



Office of Inspector General Annual Report

Fiscal Year 2017

Prepared by
Office of Inspector General

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



SOUTH FLORIDA WATER MANAGEMENT DISTRICT

December 22, 2017

Governing Board Members:

Mr. Daniel O'Keefe, Chair
Mr. James J. Moran, Vice-Chair
Mr. Sam Accursio
Mr. Rick Barber
Mr. Federico Fernandez
Mr. Clarke Harlow
Ms. Melanie Peterson
Mr. Brandon Tucker
Mr. Jaime Weisinger

Re: Annual Report for Fiscal Year 2017

In accordance with the Audit and Finance Committee Charter and Section 20.055, Florida Statutes, I am pleased to submit the Office of Inspector General's Annual Report for Fiscal Year 2017. This report was prepared by Ann Haga, Executive Assistant, and myself. It summarizes the audits and investigations performed, as well as other projects and activities accomplished during the year.

The Office of Inspector General will continue to promote effective controls, evaluate program effectiveness, and identify opportunities to improve efficiencies in operations. We will continue to provide you and District management with quality information to assist in decision making and fulfilling your duties and responsibilities.

We appreciate the support and encouragement of the Governing Board, the Audit and Finance Committee, and the cooperation of District management and staff.

Sincerely,

A handwritten signature in blue ink that reads "J. Timothy Beirnes".

J. Timothy Beirnes, Inspector General
Office of Inspector General

C: Ernie Marks
Senior Management Team

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INTRODUCTION

In accordance with the Section 20.055, Florida Statutes, this report summarizes the activities of the South Florida Water Management District's (the "District") Office of Inspector General (the "OIG") for the fiscal year ended September 30, 2017.

The OIG serves as an independent appraisal unit within the District to examine and evaluate its activities. The Inspector General reports directly to the District's Governing Board (the "Board"), through the Board's Audit & Finance Committee, whose members are appointed by the Chairman of the Board. The Audit & Finance Committee operates under an Audit & Finance Committee Charter established by the Board.

The Internal Audit Charter adopted by the Governing Board established an internal audit function within the OIG to provide a central point for coordination of activities that promote accountability, integrity, and efficiency in the operations of the District. The OIG is accorded unrestricted access to District facilities, records, and documents and is not limited as to the scope of work.

The duties and responsibilities of the Inspector General, as defined by Sections 373.079 and 20.055, Florida Statutes, include:

- advising in the development of performance measures,
- assessing the validity and reliability of performance measures,
- reviewing action taken by the District to improve performance,
- conducting, supervising or coordinating other activities to promote economy and efficiency,
- preventing and detecting fraud and abuse,
- coordinating with other auditors to avoid duplication, and
- ensuring that an appropriate balance is maintained between audits, investigations, and other accountability activities.

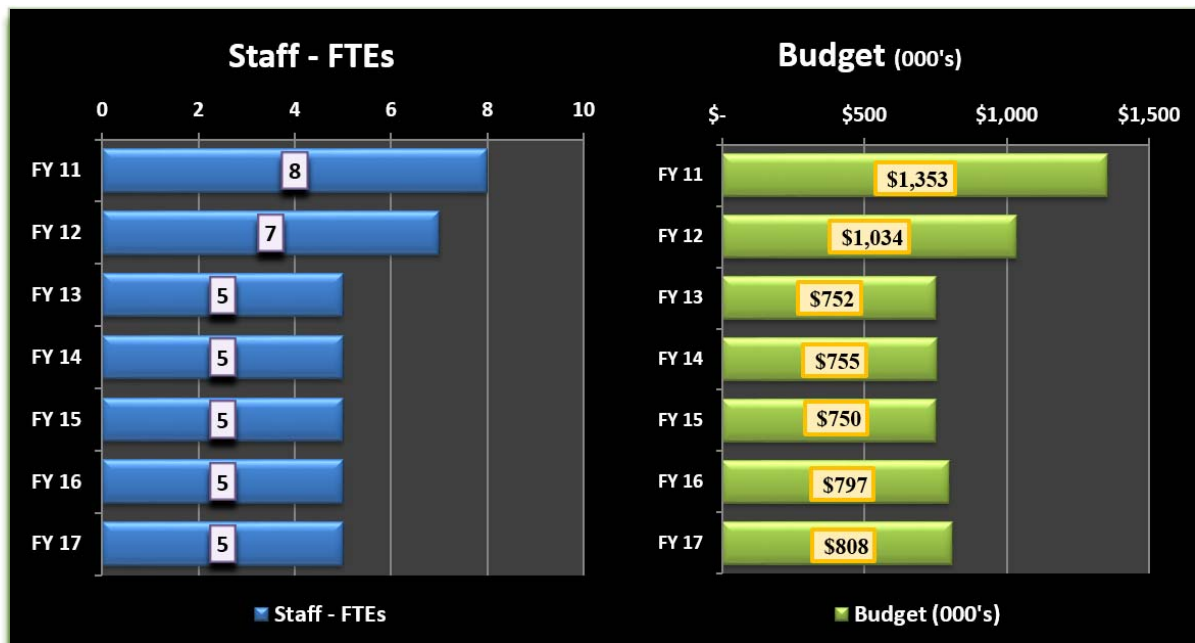
Pursuant to Sections 112.3187 through 112.31895 and Section 20.055, Florida Statutes, the Inspector General is also responsible for investigating Whistle-Blower Act complaints brought by District employees, former employees, agents, contractors, or citizens.

