disclosed the following:

- A total of \$428,142 in salary costs were allocated to KRRP land tracts; however, we found that this amount included \$24,369 in non-creditable costs; for example, annual leave, sick leave, and paid holidays. As a result, the non-creditable costs increased the base salary allocated to each KRRP tract. It should be noted that the Finance Bureau correctly used only regular and accrued salary costs to determine fringe and overhead costs. As a result, no exceptions were noted with the type of salary costs used to determine fringe and overhead expenses.
- In some instances, base salary costs were allocated to tracts already approved by the USACE or tracts that were submitted for credit but not yet approved; for example, some tracts were approved in the late 1990s and early 2000s. Thus, the Real Estate Division should determine whether the expenses are creditable and whether to request credit for the additional expenses.
- In some instances, we determined that salaries were allocated to non-creditable tracts; for example, tracts outside the KRRP boundary, historical tracts, tracts certified but expenses not claimed. Since fringe and overhead expenses were determined based on the total internal order amounts and certain non-creditable tracts were linked to the internal orders, the total amount claimed as additional Fiscal Years 2009 – 2010 fringe and overhead expenses is overstated. As previously discussed, we concluded that \$54,868 of the \$650,000 in fringe and overhead expenses were not creditable. For example, KRRP salary expenses incurred during the second quarter of Fiscal Year 2009 were allocated to 18 tracts. However, we found that five of the 18 tracts were not creditable. The fringe and overhead expenses for these five tracts totaled \$28,905 in non-creditable fringe and overhead expenses. We could not identify whether all tracts are creditable or not creditable for various reasons; for example, certain tracts were merged or disposed, and easements were retained. As a result, the Real Estate Division will have to review the salary related expenses for Fiscal Years 2009 – 2010 to determine creditability.

Unclaimed Salary Expenses and Time Not Charged to KRRP Activities

Our review disclosed that KRRP real estate acquisition related salary expenses including fringe and overhead, for the period June 1, 2016 to September 30, 2017, totaled \$72,324. However, these expenses are not included on the District master spreadsheet as real estate acquisition related expenses to be submitted for credit. Further, these salary expenses represent salary charges to the KRRP for only one employee, the Real Estate Division Section Leader. It should be noted that from October 1, 2017 to May 31, 2018, only the Section Leader continued to charge time to the KRRP.

From 2015 to the beginning of 2018, another employee was also tasked with working on KRRP real estate acquisition related activities; for example, credit certifications. However, none of the employee's time was charged to the KRRP. Consequently, the District may not be able to claim credit for the salary expense. Further, in August 2018, another employee was assigned KRRP certification responsibilities. This employee's time spent on KRRP related activities should be charged to the KRRP activities / orders so that the District can be credited for salary expenses. The Real Estate Division must take steps to ensure that all staff working on KRRP related activities charge their time to KRRP activities / orders. Failure to obtain credit for salary related expenses results in understated District credit.

Discrepancies Between Data on KRRP Spreadsheets and IRIS

Our audit tests disclosed that data on the Real Estate Division's KRRP summary crediting spreadsheets for the upper and lower basins contain some discrepancies. Specifically, our comparison of the spreadsheet data to IRIS data revealed several discrepancies between the spreadsheets and IRIS; for example,

- Tracts on the spreadsheets should be reflected as valid in IRIS. However, we found that in some instances, the spreadsheets reflect historical tracts, which indicates that changes were made to the valid tracts; such as mergers, exchanges, or disposals, and the spreadsheets were not revised to reflect accurate data. For example, a credit request totaling \$993,472 was submitted to the USACE in 1999 for tract 19100-025. However, based on IRIS, this tract is now historical because it was split into three new tracts in 2007 and the original costs were allocated to the new tracts. These changes are not indicated on the summary crediting spreadsheet for the lower basin.
- There are numerous instances where the tract acreage on the summary crediting spreadsheet and IRIS did not correspond; for example, per IRIS a tract was listed at 11,451.49 acres, while the same tract on the spreadsheet indicated 10,893.43 acres. In another instance, per IRIS a tract was listed at 325.25 acres, while the same tract on the spreadsheet indicated 205.40 acres.
- In some instances, several tracts were grouped and submitted for credit as certification packages. We found that in these instances the tract data were not always itemized on the spreadsheets; instead, data for all tracts were assigned to a single tract.
- In some instances, IRIS reflected incorrect USACE credited amounts or certification status, i.e., certified lands were reflected as certification in progress and not as certification approved. We discussed these discrepancies with Real Estate Division staff and data in IRIS was revised to reflect the correct credit amount and certification status.

Since the summary crediting spreadsheets are the primary source for tract data, the Real Estate Division should take necessary steps to ensure the data is accurate and detailed for each tract.

