

SOUTH FLORIDA WATER MANAGEMENT DISTRICT



**Office of Inspector General
Annual Report**

Fiscal Year 2008

Prepared by
Office of Inspector General

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INTRODUCTION

In accordance with the Section 20.055 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, 2008.

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 Office of Inspector General to provide a central point for coordination of activities that promote accountability, integrity, and efficiency in the operations of the District. The Office of Inspector General 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 Section 20.055, F.S., includes:

- 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.

Under Sections 112.3187 through 112.31895 and Section 20.055, F.S., the Inspector General is also responsible for investigating Whistle-Blower Act complaints brought by District employees, former employees, agents, or contractors.

STAFF

The Office of Inspector General currently consists of five professionals: an Inspector General, a Director of Auditing, two Lead Consulting Auditors, one Chief Investigator and one Executive Assistant. The Inspector General is an active member of the Florida Bar. The Director of Auditing is a Certified Public Accountant, Certified Management Accountant, Certified Information Systems Auditor, and Certified Technology Professional. The Chief Investigator is Certified Public Accountant and a Certified Fraud Examiner. One of the Lead Consulting Auditors is a Certified Public Accountant and the other is a Certified Internal Auditor. Professional affiliations are as follows:

- 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

CONTINUING PROFESSIONAL EDUCATION AND TRAINING

In order for our Office to comply with the General Accounting Office's *Government Auditing Standards* and the Institute of Internal Auditors *Standards for the Professional Practice of Internal Auditing*, 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 2008 the staff received training in such topics as:

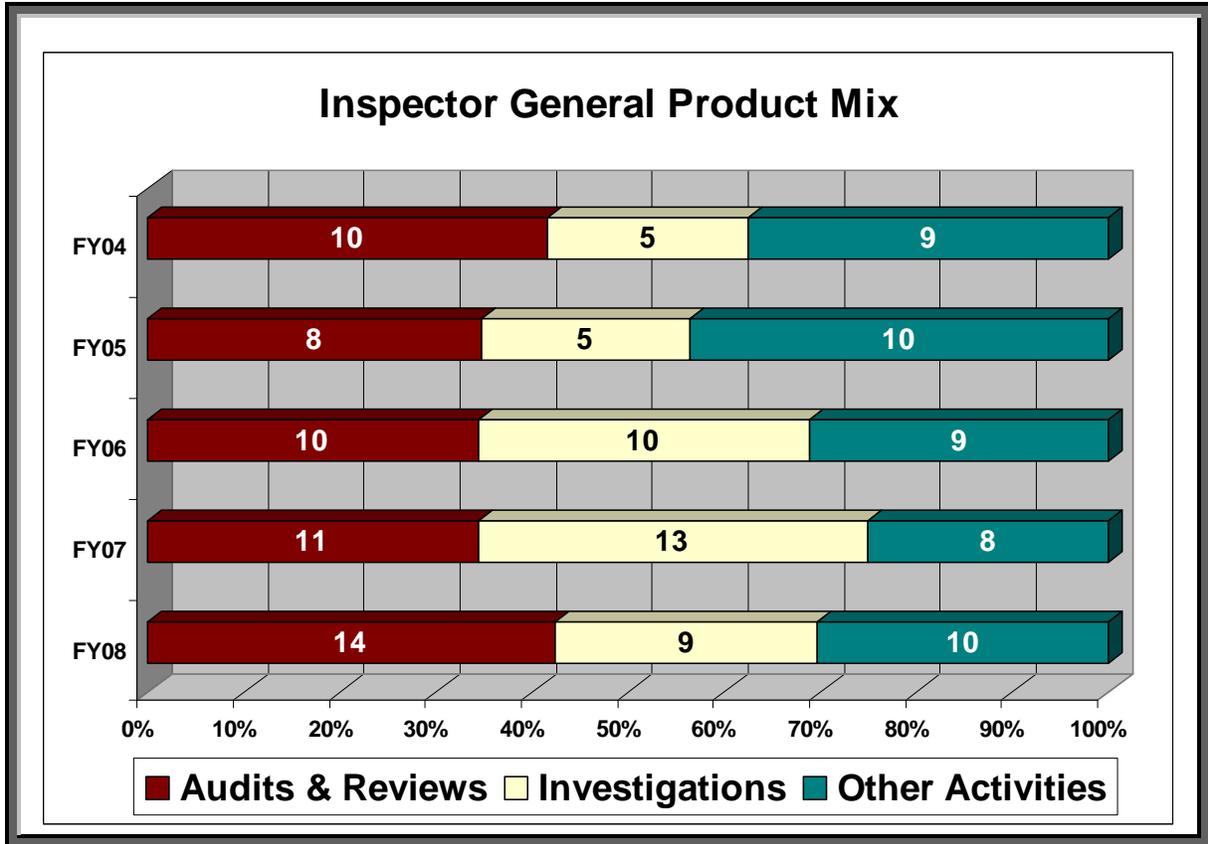
- Government Accounting Standards
- Government Auditing
- Information Systems
- Performance Measures