OFFICE STAFF and BUDGET

During FY 2017, The Office of Inspector General consisted of the following staff:

<u>Position</u>	<u>Certifications</u>
Inspector General	<i>Certified Public Accountant (CPA)</i> <i>Certified Management Accountant (CMA)</i> <i>Certified Information Systems Auditor (CISA)</i> <i>Certified Information Technology Professional (CITP)</i> <i>Certified Inspector General (CIG)</i>
Lead Consulting Auditor	<i>Certified Public Accountant</i>
Lead Consulting Auditor	<i>Certified Internal Auditor</i>
Chief Investigator	<i>Certified Public Accountant</i> <i>Certified Fraud Examiner</i> <i>Certified Inspector General Investigator</i>
Executive Assistant	

The following graphs show the trend in the number of full-time equivalent (FTE) staff and the Office of Inspector General's annual budget for the past several years.



The Office's budget includes the fees for the annual financial statement audit performed by the District's accounting firm. This amount was \$152,000 for FY 2017.

PROFESSIONAL DEVELOPMENT

In order for our office to comply with the General Accounting Office's *Government Auditing Standards*, the Inspector General ensures that mandatory training requirements are satisfied for the entire Office of Inspector General staff. The goal of the program is to cost effectively increase professional knowledge and proficiency, and ensure that staff meets continuing professional education requirements.

During FY 2017 the staff received training in such topics as:

- Government Accounting Standards
- Government Auditing
- Quality Assurance
- Information Systems & Security
- Fraud Detection and Investigation
- Management Advisory Services
- Construction Auditing
- Ethics

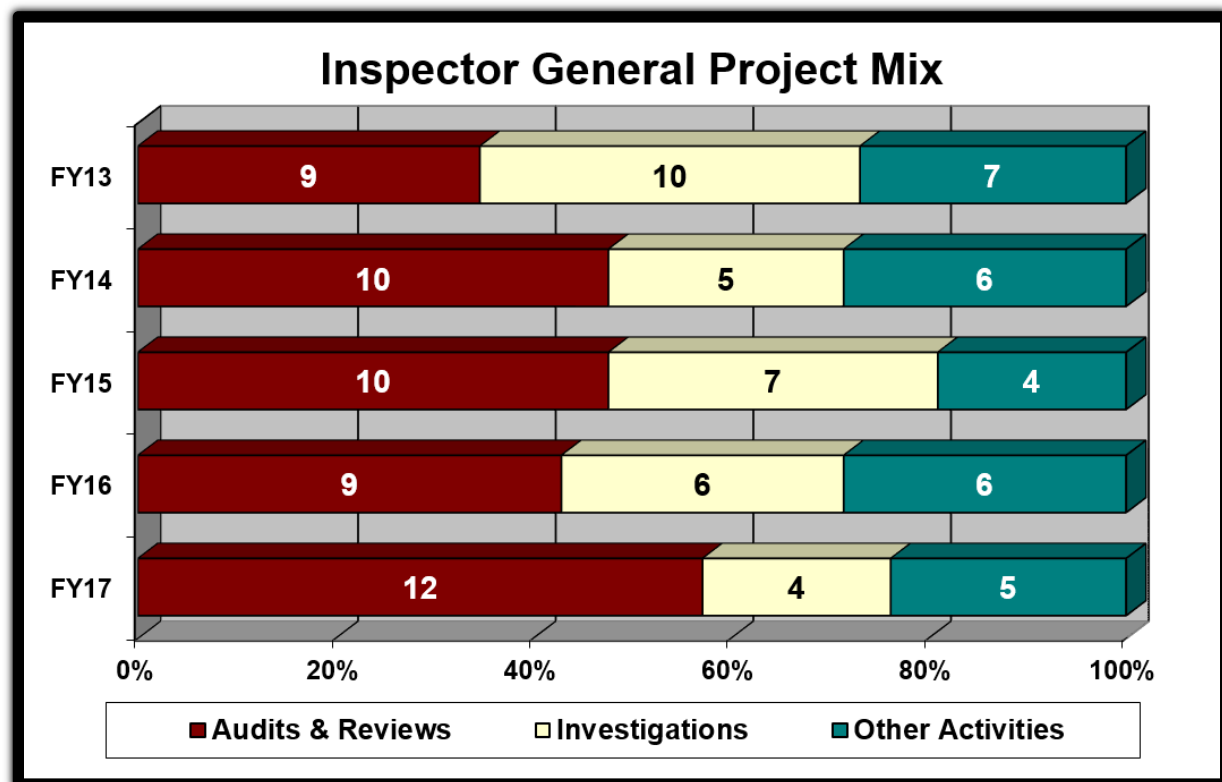
Professional development is provided through affiliations with several professional organizations, including the following:

- Association of Inspectors General
- American Institute of Certified Public Accountants
- Institute of Internal Auditors
- Association of Local Government Auditors
- Institute of Management Accountants
- Information Systems Audit and Control Association
- Association of Certified Fraud Examiners

INSPECTOR GENERAL ACTIVITIES

The Inspector General prepares an annual audit plan that lists the audits and other activities that will be undertaken during the ensuing fiscal year. The Inspector General relies on a review of the District's annual budget and work plans, analysis of financial information, and input from the Audit & Finance Committee and District management, to aid in the development of this plan. The Office of Inspector General continues to identify those programs that pose the greatest challenge to the District to assist in prioritizing audits, and to ensure the most effective use of staff resources. The Inspector General also considers the statutory responsibility to advise in the development of performance measurements, standards, and procedures in assessing District program risks.

The number of projects completed during the current and past fiscal years is illustrated in the following graph:



AUDITS & REVIEWS

In FY 2017, the Office of Inspector General focused on performance auditing and completed 12 audit and review projects. Performance audits include comments on economy & efficiency, program compliance, and results. A summary of each report follows.

Audit of Procurement of Professional Engineering Services for Restoration Projects

Project No. 16-01

The primary objectives of the Audit of Procurement of Professional Engineering Services for Restoration Projects was to determine whether, 1) work orders were assigned to engineering firms under the Professional Engineering Services for Restoration Projects in an equitable manner, 2) engineering firms were achieving established Small Business Enterprise¹ (SBE) utilization goals, 3) District project managers negotiated work order pricing with the Professional Engineering firm, and 4) project managers prepared contractor evaluations upon project completion. The scope of this audit included work order assignments under the Professional Engineering Services for Restoration Projects for the period March 2014 through December 2015.

During the period FY 2008 through FY 2014, the District expended over \$176 million for engineering services with 61 firms. The audited focus was on work orders assigned to the 13 Professional Engineering Firm contracted to provide services under Restoration Projects. The District's goal is to distribute work orders equally among professional engineering firms while considering the District's best interest, which has been the method used to assign work orders in previous GEPS contracts. Our review of applicable Florida Statutes and Procurement policies and procedures revealed that neither prohibited the District from distributing work order assignments in this manner.

¹ District Small Business Enterprise (SBE) means a business certified by the District, whose 3-year average gross receipts, including affiliates, shall not exceed \$13 million if the business provides construction, \$5 million if the business provides commodities, and \$6 million if the business provides services.

The District complied with established work order assignment procedures and distributed work orders to the 13 Professional Engineering Firms awarded contracts under Restoration Projects. Through December 31, 2015, the District had contracted or encumbered \$60.2 million of the \$150 million authorized for restoration projects but engineering firms that were assigned work orders related to the C-43, C-44 and STA-1W projects had received the most work, which was expected.

Rather than assigning a work order to a specific engineering firm to prepare the Mecca Project Design Documentation Report, Procurement requested proposals from three firms on the Restoration Projects approved contractor list. We found this type of procurement provided a more competitive approach and is beneficial to the District and recommended that the District consider using this procurement approach for larger projects.

We noted that an engineering firm was working as a subcontractor for a contractor on the Restoration Projects list and also received work order assignments as an approved contractor on the OMRR&R (Operations, Maintenance, Repair, Replacement and Rehabilitation) Projects. The District policies and procedures restrict approved prime contractors to either the Restoration Projects or the OMRR&R Projects list but there was no restriction related to subcontractors. We recommend that the District monitor the volume of work that an engineering firm receives working as a contractor and subcontractor in order to attain the goal of distributing work equally to firms under Restoration Projects and OMRR&R Projects.

Audit of Bid Solicitation & Award Process

Project No. 16-03

Our primary objective for the Audit of Bid Solicitation & Award Process focused on assessing compliance with the District's procurement policies and procedures from RFB solicitations to contract award. Overall, the District has adequate controls in place to ensure that RFBs are awarded to the lowest responsive and responsible bidders in compliance with Florida statutes, District procurement policies and procedures, and other relevant rules and regulations. However, our audit disclosed that improvements were needed in certain areas to further enhance the bid assessment process.

Specifically, based on prior solicitation requirements bids discrepancies between words and figures were resolved in favor of the lowest dollar value. Our audit tests disclosed one instance where the discrepancy between the words and figures was \$621,378; however, staff did not detect the discrepancy and the contract was awarded for the higher amount. It should be noted that solicitation requirements have since been revised and bid amounts are only required to be expressed in numbers. Further, as part of the responsibility analysis, contract specialists are required to ensure that the lowest responsible bidder does not appear on certain lists. Our audit disclosed that the contract specialists indicated on the *Responsiveness/Responsibility Checklist* that these verifications were conducted for the 16 solicitations in our sample; however, only one file contained supporting documentation that the lists were verified.

