

# **SOUTH FLORIDA WATER MANAGEMENT DISTRICT**



**Office of Inspector General  
Annual Report**

**For the Period from October 1, 1997 to September 30, 1998**

**Allen Vann, Inspector General**



# South Florida Water Management District

3301 Gun Club Road, West Palm Beach, Florida 33406 • (561) 686-8800 • FL WATS 1-800-432-2045  
TDD (561) 697-2574 • www.sfwmd.gov

MGT 08-06F

September 29, 1998

**Governing Board Members:**

Mr. Frank Williamson, Jr., Chairman  
Mr. Eugene K. Pettis, Chairman  
Mr. Mitchell W. Berger  
Ms. Vera M. Carter  
Mr. William E. Graham  
Mr. William Hammond  
Mr. Richard A. Machek  
Mr. Michael D. Minton  
Ms. Miriam Singer

Re: Annual Report for  
Fiscal Year 1998

In accordance with the Audit Committee Charter and the 1994 Inspector General Act (Chapter 20.055(7) F.S.), I am pleased to submit the Office of Inspector General's Annual Report for Fiscal Year 1998. This report was prepared by Doris DeMaio. It summarizes the audits 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 Audit Committee and the cooperation of the District staff.

Sincerely,

Allen Vann  
Inspector General

AV/dmd

C: Samuel E. Poole III  
Michael Slayton  
Trevor Campbell

*Governing Board:*

Frank Williamson, Jr., Chairman  
Eugene K. Pettis, Vice Chairman  
Mitchell W. Berger

Vera M. Carter  
William E. Graham  
William Hammond

Richard A. Machek  
Michael D. Minton  
Miriam Singer

Samuel E. Poole III, Executive Director  
Michael Slayton, Deputy Executive Director

Mailing Address: P.O. Box 24680, West Palm Beach, FL 33416-4680

## TABLE OF CONTENTS

<b>Introduction .....</b>	<b>1</b>
<b>Staff .....</b>	<b>2</b>
<b>Continuing Professional Education and Training .....</b>	<b>2</b>
<b>Inspector General Activities .....</b>	<b>3</b>
<b>Audits .....</b>	<b>4</b>
Audit of Cost Sharing and Cooperative Agreements with Local Governments and Other Entities.....	4
Audit of the Everglades Construction Project Procurement Process .....	4
Review of the Operations Division of the Operations & Maintenance Department.....	4
Audit of the Cash Mitigation Program .....	5
Audit of the Minority/Woman Owned Business (M/WBE) Program.....	5
Letter Report: Recommendations To Improve The Minority/Woman Owned Business (M/WBE) Reporting Process .....	5
Follow-up Report of the September 1996 Surplus Property Auction Audit .....	5
Audit of Gator Guardrail, Inc Minority/Woman Business Enterprise Certification.....	6
<b>Investigations .....</b>	<b>7</b>
Investigation of M/WBE Certification of Gulf Construction Group.....	7
<b>Other Activities .....</b>	<b>8</b>
Arthur Andersen Management Letter.....	8
Audit/Recommendation Database .....	8
Web Site Development .....	9
Assistance to Other Departments .....	9
<b>Appendix A: Office of Inspector General, Organization Chart .....</b>	<b>10</b>

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## INTRODUCTION

In accordance with the Inspector General Act of 1994, Chapter 20.055(7) F.S., 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, 1998.

The OIG serves as an independent appraisal function 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 Committee appointed by the Chairman of the Board. The Audit Committee operates under an Audit Committee Charter established by the Board.

The duties and responsibilities of the Inspector General, as defined by Chapter 20.055, F.S. 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.
- ensuring that an appropriate balance is maintained between audits, investigations, and other accountability activities.

Under Chapters 112.3187 through 112.31895 and Chapter 20.055, F.S., the OIG is also responsible for investigating Whistle-Blower Act complaints brought by District employees, ex-employees, agents, or contractors.

The Charter establishes 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.

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## **STAFF**

The OIG consists of seven (7) professionals: an Inspector General, four (4) Senior Auditors, one (1) Information Systems Audit Manager, and one (1) Senior Administrative Resource Associate. (See Appendix A, Organization Chart, page 10.) The Inspector General and all Senior Auditors maintain active Certified Public Accountant licenses.