-
- Auditing Construction Contracts
 - Performance Measures
 - Fraud Detection and Investigation
 - Ethics

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 Strategic and Annual 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.

Overall, the number of work products prepared in FY 2008 was comparable to previous fiscal years as illustrated in the following graph:



All audits, unless otherwise noted in the report, are conducted in accordance with generally accepted government auditing standards promulgated by the Comptroller General of the United States, which are commonly referred to as the Yellow Book. Reviews and investigations, unless otherwise noted in the report, are conducted in accordance with Principles and Standards for Offices of Inspector General promulgated by the Association of Inspectors General.

AUDITS & REVIEWS

In FY 2008, the Inspector General's Office focused on performance auditing and completed 14 audits and reviews of programs and processes. Performance audits include comments on economy & efficiency, program compliance, and results. A summary of each report follows:

Audit of State and Federal Cost Sharing Agreements *Project No. 06-18*

The objective of this audit was to verify that the District and the USACE are contributing their share of the committed participation in accordance with the critical restoration cost-sharing agreements. As of February 2008, the District contributed \$79.1 million towards its 50% critical restoration projects cost-sharing obligation. An estimate of \$18.6 million to complete the projects will be funded by the District, which will bring the total District contribution to \$97.7 million. Records provided by the USACE indicate that they have contributed \$53.1 million.

We found that the USACE initially approved only 39% of the District's submittals for work-in-kind project credit. Subsequently, the District provided the USACE with additional support that resulted in the USACE approving 63% of the \$6 million costs submitted for credit. For the remaining costs, the USACE will review the District submitted support for in-kind credit approval, which will be subjected to proper documentation and USACE funding availability.

Based on USACE project cost information at the time of the audit, it appeared that the District may owe \$1.4 million to USACE after the critical projects are completed. Considering that the District has overspent the USACE by approximately a 2 to 1 margin for the seven critical projects, we recommended that the District attempt to eliminate any liability that may exist at the project's completion through an amendment or other offset. According to Management, Congress has recently approved an increase in the federal spending cap for Critical Projects from \$75 million to \$95 million. As a result, the USACE may allocate some of this authorization to the District sponsored projects. In addition, for the upcoming Water Resource Development Acts or Appropriation Bills, the District's Everglades Restoration Resource Area staff will take the lead in coordinating

with the Government and Public Affairs Department to develop and gain Congressional support for legislation, which authorizes the USACE to balance the 50/50 cost-share across all projects with the District. Management believes that this would eliminate the need for cash contributions and reimbursements.

Audit of the Land Stewardship Program
Project No. 07-06

The objective of the audit was to examine the Land Stewardship Program and the processes used to manage District owned lands. We also examined how Land Managers, Project Managers, and other government agencies work together to coordinate land management activities.

We found internal control weaknesses in Land Stewardship's monitoring process that lead to unauthorized excavation activities on District project land. We determined that unclear lines of project responsibility and a lack of communication between the project manager and the land manager contributed to the internal control breakdowns. To address these control weaknesses, Land Resources developed a more formalized land stewardship process, which included strengthening supervisory controls. In addition, the Environmental Resource Regulation Department has completed organizational changes to improve internal controls over the permitting process in Service Centers.

We also noted a control weakness in procedures to collect voluntary donations at the Dupuis Reserve. District management has implemented changes to strengthen control over the collection process.