In addition, based on RFB solicitation requirements, if a bidder performed sufficient similar work for the District, the District can use the *Contractor Performance Evaluations* as references. Our audit disclosed several instances where prospective contractors performed work for the District; however, in most cases we could not determine whether the evaluations were for work similar to the current project. Further, in some instances based on the project experience documentation provided by bidders we could not determine whether the experience and project descriptions met the specific bid solicitations requirements. As a result, we met with staff for explanations and in most cases they explained the comparability between the references and the bid requirements.

Further, in instances where project managers contacted external references to verify a bidder's work performance, we could always not determine whether they verified the project scope, dollar amount, or completion date because the information was not reflected on reference questionnaires. We also found instances where award recommendation memorandums did not accurately reflect the results of the project managers' reference checks and reviews. There were also instances where procurement staff could not determine whether contractors' provided proof of builder's risk insurance/installation floater and environment impairment liability coverages.

Revisions were made in the *RFB Bidding Requirements* for construction related projects, during Fiscal Year 2013 to early Fiscal Year 2016. Specifically, changes were made in bidder's prior project experience and reference requirements; for example, earlier solicitations required that references must be for completed projects. Depending on a project's complexity newer solicitations may require that referenced projects be completed or substantially completed.

**Follow-Up on Implementation of Recommendations
in Gartner's IT Bureau Review
*Project No. 16-04***

The objective of this review was to assess the implementation status of the recommendations made in the Gartner IT Bureau Review report (currently named the IT Division). Overall, Gartner found the IT Division is cost-effective and efficient. Gartner's assessment indicated that the IT Division spending on capital and operations was lower as a percentage of operating expenses and on a per employee basis when compared to similar organizations. Further, SAP benchmarks indicate that the District has lower support costs than its peers on average. Gartner determined that SAP is providing value at reasonable costs and should not be replaced at this time.

The Gartner report also identified areas for improvement. The report contained 29 recommendations that focused on the IT Division evolving into a strategic partner to the District, improving efficiency, and aligning resources and processes with District goals. For 8 of these recommendations, the IT Division determined that the cost to implement these recommendations outweighed the benefit; thus, these recommendations were not implemented. Of the remaining 21 recommendations, 18 were fully implemented and 3 were in process of implementation.

Audit of the Kissimmee River Restoration Cost Share

Project No. 16-06

The audit of the Kissimmee River Restoration (KRRP) Cost Share primarily focused on determining whether the District requested credit for all eligible KRRP restoration evaluation expenses and determined whether adequate supporting documentation was maintained for such expenditures. This audit covered costs related to KRRP restoration evaluation expenses; such as, project coordination, monitoring, modeling and operational studies. It did not include land and related acquisition costs; such as, lands, easement, rights-of way, relocations, and disposals. The Finance Bureau submits restoration related expenses for credit. Land acquisition cost share requests is a different and separate process and will be examined in a separate audit during FY 2018. The Real Estate Division submits land related expenses for credit.

We concluded that the District has an adequate process in place to ensure that eligible KRRP restoration evaluation expenses are claimed for work-in-kind credit. Restoration related expenses submitted to the USACE for credit totaled \$41,759,477; however, our audit revealed an additional \$5,252,0822 of expenditures incurred during Fiscal Year 2006 – Fiscal Year 2015 that should be eligible for credit. In addition, we found that the District submitted expenditures that were overstated by \$174,282. As a result, we identified net unclaimed expenses totaling \$5,077,800, which is summarized in the following table.

² This amount includes restoration related expenses totaling \$4,161,311 and land acquisition related expenses totaling \$1,090,771.

Unclaimed / Overstated Restoration Related Expenses <i>Finance Bureau Submitted Credit Request (August 2017)</i>	
Unclaimed Restoration Related Expenses	
Unclaimed Fiscal Year 2006 expenses	\$ 852,265
Credit for contracted services not consistently claimed; e.g., all expenses charged to same purchase orders not claimed	1,974,272
Expenses classified as non-creditable and never submitted for credit – recently approved by USACE as creditable; e.g., contract monitoring and modeling expenses	868,905
Various reasons, e.g., overhead and fringe benefits not applied to salary, Packingham Slough restoration costs, plant maintenance work orders, and mitigation in lieu of land acquisition	465,869
Total Unclaimed Expenses	\$ 4,161,311
Overstated Restoration Related Expenses	
Unsubstantiated, ineligible, and duplicate expenses	\$ 174,282
Net Total Unclaimed Restoration Related Expenses	\$ 3,987,029
Unclaimed Land Acquisition Related Expenses <i>Real Estate Division Responsible for Claiming Credit</i>	
Expenses previously classified as non-creditable. USACE approved classification to creditable. Unclaimed expenses identified by our audit will be submitted for credit by the Real Estate Division	\$ 1,090,771
Net Unclaimed Expenses	\$ 5,077,800

It should be noted that after our preliminary draft was issued and discussed with District staff, the Finance Bureau and Lake and River Ecosystems Section staff performed a detailed review of all unclaimed and overstated expenses we identified. After their review, we discussed the results and made necessary revisions to the preliminary draft report. At the time of report issuance, the Finance Bureau had already submitted a Work-In-Kind request to the USACE requesting credit for the \$3,987,0273 in net unclaimed restoration expenses credit identified by our audit. The Real Estate Division plans to submit the \$1,090,771 in land acquisition related expenses for credit. Thus, the various audit issues were conveyed to, and addressed by staff and management during the audit. Accordingly, many of the issues presented in this report had already been resolved at time of report issuance.