Staff professional affiliations are as follows:

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

## **CONTINUING PROFESSIONAL EDUCATION AND TRAINING**

Every fiscal year, the Inspector General provides training for OIG staff. The goal of the program is to cost effectively increase professional knowledge and proficiency, and ensure that staff meet continuing professional education requirements of professional organizations, licensing bodies, and the Government Auditing Standards ("the Yellow Book") to maintain licenses and certifications, and to comply with government auditing standards.

During FY 98 the staff received training in such topics as:

- Tools and Techniques of Fraud Examination
- Basic Governmental Auditing
- Computer Audit Application Tools
- Computer Security
- Using Risk Assessment to Build Individual Audit Programs
- Practical Application of CAAT

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## **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 risk assessment, long range audit plan, analysis of financial information, and input from the Audit Committee and District management, to aid in the development of this plan. The OIG continues to identify those programs that pose the greatest risk to the District, to assist in prioritizing audits, and to ensure the most effective use of audit 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.

All audits are conducted in accordance with generally accepted government auditing standards promulgated by the Comptroller General of the United States, commonly referred to as the Yellow Book, and Standards for The Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, Inc. All audit reports issued contain a statement that the audit was conducted in accordance with applicable standards. During FY98, the OIG performed a series of audits, reviews, and investigation, along with various other activities.

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## AUDITS

During FY 98 the OIG finalized six (6) audit reports, one (1) follow-up audit report, and one (1) letter report. A summary of each report follows:

**Audit of Cost Sharing and Cooperative Agreements with Local Governments and Other Entities.** This Audit focused on determining whether the controls over monitoring cost sharing and cooperative agreements were adequate to ensure that District funds were used for the intended purpose. With few exceptions, District management substantiated that the cost-sharing partners used the District funding for its intended purpose. However, project monitoring and administrative controls could be improved. The report contained eighteen (18) recommendations which management concurred with and indicated steps they will take to implement them.

**Audit of the Everglades Construction Project Procurement Process.** This Audit focused on determining whether contracts for the Everglades Construction Project were properly awarded, conform to District procurement rules, and a best practices approach was applied. Overall, the aggregate design costs for the ECP appeared to be reasonable compared to various benchmarks. However, the planned level of expenditure for construction management services needs to be reevaluated to identify strategies for possible cost reductions and savings. The report contained twelve (12) recommendations which management concurred with and indicated steps they will take to implement them.

**Review of the Operations Division of the Operations & Maintenance Department.** This Audit was requested by the Director of the Operation and Maintenance Department to determine whether the Operations Division is acquiring, protecting, and using its resources efficiently, and whether they have complied with laws and regulations. Overall, the Operations Division is doing a good job of providing for around the clock monitoring and control of District water control structures and water bodies. We did, however, find some opportunities for improvement. The report contained fifteen (15) recommendations which management concurred with and indicated steps they will take to implement them.

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**Audit of the Cash Mitigation Program.** This Audit was conducted at the request of the Regulation and Construction & Land Management Departments. This Audit encompassed a review of fiscal controls and also an evaluation of the processes used by Regulation, CLM, and OFM to evaluate cash mitigation proposals, determine estimated mitigation costs, implement the required mitigation plan, and record cash mitigation transactions. We found that fiscal controls surrounding the cash mitigation could be more effective and needs to be improved. The report contained ten (10) recommendations; management concurred with nine (9) and indicated steps they will take to implement them.

**Audit of the Minority/Woman Business Enterprise (M/WBE) Program.** This Audit focused on verifying the accuracy of statistical data presented in the Fiscal Year 1997 M/WBE Goal Attainment Analysis Schedule prepared by the Office of Supplier Diversity and Outreach (SDO). The report concluded that the amounts reported for Fiscal Year 1997 in the M/WBE Goal Attainment Schedule present fairly the results of the M/WBE activity period.

**Letter Report: Recommendations To Improve The Minority/Woman Business Enterprise (M/WBE) Reporting Process.** As a result of our audit of the M/WBE financial report, we made several observations on ways to improve future M/WBE reporting activity. The report contained two (2) recommendations which management concurred with and indicated steps they will take to implement them.

**Follow-up Report of the September 1996 Surplus Property Auction Audit.** The initial Audit of the September 1996 Surplus Property Auction was issued on December 4, 1996. The report contained ten (10) recommendations which management concurred with and agreed to implement at various dates between December 5, 1996 and December 1, 1997.