Audits of the Everglades Agricultural Area A-1
Reservoir Construction Management at Risk Contract
Project Nos. 07-21 & 08-02

We conducted an audit of the Everglades Agricultural Area A-1 Reservoir Construction Management at Risk Contract with Barnard-Parsons Joint Venture (Barnard) in two parts. The first part (*Audit #07-21*) focused on determining whether the costs charged to the District were reasonable, and in accordance with the specific contract

terms. In the second part (*Audit #08-02*), we examined the equipment rates proposed for phase #4 of the contract to determine whether equipment hourly rates fairly represented the true cost to own and operate the equipment.

District staff worked diligently to resolve the issues presented in our reports and used the audits to assist in negotiating other phases of the contract. Our audits resulted in cost savings of over \$28 million.

Audit of Contract Charges
Audit No. 07-21

We found that Barnard's general and administrative overhead rate and payroll burden factors were reasonable, salaries were billed in accordance with the contract, and equipment usage was billed in accordance with negotiated contract rates. However, we found several instances of potential overcharges and questioned costs (for example, a double payment; holiday pay was billed as both direct and indirect charges).

The contract required Barnard to obtain builder's risk insurance. The District's historical practice is to self-insure its existing water control structures and equipment but to require builders risk insurance on projects during construction. We recommended that the District re-assess whether it should continue with its practice of requiring builders risk insurance on these types of projects or purchase such insurance directly. District staff explored various insurance options and presented several alternatives to the District's Governing Board. The final direction was for the District to purchase a policy directly with different coverage limits that better address the District's risk exposures, and at a savings of \$8.5 million.

Audit of Equipment Hourly Rates
Audit No. 08-02

The contract provides for using the Rental Rate Blue Book as the basis for establishing equipment hourly rates. Our analyses revealed that, overall, the Rental Rate Blue Book standard provided a good basis and methodology for establishing equipment rates.

However, we found that some of the adjustments made by Barnard to customize the standard hourly rates were not justified and resulted in overstating equipment cost by

approximately 11.7%. For example, we found that depreciation would have been overstated because equipment prices did not provide for discounts from list price and incorrect (higher) sales tax rate was used to determine equipment cost. In addition, the cost of capital was overstated, tire prices were inflated, and the daily rates for pickup trucks were overstated.

**Audit of the Uses of Series 2006
Certificates of Participation Proceeds
*Report No. 07-25***

The objective of our audit focused on determining whether the proceeds from the Series 2006 Certificates of Participation were being used for authorized purposes.

Our review disclosed that there were controls in place to ensure that the Certificates of Participation bond proceeds were used for authorized costs. However, a minor improvement was recommended to ensure that all interest earned is accurately reflected in the District's records.

**Review of Acceler8 Expenditures for the
Quarter Ended June 30, 2007
*Report No. 07-30***

The objective of this review focused on determining whether payments were properly authorized and made in accordance with contract/work order terms and other relevant District policies and whether there was adequate supporting documentation to substantiate payment.

Overall, our review disclosed that payments were properly authorized and made in accordance with contract terms and were substantiated by adequate supporting documentation. However, we noted that a few change order issues that should be addressed. For example, a prime contractor's fee in connection with a change order was not determined in accordance with the general terms and conditions of the contract resulted in an overpayment of \$9,462 to the contractor. We made three recommendations for improvement.

**Review of Acceler8 Payments for the
Quarter Ended September 30, 2007
*Project No. 08-05***

The objective of this review focused on determining whether payments were properly authorized and made in accordance with contract/work order terms and other relevant District policies and whether there was adequate supporting documentation to substantiate payment.

Overall, our review disclosed that payments were properly authorized and made in accordance with contract terms and were substantiated by adequate supporting documentation.

**Audit of the Information Technology Department
*Project No. 07-36***

The Information Technology (IT) Department audit focused on reviewing major IT functions from a business perspective to determine whether IT activities or applications adequately support the District's programs, determine that IT activities are necessary to meet the District's operational business needs, and determine that IT activities are cost effective.

Overall, our audit revealed that the IT Department has adequate planning, budgetary and project management control processes in place to ensure that information technology activities, projects, and applications support the District's programs and meet its operational needs. The IT Department provides support for the technology infrastructures which are vital to the District's program strategies and goals.