³ Our audit identified \$2.00 more in creditable expenses. This difference is due to rounding and considered immaterial.

Audit of the Payroll Process

Project No. 16-09

The Audit of the Payroll Process objective was to determine whether the payroll process provides for adequate segregation of duties and that established internal controls over the payroll process are functioning as designed.

Overall, we concluded that Human Resources Information System and Payroll Services (HRIS) does an effective job of processing the bi-weekly payroll within the mandated timeframe and often under challenging circumstances. However, our review of the payroll process revealed internal control weaknesses related to the lack of segregation of duties with the HRIS employees who are responsible for payroll processing. The Supervisor has unrestricted access to all of the components within the Human Capital Management module in SAP. These components include Organizational Management, Benefits, Personnel and Travel Administration, as well as Time Management, and Training and Events Management. The HRIS team, consisting of a Supervisor and four Analysts, had the various levels of authority to change timesheet, benefits and payroll.

This level of authority enabled the HRIS Supervisor and staff to both initiate and execute timesheet and payroll transactions autonomously, which result in a lack of segregation of duties and an internal control weakness. For example, the Supervisor and a HRIS staff had the authority to add new employees and remove separating employees in the SAP Human Capital Management module. This approval authority is necessary to ensure that payroll is processed and errors are corrected in a timely manner, thus compensating controls needed to be implemented to reduce the risks associated with this control weakness. Thus, to strengthen internal control over the payroll process and compensate for this weakness, we recommend that any changes to payroll records made by the HRIS Supervisor and other authorized staff should be recorded in an exceptions report and reviewed by the Human Resources Bureau Chief.

Employee supervisors and managers are responsible for timesheet approvals and adherence to District policies and procedures. We noted various errors and warnings resulting from employee time sheet input that causes inefficiencies and unnecessarily delays completion of the payroll processing. Good internal controls would require time approval managers to routinely review the audit report that is run every payroll for errors or warnings related to their

employees before time is approved. Accordingly, we recommend that managers and supervisors routinely conduct such a review.

We conducted an audit test to verify that all employees included in the SAP payroll register are bona fide employees by comparing employees recorded in the SAP payroll register to those in the District's Honeywell Win-Pak standalone ID card database. Our comparison of employees included in the SAP payroll register to those in the District's Honeywell Win-Pak standalone ID card database revealed no fictitious employees.

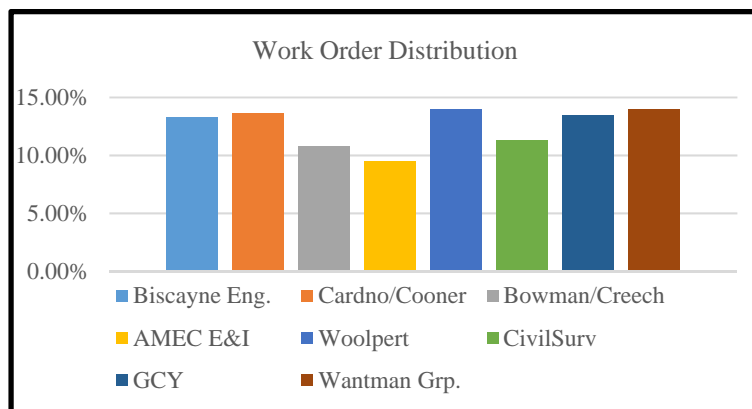
Audit of Land Survey Contracts

Project No. 17-02

The primary objectives for the Audit of the Land Survey Contracts audit were to determine whether:

- Work orders were assigned to professional survey firms in an equitable manner.
- Professional survey firms achieved Small Business Enterprise (SBE) utilization goals.
- District project managers negotiated work order pricing.
- Project managers prepared contractor evaluations upon project completion.

The District has done an effective job of distributing work order assignments evenly to the eight survey firms awarded contracts under the Survey and Mapping solicitation. Through



December 31, 2016, the District distributed 84 work order assignments at a cost of \$3.7 million. Survey firm work order assignments, as a percentage of the \$3.7 million, range from a high of 13.99% to Woolpert and a low of 9.52% to AMEC E&I,

Inc. (AMEC Inc.). Our review of work order assignments issued after December 31, 2016, revealed that survey firms with the least amount of work order assignments, which included AMEC, Inc. received approximately 87% of new awards.