Recommendations

Real Estate Division categorized responses to our recommendations as follows:

Priority 1 – Critical item to be completed as soon as possible

Priority 2 – Important item to be completed as time allows

Priority 3 – Minor item to be completed after Priority 1 and 2 items are complete

1. Expedite KRRP claim submittals to the USACE for acquired tracts not yet submitted, donations, and relocation costs.

Management Response: Agreed. Priority 1 - Workload has been shifted to dedicate 1 FTE full-time and 1 FTE part-time to submit the backlog of claims (37 acquired tracts, 350 relocations and 50 donated tracts) within the next calendar year.

Responsible Division: Real Estate

Estimated Completion: December 31, 2019

2. Determine reasons why certified / approved tracts on the summary crediting spreadsheets are indicated as historical in IRIS and revise all relevant records; for example, summary crediting spreadsheets and IRIS, to reflect correct acreage, costs, and explanations.

Management Response: Agreed. Priority 3 - Real Estate will analyze certified / approved tracts shown in IRIS as historical and revise records accordingly

Responsible Division: Real Estate

Estimated Completion: December 31, 2019

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- 3. Determine whether revised claim requests should be submitted to the USACE in instances where approved tracts and tracts that have been submitted but not yet approved by the USACE are indicated as historical in IRIS.**

Management Response: Agreed. Priority 3 - Real Estate will analyze whether revised claim requests should be submitted for IRIS historical tracts and will submit revised claims, as needed.

Responsible Division: Real Estate

Estimated Completion: December 31, 2019

- 4. Request credit for unclaimed expenses charged to tracts already certified by the USACE; for example, reservation credits and salary expenses.**

Management Response: Agreed. Priority 3 - Real Estate will work with the Office of the Inspector General to identify a list of tracts and then analyze and compile any unclaimed expenses and submit revised claims to the USACE.

Responsible Division: Real Estate

Estimated Completion: December 31, 2019

- 5. Consider compiling the documentation supporting the \$29,450 in relocation expenses that were denied and resubmit to the USACE for credit.**

Management Response: Agreed. Priority 3 - Real Estate will analyze, compile and submit additional information for any denied portions of claims, and submit revised claims to the USACE as appropriate.

Responsible Division: Real Estate

Estimated Completion: December 31, 2019

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- 6. Submit revised claims for unclaimed expenses charged to the tracts that have been submitted for credit but not yet approved by the USACE.**

Management Response: Agreed. Priority 3 - Real Estate will work with the Office of the Inspector General to identify a list of tracts and then analyze and compile any unclaimed expenses and submit revised claims to the USACE as appropriate.

Responsible Division: Real Estate

Estimated Completion: December 31, 2019

- 7. Change IRIS acreage data for the 58 tracts related to the Grape Hammock / Chandley Point fish camp to zero acre for each tract.**

Management Response: Agreed. Complete - A review of IRIS indicates that all tracts in component “Grape Hammock / Chandley Point Septics” show 0.00 acre.

Responsible Division: Real Estate

Estimated Completion: Complete

- 8. Review and update expenses on master and/or the summary crediting spreadsheets for tracts that have been acquired but not yet submitted for credit to the USACE to reflect additional expenses resulting from understatements and reductions resulting from duplicate tracts.**

Management Response: Agreed. Priority 2 - Real Estate will work with the Office of the Inspector General to identify a list of duplicate tracts and then analyze all the acquired but not yet submitted tracts and make any needed adjustments to the master crediting spreadsheet and non-federal cost share spreadsheet.

Responsible Division: Real Estate

Estimated Completion: April 1, 2019

-
- 9. Update donated lands costs on the master spreadsheet and the master crediting spreadsheet to reflect administrative expenses and include tract 19101-067 as a donated tract on the lower basin's summary crediting spreadsheet.**

Management Response: Agreed. Priority 1 - This tract has already been certified and a claim for administrative expenses in the amount of \$200 was credited. Real Estate has added this tract to the donated tracts to be submitted with a value of \$9,261, using the property appraiser's value of \$2,100 per acre for 4.41 acres. A revised claim will be submitted as part of Recommendation 1.

Responsible Division: Real Estate

Estimated Completion: December 31, 2019

- 10. Reduce expenses classified as real estate costs to be submitted for credit on the master spreadsheet by overstated, unsubstantiated, not-creditable, or previously identified by our *Audit of KRRP Cost Share – Restoration Evaluation Expenditures*.**

Management Response: Agreed. Priority 2 - Real Estate will analyze all the identified overstated, unsubstantiated, not-creditable, or previously identified by previous audit, and will adjust the Master Crediting Summary Spreadsheet and the Non-Federal Expenditures Cost Spreadsheet as each item is researched and determined to be accurate.