We also found that the IT Department makes extensive use of contract workers. We determined that the cost of using contract workers is approximately 73% more than if in-house staff were hired to perform those same job responsibilities. Our analysis showed that approximately \$2.6 million could be saved by converting these outsourced positions to full-time equivalent in-house positions. It should be noted that such savings would be a recurring annual savings without reducing the level of service provided.

Audit of the Corkscrew Regional Mitigation Bank
Project No. 08-01

The objective of the audit was to determine whether the Corkscrew Regional Mitigation Bank's revenue was reasonably stated and whether expenditures were reasonable, necessary and allowable. The District entered into an agreement on January 6, 1998, with Mariner Properties Development, Inc. (Mariner Properties) to design, construct and implement a mitigation bank restoration plan on 632 acres of District property located in Lee County. However, prior to the project's completion, Mariner Properties had opted to sell their interest in the mitigation bank to Earthmark Mitigation Services. The new partner has conducted due diligence procedures but has also asked for an audit of the mitigation bank costs to date.

Based on our audit work, we concluded that mitigation bank credit sales are reasonably stated and the mitigation bank expenditures incurred from inception through August 31, 2007, were reasonable, necessary and allowable. Further, based on current projections it appears that this will be a profitable venture for the District. If the assumptions used in the projections materialize, the bank should generate net proceeds to the District of approximately \$3 million.

Audit of the Monitoring of CERP
Land Acquisition Costs Incurred by
Organizations Other than the District
Project No. 08-04

Our objective focused on determining whether the District has a process in place for identifying and monitoring land acquisition costs incurred by other organizations for the Comprehensive Everglades Restoration Plan (CERP) projects, since the District would be responsible for requesting credit from the U.S. Army Corps of Engineers for all eligible non-federal costs.

Overall, our audit revealed that the Land Acquisition and Land Management Department (Land Acquisition) has procedures in place to identify all tracts within the boundary area of each CERP project and the details pertaining to these tracts (e.g., District-owned, State-owned, and funding sources). However, our comparison of Land

Acquisition's records to the Accounting Division's records disclosed that certain tract acquisitions, disposals, splits, and mergers are not accurately reflected in the Accounting Division's records because the Accounting Division was not properly notified by Land Acquisition. As a result, Land Acquisition and the Accounting Division need to improve communications to ensure that all tract acquisitions, disposals, splits, and mergers are accurately reflected in the District's accounting records. We found that land values are overstated in the accounting system by a net of \$41.8 million. It should be noted that the net overstatements require journal entry adjustments in order to comply with accounting principles and will have no effect on cash balances; however, it will have an effect on the fund balances. We also performed a cursory review of other tracts not acquired with local funding and also found several discrepancies between the two departments' records. Both departments have already taken steps to address many of the issues identified in our report.

**Survey of Participants in the District's
Small Business Enterprise Program**
Report No. 08-11

At the request of the District's Governing Board, we conducted a survey of District-certified small businesses to obtain feedback on various aspects of the District's Small Business Enterprise (SBE) Program. The survey covered 95 SBE's that had been awarded District work as either a prime contractor or subcontractor. Overall, our survey revealed that small businesses benefit from, and are satisfied with, the District's Small Business Enterprise (SBE) Program.

We received responses from 37 of the 95 (40%) small businesses surveyed. Thirty-six of the small businesses responded to the survey question asking whether they would consider working for the District in the future as a small business enterprise and whether they ever called the SBE Office to report issues of non-compliance. All thirty-six responded that they would consider working with the District in the future and 34 responded that they have never called the SBE Office to report issues of non-compliance.

Review of the General Engineering and Professional Services Contracts
Report No. 08-12

This audit focused on determining whether General Engineering and Professional Services work orders are utilizing SBE subcontractors: and whether adequate documentation is maintained to substantiate the level of effort/hours negotiated for executed work orders. In addition, we reviewed the cost effectiveness of using contract workers in situations where the scope of work entails performing on-going activities.

Overall, our audit revealed that there are adequate controls in place to ensure that General Engineering and Professional Services work orders are distributed equitably among prime contractors considering the many factors that may affect the amount of work assigned to a contractor. However, our review of work orders to determine whether work order cost were adequately substantiated revealed some pricing discrepancies that could have resulted in overpayments. Also, in some instances, work orders are issued for contractors to perform permanent and on-going core District functions, due to a limit on the number of District staff positions. We found that the cost of using contractors is significantly higher than the cost of using full-time District staff.