Overall, SBE participation of firms awarded contracts under the Survey and Mapping solicitation is 68% through December 31, 2016. While most firms met or exceeded its SBE participation goals, we found that three firms: Cardno, Inc., Bowman Consulting Group, Ltd. (Bowman Group) and AMEC Inc. were deficient. However, a review of SBE participation in work orders issued to AMEC, Inc. subsequent to December 31, 2016, revealed that AMEC Inc. subcontracted \$48,460 of the work to SBE firms and met its 30% SBE utilization goal. While there was time before the contract expires for the Bowman Group and Cardno, Inc. to reach its SBE utilization goals, it was contingent on the firms assigning sufficient work to SBEs on future work order assignments. The final SBE commitment results should be reported on the contractor's final evaluation.

District project managers are responsible for assigning work to survey firms primarily based on the cumulative total of work order assignments and then negotiating work order pricing. Our review of e-mails, detailed spreadsheets and other documentation revealed that District project managers negotiated on the District's behalf and their effort resulted in proposed work order pricing reductions.

Our review of survey firms' performance evaluations for completed work orders indicated that project managers were not consistent in completing the evaluations in a timely manner. To improve the performance evaluation process, we recommend the Survey and Mapping Section develop a system that alerts project managers when performance evaluations are due.

DMV Data Security Attestation

Project No. 17-03

The objective of this project was to determine whether District internal controls related to the driver license information received from the DMV are adequate to ensure that DMV records are protected from unauthorized access, distribution, use, modification or disclosure.

The District is required to establish a system of internal controls related to the security of the monthly DMV Report. The Memorandum of Understanding between the District and DMV requires the District to physically secure driver's license information against unauthorized access, distribution, use, modification or disclosure. Our examination found that adequate internal controls are in place to secure the DMV records. As a result, the District is in full compliance with the contractual agreement. Further, we issued an attestation statement to the DMV that included our opinion on the adequacy of the system of internal controls related to the DMV report.

Audit of Vegetation Management Program

Project No. 17-10

The objective for the Audit of Vegetation Management Program was to determine whether the vegetation management program is meeting its goals and the herbicide application work orders are adequately monitored. Since the last audit in Fiscal Year 2010, the District has outsourced most of the vegetation management control activities to herbicide application contractors. In the past, District field station staff conducted aquatic plant spraying activities but most of these staff have been reassigned to other positions within the field stations. Only the Fort Lauderdale Field Station still conducts vegetation management control activities with District staff.

For the period October 1, 2011 through March 31, 2017, the District expended \$68.9 million on vegetation management control activities with outside contractors. We selected 30 work orders totaling \$3.8 million to determine whether the contracted herbicide services were consistent with District work plans and that the District project managers were monitoring the work. Overall, District staff effectively monitored herbicide application service work orders,

often in difficult work site locations. However, we determined that work order monitoring could be improved with more timely inspections and completion of site inspection documentation. We also found that Contract Inspection Specialists had varied knowledge of herbicide application services. As such, training would prove beneficial to ensure that staff have comparable skillsets to conduct work site inspections.

The District provides upland invasive plant and other related services on a reimbursement basis to Florida Fish and Wildlife Conservation Commission (FWC) through two 10-year agreements. We found that the District could improve cash collections by invoicing FWC more frequently (at least monthly) for reimbursable costs.

We found that approximately 85% of vegetation management work orders are negotiated as time and material contracts with a not-to-exceed maximum amount. Generally, the advantage of a time and material work order is that it can be quickly executed, even when the terrain is dense with invasive vegetation and difficult to estimate. The disadvantages of time and material contract is that the contractor has little incentive to control costs and requires thorough day-to-day District oversight by knowledgeable staff. Conversely, fixed cost contracting provides maximum incentive for the contractor to control costs and perform effectively but requires more initial planning. Herbicide application costs are difficult to estimate for certain District locations, thus, for these projects time and material work orders are the best choice. For other herbicide application projects, fixed cost should be the default contract method. Accordingly, we recommend that the District phase in a fixed cost contract method in place of time and material work orders, when appropriate and cost effective.

Follow-Up Audits

Follow-Up Audit for 7/1/16 – 9/30/16 Project No. 17-01

This report on the implementation status of audit recommendations was for the period July 1, 2016 through September 30, 2016 (the “Fourth Quarter of FY 2016 Reporting Period”). As of July 1, 2016, there were 17 recommendations that were not yet Fully Implemented. During the Fourth Quarter of FY 2016 Reporting Period, three (3) of these recommendations were completed and one (1) was reclassified as No Longer Applicable. During the Fourth Quarter of FY 2016 Reporting Period, 15 recommendations were added from two (2) newly issued audit reports. Fourteen (14) of these recommendations were either implemented at the time of report issuance or were implemented during the Fourth Quarter of FY 2016 Reporting Period. In total from all reports, 14 recommendations were In-Process of being implemented as of September 30, 2016.