Auditing "standards" require that follow-up audits be performed to assess the adequacy, effectiveness, and timeliness of actions taken by management on reported audit findings. The OIG found that of the ten (10) recommendations in the original audit, five (5) were implemented, two (2) were partially implemented, two (2) were not implemented and one (1) is no longer applicable.



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**Audit of Gator Guardrail, Inc. Minority/Woman Business Enterprise Certification.** This Audit was requested by the Director of the Office of Supplier Diversity and Outreach to determine whether Gator Guardrail continues to meet the criteria for M/WMB eligibility. Based on our findings, we concluded that Gator Guardrail does not meet the eligibility standards for M/WBE certification and recommend that the Office of Supplier Diversity and Outreach initiate action to decertify Gator Guardrail as a M/WBE. Management concurred with our recommendation and agreed to initiate its implementation.

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## INVESTIGATIONS

Although there were no Whistle-Blower Act investigations during the year, we did follow-up on information provided by the Auditor General's staff on matters which were brought to their attention while conducting their audit. However, our inquiries resulted in our determining that further investigation was not warranted. Also, during the year we concluded one investigation:

**Investigation of Minority/Woman Business Enterprise Certification of Gulf Construction Group, Inc.** This investigation focused on determining whether Gulf Construction Group was properly certified in accordance with District policies and guidelines governing the M/WBE program that were in effect at the time of Gulf's certification and whether the documents that Gulf submitted in support of its application for M/WBE certification contained false statements and/or misrepresentations. It was our opinion that the District's Office of Supplier Diversity and Outreach acted appropriately in certifying Gulf based on the seeming credibility of the voluminous amount of documentation provided by the applicant in support of his Native American status. However, the documentation included with the application in support of the company principal's claim of Native American minority status could not be substantiated. It was recommended that the District review the evidence presented in this report and any additional documentation that Gulf Group, Inc. may wish to provide and take any appropriate measures. The District has taken action to decertify the company from the M/WBE Program. that may be available under FAC Section 40E-7.664-Suspension, Debarment, Revocation or Decertification.

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## OTHER ACTIVITIES

**Follow-up of Arthur Andersen Management Letter.** Arthur Andersen LLP conducted an audit of the District's general purpose financial statements for the Fiscal Year ended September 30, 1997. The report dated November 18, 1997, stated "...there are no material weaknesses in financial management controls at the District." The report contained four (4) recommendations. Management concurred with three (3) recommendations and indicated responsible divisions along with estimated completion dates. Management deferred its response to the remaining recommendation until the Office of Inspector General had completed its audit of the District's information systems security, scheduled for FY98.

The Office of Inspector General performed a follow-up audit of the implementation status of the recommendations made by the Arthur Andersen's report. The follow-up report reflected that of the four (4) recommendations made by Arthur Andersen, three (3) were implemented. The internal audit of the remaining recommendation has been completed and is out for departmental review.

**Audit/Recommendation Follow-up Database.** In order to track the status of audit recommendations, the OIG staff has developed an electronic database. For each complete audit, an "Audit" record is created, which contains basic information about each audit. For each "Recommendation" a recommendation record is created. As the Departments move toward closure of the recommendations, the recommendation records will be updated periodically and periodic reports will be provided to the Audit Committee and management.

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**WEB Site Development** - During FY'98 a web site was developed for the Office of Inspector General. This site is available on both the World Wide Web and the Internal Network Web and makes it possible to provide District employees and the general public with the following information:

- Information Guide on the Office of the Inspector General
- Inspector General Staff
- How to Communicate Complaints to the Inspector General
- Audit Reports
- Special Projects Reports
- Internal Audit Charter
- Audit Committee Charter
- Whistle Blower Policy
- Audit Committee Agenda

**Assistance to Other Departments.** The OIG periodically receives requests from District departments to consult with, and provide advice, on various projects. Such projects may entail examination or investigation of specific matters. This support may involve financial analysis, performance reviews, information systems reviews, review of rule or policy changes, or serving in an advisory capacity to assist in the decision making process regarding specific projects. During the year, we provided assistance on the development of performance measurement for District programs and support activities. We also provided input on District reengineering of the:

- procurement process
- recruitment process
- grievance procedure
- permitting process
- vendor invoice payment process
- procurement card implementation

Appendix A

**South Florida Water Management District  
Office of Inspector General**