Review of Executive Director's Travel Reimbursement Expenses for October 1, 2007 through March 31, 2008
Report No. 08-14

At the Executive Director's request, our Office reviewed her travel reimbursements during the period October 1, 2007 to March 31, 2007 to determine whether they were made in accordance with District travel policies and procedures.

Overall, our review disclosed that travel reimbursements were made in accordance with the District's travel policies and procedures, except for a couple minor discrepancies for which she reimbursed the District.

Audit Recommendations Follow-Up
Report for Fiscal Year 2008
Project No. 08-21

We are pleased to report that District management has satisfactorily addressed most of our 425 audit recommendations made during the past nine fiscal years (1999 to 2008). The status of recommendations in this year's report is comparable to last year's. Notable is that no recommendations fell into the "Not Implemented" category for the current and previous years.

INVESTIGATIONS

Investigations 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 also refers certain cases to our Office. We completed 10 investigations during FY 08. A short summary of each investigation is as follows:

Investigation of Procurement Fraud and/or Collusion by RadGov Inc. and Radiant Systems *Project No. 07-34*

At Procurement's request, our Office conducted a second investigation into Radiant Systems and RadGov Inc. (RadGov) to determine whether the companies engaged in fraud and/or collusion to solicit for and obtain District business. (In a previous investigation (*Report No. 07-28*), we concluded that Radiant Systems and RadGov were affiliated companies and RadGov did not disclose their affiliation with Radiant Systems as required during the application process for Small Business Enterprise certification with the District.)

During this investigation, we found that RadGov violated the District's non-collusion requirement by colluding with staff from Radiant Systems to prepare a proposal for the District's Information Technology Service solicitation issued on November 8, 2006. We recommended barring RadGov and Radiant from doing business with the District.

Investigation of SFRN, Inc. **Small Business Enterprise Certification** *Project No. 07-35*

At Management's request, we conducted an investigation into SFRN, Inc. (SFRN) Small Business Enterprise (SBE) certification to ensure that SFRN did not benefit from the District's SBE Program if they were not eligible. This investigation was initiated because unbeknown to the District, two former SFRN owners, were secretly involved in the District's acquisition of the Palm Beach Aggregates property in 2003 while they were

with SFRN. One of the owners was indicted for conspiracy to commit honest services fraud and tax evasion.

We found that SFRN was eligible to participate in the District's SBE Program based on the current SBE rule. Our review of SFRN banking and accounting records for the years 2004 through 2006 indicated that the company's revenues were well within the District SBE rule's three-year average revenue threshold of \$6 million per year. The SBE rule does not contain provisions that authorize the District to initiate decertification of a company from the SBE program for an owner convicted of a crime.

We recommended that Procurement consult with the Office of Counsel and the District's Governing Board to consider whether the SBE rule should be amended to include provisions for decertifying firms for reasons other than contained in the current SBE rule (e.g., decertifying a company whose owner(s) were convicted of a crime against the District or another governmental entity).

**Investigation of Complaint Re: Alternative
Water Supply Grant to the Jupiter Country
Club Homeowners Association**
Project No. 08-03

We investigated an anonymous complaint alleging that an alternative water supply grant was awarded to a developer in northern Palm Beach County. The complainant alleged that the District provided a developer with tax dollars for funding construction that the developer was otherwise required to perform based on agreements and permits with other local agencies. The only alternative water supply grant awarded that met the complainant's description was the Jupiter Country Club, which was being developed by Toll Brothers (the "Developer"). We determined whether the District's grant to the Developer for \$278,300 was awarded in accordance with State Statutes and District guidelines.

Based on our review, we concluded that the grant was made in accordance with established guidelines and that funding is not based on who is applying for the funds but rather how much alternative water supply is produced. Although the funds were granted in accordance with established criteria, the complainant's allegations appear to imply that

there is a public perception that private developers are transferring their permit responsibilities to the taxpayers; thereby bringing the established criteria into question. As a result, we recommended that management consult with the Governing Board regarding whether they want to re-consider the criteria for allocating alternative water supply grants in order to address public perceptions of awards to private developers.