Our office also monitored the implementation status of the 10 recommendations made in the Operational Audit performed by the State of Florida Auditor General. Nine (9) of these recommendations were fully implemented during prior quarters and one (1) was in process of implementation as of September 30, 2016.

Follow-Up Audit for 10/1/16 – 12/31/16 Project No. 17-05

This report on the implementation status of audit recommendations was for the period October 1, 2016 through December 31, 2016 (the “First Quarter Reporting Period”). As of October 1, 2016, 14 recommendations were not yet Fully Implemented. During the First Quarter Reporting Period, nine (9) of these recommendations were completed. During the First Quarter Reporting Period 15 recommendations were added from three (3) newly issued reports. Thirteen (13) of these recommendations were either implemented at the time of report issuance or were implemented during the First Quarter Reporting Period. In total from all reports, seven (7) recommendations were In-Process of being as of December 31, 2016.

Follow-Up Audit for 1/1/17 – 3/31/17
Project No. 17-11

This report on the implementation status of audit recommendations was for the period January 1, 2017 through March 31, 2017 (the “Second Quarter Reporting Period”). As of January 1, 2017, there were seven (7) recommendations that were not yet Fully Implemented. During the Second Quarter Reporting Period, one (1) of these recommendations was completed. During the Second Quarter Reporting Period, no recommendations were added from newly issued audit reports. In total from all reports, six (6) recommendations were In-Process of being implemented as of March 31, 2017.

Follow-Up Audit for 4/1/17 – 6/30/17
Project No. 17-14

This report on the implementation status of audit recommendations was for the period April 1, 2017 through June 30, 2017 (the “Third Quarter Reporting Period”). As of April 1, 2017, there were six (6) recommendations that were not yet Fully Implemented. During the Third Quarter Reporting Period, two (2) of these recommendations were completed. During the Third Quarter Reporting Period, no recommendations were added from newly issued audit reports. In total from all reports, four (4) recommendations were In-Process of being implemented as of June 30, 2017.

INVESTIGATIONS

Investigation issues arise from many different sources including: District management, District staff members, vendors, and citizens. The Chief Inspector General for the Office of the Governor and other State Agency Inspectors General's also refer certain cases to our office. During FY 2017 we received a total of six complaints from various sources. A short summary of each complaint follows.

Investigation of Complaint Alleging Procurement Irregularities ***Project No. 15-23***

We received a complaint alleging procurement irregularities related to the assignment process for work orders issued under the Professional Engineering Services for Restoration Projects. The Complainant took exception to the District's method of work order distribution contending that the Procurement Bureau Chief was steering contracts to associates of Florida Crystals Corporation (Florida Crystals) and to other consulting firms through work order assignments under the Professional Engineering Services for Restoration Projects in violation of the CCNA Statute.

During our audit of *Procuring Professional Engineering Services for Restoration Projects #16-01*, we addressed the work order assignment process. The audit concluded that the District complied with applicable Florida Statutes and Procurement policies and procedures by soliciting full service engineering firms to submit qualifications and technical proposals to provide engineering services for the District's Restoration Projects, evaluation of submittals by a District panel and then distributing work order assignments as equally as possible to professional engineering firms awarded contracts.

The Complainant also contended that a former District Project Manager had undue influence over the assignment of work orders to HDR Engineering for the C-44 Project. Lastly, the Complainant also alleged District ethics violations related to contracts and subcontracts with the Wantman Group and a former District Executive Director.

The allegation that the Procurement Bureau Chief directed work order contracts to associates of Florida Crystals and to other consulting firms that were awarded contracts under the Professional Engineering Services for Restoration Projects was unfounded. Internal controls over the work order assignment process segregate approval authority by requiring that the Bureau Chiefs of the Procurement and the Engineering and Construction Bureaus and Procurement's Contract Specialist to approve work order assignments so that no one individual has total authority over the assignments. Thus, the Procurement Bureau Chief is part of a group that approves work order assignments and is not the sole decision maker. We found no evidence to indicate that these controls were bypassed.

The allegation that the Wantman Group's volume of work with Florida Crystals created a conflict of interest for the District was unfounded. Our review of applicable District policies and procedures and Florida Statutes indicated that the District did not violate ethics and/or Florida Statutes by contracting with the Wantman Group.

The Complainant also implied that a former District Executive Director who was working on a District project as a subcontractor of a prime contractor was an ethics violation. Our review of District's ethics policy revealed no provisions that would preclude the former Executive Director, who left the District in April 2011, from working as a subcontractor. The District has no control over a prime contractor's choice of subcontractor or the authority to direct subcontractor selection.

Investigation of Complaint Regarding Lakeside Ranch STA Contractor *Project No. 16-15*

We investigated an anonymous complaint dated February 23, 2011, alleging that the general contractor on the District's Lakeside Ranch Stormwater Treatment Area project, (Lakeside Ranch) had at least two subcontractors who had illegal workers on their payroll. One contractor was responsible for constructing culverts, weirs, dewatering and the other was primarily responsible for grading. The complainant identified himself as a south Florida contractor that has done work for the District. The complainant asserted that the current procurement bidding system is unfair and without integrity for allowing contractors with illegal workers on the payroll to receive District contracts.