Responsible Division: Real Estate

Estimated Completion: April 1, 2019

11. Analyze all tracts that were allocated base salary expense in Fiscal Years 2009 and 2010 to determine whether expenses were allocated to creditable tracts. Consider requesting credit for the unclaimed salary expenses for the tracts were where already certified or submitted for credit.

Management Response: Agreed. Priority 3 - Real Estate will analyze the FY09 and FY10 salary expenses and request credit for any allowable, unclaimed salary expenses.

Responsible Division: Real Estate

Estimated Completion: December 31, 2019

12. Consider requesting the Finance Bureau's assistance in determining creditable Fiscal Years 2009 and 2010 fringe and indirect expenses associated with the creditable tracts.

Management Response: Agreed. Priority 3 - Real Estate will request assistance from the Finance Bureau when it analyzes the FY09 and FY10 salary expenses described in Recommendation 11.

Responsible Division: Real Estate

Estimated Completion: December 31, 2019

13. Request credit for all unclaimed creditable salary related expenses incurred during October 1, 2006 to present and any subsequent salary related expenses.

Management Response: Agreed. Priority 3 - Real Estate will request an update of salary expenses from the Finance Bureau to bring salary costs current and submit the salary expenses for credit.

Responsible Division: Real Estate

Estimated Completion: December 31, 2019

14. Review all non-salary related expenses classified as real estate costs not previously submitted for credit (on the master spreadsheet) for creditable expenses and request credit.

Management Response: Agreed. Priority 1 - The tracts to be submitted need to have the administrative costs researched prior to requesting credit. The administrative costs reflected on the Master Crediting Summary Spreadsheet were estimated based on the project-wide historical average of 13%. The remarks on the spreadsheet state that the administrative costs were estimated.

Responsible Division: Real Estate

Estimated Completion: December 31, 2019

15. Revise all KRRP spreadsheets to reflect the USACE credited amount for the Rolling Meadow Ranch acquisition.

Management Response: Agreed. Complete - Real Estate has updated the Master Crediting Summary Spreadsheet and the Non-Federal Expenditures Cost Spreadsheet to reflect that Rolling Meadows crediting is complete and that the amount of credit received is \$6,763,304.78. Denied amounts have been reflected as well on said spreadsheets.

Responsible Division: Real Estate

Estimated Completion: Complete

16. Ensure that time spent by staff on KRRP land certifications and other related KRRP activities are charged by employees to the KRRP.

Management Response: Agreed. Complete - Staff will charge time to the timesheet codes provided by the project manager going forward.

Responsible Division: Real Estate

Estimated Completion: Complete

17. Determine whether time spent by staff on KRRP land certifications and other related KRRP activities and not directly charged to the KRRP can be submitted for credit.

Management Response: Agreed. Priority 3 - Real Estate will request timesheet records for the former employee that was not charging her time to the project and will analyze if it is a good use of staff time to correct past time entries and request credit.

Responsible Division: Real Estate

Estimated Completion: December 31, 2019

18. Implement steps to ensure that all KRRP land acquisition related expense spreadsheets are updated timely to reflect accurate costs and acreage data.

Management Response: Agreed. Priority 1 - Future recordkeeping will be managed in a timely manner as the backlog of claims is completed (see Recommendation 1).

Responsible Division: Real Estate

Estimated Completion: December 31, 2019

19. Ensure that the District's cash contribution amount of \$9,623,241 is reflected on the USACE's master cost share spreadsheet.

Management Response:

- Per USACE email dated 11/14/18, SFWMD's cash contribution should be \$9,326,723.
- SFWMD Real Estate is currently updating the real estate spreadsheet. Their estimated completion date is late January 2019.
- Once that update has been completed, USACE will provide an updated PB2a shortly thereafter.
- A meeting will need to be scheduled with USACE to review the updated report and come to a common understanding of expenditures that have been approved, disallowed, or are still pending. This will likely be scheduled in March.

Responsible Division: Everglades Policy and Coordination

Estimated Completion: March 31, 2019

APPENDIX I
OFFICE OF THE INSPECTOR GENERAL
AUDIT OF KISSIMMEE RIVER RESTORATION PROJECT COST SHARE
DISTRICT'S CASH CONTRIBUTIONS
FISCAL YEARS 1991 – 2017

FISCAL YEAR	CASH CONTRIBUTION AMOUNT
1991	\$ 200,000
1992	154,000
1993	-
1994	52,300
1995 - 1997	-
1998	1,100,000
1999	493,000
2000	494,000
2001	-
2002	4,539,000
2003	1,537,881
2004	662,060
2005 - 2013	-
2014	391,000
2015 - 2017	-
TOTAL	\$ 9,623,241