**Investigation of Complaint Alleging Mismanagement
at the Education Center of Southwest Florida, Inc.**

Project No. 08-06

At the request of the Governing Board, we investigated allegations concerning the workforce construction/heavy equipment training program (the “Program”). The President and Chief Operating Officer of Safety and Equipment Operator Certification School of South Florida, Inc. (the Equipment Operator Certification School) contended that the Education Center of Southwest Florida, Inc.’s. (the “Education Center”) has mismanaged the Program and alleged malfeasance and breach of contract. Specifically, he alleged that the Education Center did not give him the contractual agreed upon advanced notice before terminating his contract and was late paying his company for work performed. The complainant further alleged that the Education Center’s Director paid himself \$29,000 from District proceeds, (which caused the funding shortage and late payments to him) and inappropriately or illegally took \$3,000 from a relative of a student in order to move this student to the head of the training list. In addition, the complainant alleged that the District’s project manager made oral representations and commitments to him, which she later reneged on.

Our review of the District’s contract with the Education Center established that the Center was not in violation of any of its terms and conditions and that the complaint’s allegations of mismanagement and malfeasance by the Education Center are unfounded. The Education Center, with its limited resources, did a creditable job of reaching out to the socially and economically disadvantaged and provided job training and workforce development opportunities to impacted residents and contractors. The complainant’s contention that the Education Center was frequently late paying him was also unfounded.

We did not investigate his allegations claiming breach of contract with the Education Center. Any contractual disagreements between the Education Center and Equipment Operator Certification School should be resolved by the contractual parties. Further, we questioned the complainant's motives for filing this complaint after we learned that he met with the District's Office of Counsel and other staff to work out remunerations from the District for what he described as a breach of his contract by the Education Center. The Office of Counsel concluded that the District had no liability to pay any compensation to the complainant. This decision appeared to be the complainant's motive for making the allegations addressed in the report.

**Investigation Alleging Employee Favoritism
Towards Certain District Vendors**
Project No. 08-07

We investigated a Whistle-Blower complaint alleging that a District employee engaged in fraudulent business practices when he directed contract and work order awards for MOSCAD and CR-10 installation services to two vendors, which the complainant characterized as "fake" companies. The complainant further alleged that the "fake" companies have no real staff and subcontracted all MOSCAD and CR-10 installations and related work.

The complainant's allegation claiming that the District employee favored particular vendors was sustained. We also sustained the complainant's contention that the two firms had little or no technical staff. Further, we found the complaint's allegation that the two firms subcontracted all of their purchase order assignments is also sustained.

We concluded that the employees misused his position and authority at the District because he demonstrated favoritism towards certain vendors, and accepted gifts in return. This conduct violated the District's Ethics Policy as well as the Code of Ethics for Public Officers and Employees, Section 112.311-112.326, Florida Statutes. Furthermore, the employee violated the District's Standards of Conduct, whereby his conduct was not in the best interest of the District. Management has taken appropriate actions to address these issues.

Investigation of Alleged Collusion by AEC Contracting, Inc. and Champion Controls, Inc.
Project No. 08-10

At Procurement's request, our Office conducted an investigation into AEC Contracting, Inc. (AEC Contracting) and Champion Controls, Inc. (Champion Controls), District-certified Small Business Enterprises, to determine whether the companies unfairly engaged in collusion to obtain District contracts to provide data logger area recorder maintenance services. The District awarded contracts to the three highest ranked bidders. AEC Contracting and Champion Controls were ranked second and third, respectively. Procurement was concerned about the possibility of collusion because of a husband and wife had ownership interest in these companies. The husband was president and 100% owner of AEC Contracting and his wife was 60% owner of Champion Controls.

We found that the business operations of AEC Contracting and Champion Controls appear independent of each other. The companies have separate offices and its own employees. In addition, each company has its own directors and management team. Our review of the 2007 General Ledger indicated no commingling of company funds. Payments between the two companies were for subcontracted work.

The only connection between the two companies was that the husband and wife had ownership interests in competing companies. We recommended that the District's Office of Counsel review the results of our investigation to determine whether the financial interest clause of the solicitation's non-collusion certification was violated.

Investigation of Apparent Vendor Impropriety Regarding Radio Frequency Antenna Inventory
Report No. 08-13

At management's request, our Office conducted an investigation into an allegation that an outside vendor, which provides SCADA equipment maintenance services, invoiced the District for Yagi antennas the District already owned. District staff alleged that it appeared the vendor charged the District for Yagi antennas that had been issued to them out of District warehouse stock for maintenance projects at monitoring sites.