The Lakeside Ranch project encompasses approximately 2,700 acres in North Martin and Okeechobee Counties and includes a 3-cell Stormwater Treatment Area, construction of water control structures and canal improvements. The District entered into a contract with the general contractor on May 26, 2009, to construct the project for \$15,475,000.

We discussed subcontractor worker eligibility with the project manager from the general contractor. They stated that at the time the contract with the District was executed the company was precluded by law from verify any information concerning subcontractor workers and as such did not verify worker eligibility. They added that he did not notice anything unusual with these subcontractors when out at the worksite that would even call for such a verification review.

We found that at the time the general contractor's contract with the District was signed, it did not contain a provision requiring contractors and their subcontractors to use E-Verify. E-Verify is a program used through the federal government's Department of Homeland Security. E-Verify provides the contractor with a link to federal databases that allows them to validate employment eligibility of workers.

On January 4, 2011, Governor Scott signed Executive Order number 11-02 (Verification of Employment Status) which mandated all state contractors and their subcontractors to utilize the Department of Homeland Security's E-Verify system during the contract period with the state or its agencies. Accordingly, the District has added the requirements of Executive Order 11-02 into its boilerplate contract for new contracts and amended many of its multi-year contracts to include the E-Verify provision, which were executed prior to Executive Order # 11-02.

The allegation that two subcontractors, Johnson Davis and Pull Pans, LLC, have illegal workers on their payroll is not sustained. At the time, the District executed its contract with the general contractor, the contract did not contain a provision requiring contractors and their subcontractors to use Department of Homeland Security's E-Verify to determine employment eligibility of their workers. Without proper verification of worker documents through the federal databases, a review of these documents to validate employment eligibility is of little value.

The District has amended its contracting process to implement the new requirements of the Governor's Executive Order number 11-02 by adding a provision to its boilerplate contract requiring contractors and their subcontractors to verify employment eligibility of all employees performing District work. The District contract also contains a provision which allows the District, at its discretion, to verify contractor compliance with the E-Verify provision.

Complaint Regarding Personal Cell Phone Use for District Business ***Project No. 17-07***

We received a complaint from a District employee regarding the change that no longer provides employees with District cell phones and instead pays a monthly stipend to employees for using their personal cellphones for District business. We concluded that the nature of the complaint was a policy issue and was not an allegation of fraud, waste, abuse, gross mismanagement or other misconduct. Thus, no formal investigation was deemed necessary.

Investigation of Invoice Irregularities ***Project No. 17-12***

At management's request, our Office investigated invoice irregularities related to an agreement with a herbicide application contractor. The District entered a three-year agreement (#4600003453), dated October 1, 2016, with the contractor to provide herbicide application services to control invasive plant species in the District's natural areas, stormwater treatment areas, and water resources through work order contracts.

Invoice Date	Amount Invoice	Labor Cost	Labor Cost %	Herbicide Cost	Herbicide Cost %
March 6, 2017	\$15,570.07	\$14,569.50	94%	\$1,000.57	6%
March 6, 2017	35,802.31	34,320.00	96%	1,482.31	4%
March 31, 2017	41,129.71	39,647.50	96%	1,482.21	4%
March 31, 2017	28,862.43	27,020.00	94%	1,842.43	6%
June 1, 2017	55,051.38	52,480.50	95%	2,570.88	5%
June 1, 2017	3,056.96	2,921.33	96%	135.63	4%
Total	\$179,472.86	\$170,958.83	95%	\$8,514.03	5%

The project manager suspected that a herbicide manufacturer's receipt submitted by the contractor in support of the herbicide used had been fabricated. When asked about a fabricated manufacturer's receipt remitted to support the contractor's herbicide usage, he admitted to creating it but for the sole purpose of expediting the District's invoice approval process and complying with District documentation requirements. He disclosed that he ordered the herbicides via a telephone call to the manufacturer, using his personal credit card for payment and did not receive a receipt for the herbicides purchased. He emphasized that the contractor had no intentions of defrauding the District.

The contractor provided revised invoices with actual invoices. The aggregate invoices showed a net overcharge to the District in the amount of \$643.49 for herbicides, which is .03% of the invoiced total of \$179,473. We found that the primary cause of APM invoice irregularities that resulted in herbicide overcharges of \$643 was deficiencies with APM's billing and inventory processes and carelessness rather than an intentional act to defraud.

OTHER PROJECTS

Administrative Projects

During FY 2017 our Office completed the following administrative projects:

- Developed the FY 2018 Annual Audit Plan
- Completed the Office of Inspector General Annual Report
- Maintained and updated the Office of Inspector General Web Site
- Managed the contract with RSM, US, LLP, for External Independent Auditing Services. The District received an unqualified opinion on its financial statements for the year ended September 30, 2016
- Coordinated the State Auditor General's Audit of the District