We found that the allegation was not sustained. Since neither the vendor nor the District had an adequate perpetual inventory system in place there was insufficient evidence to either prove or disprove the allegation. We also found that the vendor's explanation of events was plausible and consistent with the process established by the District's SCADA maintenance division. Moreover, without the benefit of financial and accounting records, we could not establish that the vendor inappropriately invoiced for two antennas that appear to be District owned. The value of the two antennas was approximately \$700.

The District's SAP inventory system now provides staff with the tools necessary to maintain a perpetual inventory of District's Field Operations' warehouse inventory, as well as a perpetual inventory of parts issued to each vendor.

Investigation of Integrated Telecommunications Systems, Inc. Proposal to Provide Campbell Scientific Installation Services
Report No. 08-15

At Procurement's request, our Office conducted an investigation to verify certain representations made in Integrated Telecommunications Systems, Inc.'s (ITS) proposal dated May 10, 2007, to the solicitation for Campbell Scientific equipment installation.

We found that the ITS proposal to the Campbell Scientific (CR-10) Installation Services Solicitation was non-responsive and non-responsible. Two senior technicians for ITS, who were represented as ITS staff in the proposal, did not meet the definition of an employee. They have performed no services as an employee for ITS and received no compensation or benefits. As a result, ITS does not meet the conditions of Section 8 of the Campbell Scientific (CR-10) Installation Services Solicitation, *Minimum Staffing Requirements and Experience*.

**Investigation of Complaint Alleging
Inappropriate Conduct by Staff Regarding
a Change Order Dispute**
Report No. 08-19

Our office received a complaint from Southeastern Communication Services, Inc. (SECS), a District contractor, alleging that the District engaged in abuse, waste, mismanagement and other objectionable activities such as coercion, intimidation and/or threats. The District contracted with SECS to construct a telecommunications facility primarily consisting of a microwave telemetry tower and a precast microwave communications shelter at the District's new Kissimmee Field Station located in St. Cloud, Florida.

The District made a unilateral deductive change order of \$102,000 for the conduit installation work which was deleted from the contract that SECS believes was unreasonable and unsupported. SECS contended that the deleted work should be valued at \$35,000 because this value is supported in the contract's schedule of values, which they claimed was approved by the District. The District contended that the schedule of values is primarily used to assign reasonable value to work components to facilitate progress payments during construction.

The District and SECS have attempted to negotiate a settlement. The District has offered SECS an \$85,000 deduction for the subtracted work and a 30 day time extension to settle the dispute, which SECS rejected. SECS believed that this was not an offer but a demand that was unethical and displayed illegal behavior which may amount to coercion and intimidation. District staff vehemently denies SECS's contention adding that they simply made an offer to settle the dispute.

We concluded that the allegation claiming that District staff engaged in abuse, waste, mismanagement or coercion, intimidation and/or threats was not sustained. We also found that both parties were steadfast in their position on this dispute. As a result, continuing with the contractually agreed upon dispute resolution process to reach a compromise appeared to be the best solution.

OTHER PROJECTS

Assistance to Management

The OIG periodically receives requests from District departments to consult with, and provide advice, on various projects. Such projects may entail examination, investigation or analysis of specific matters. This support may involve financial analysis, performance reviews, information systems reviews, review of rule or policy changes, contract pricing verification, or serving in an advisory capacity to assist in the decision making process regarding specific projects. In FY 2008 the Office of Inspector General received four such request.

Administrative Projects

During FY 2008 our Office completed the following six administrative projects:

- Developed FY 2009 Audit Plan.
- Completed the Office of Inspector General Annual Report for FY 2008.
- Maintained and updated the Office of Inspector General Web Site.
- Managed the Contract with Sharpton Brunson and Company for External Independent Auditing Services. The District received an unqualified opinion on its financial statements for the year ended September 30, 2007.
- Participated on an Association of Local Government Auditors team to perform a peer review for Palm Beach County, Florida.
- Assisted District staff with providing information to the Florida Office of Program Policy Analysis and Government Accountability (OPPAGA) pursuant to their program evaluation and justification review.