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## Water Management District Continues to Draw Concern of Auditor General

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Since publishing "*Oversight Combined with Performance and Fiscal Controls Should Help Implement the Everglades Construction Project on Time and Within Budget*" (August 1997), Florida TaxWatch continues to follow the progress of the Everglades Construction Project as well as more globally, the administration and management of the South Florida Water Management District (SFWMD). Recently, the Florida Auditor General released report number 13311, "*Operational Audit of the South Florida Water Management District*" for varying periods of time from late 1995 through 1997.

In its 1997 report, Florida TaxWatch outlined fourteen concerns about the SFWMD and its handling of the Everglades Construction project. Among them are some of the same concerns which show up in the Auditor General audit. In audit #13311, the Auditor General found major discrepancies in budget administration, land acquisitions, communication expenditures and meritorious service awards. This audit continues an unpleasant evolving trend of "noncompliance [by the SFWMD] with guidelines and significant deficiencies in the design or operation of the internal control for audited operations."<sup>1</sup>

**Budget Administration.** The Auditor General reviewed the practices and documents produced by the SFWMD and found that comparisons of budgeted and actual expenditures for 1996-97 were not provided for purpose and fund type. This is not in accordance with Section 373.536(1), Florida Statutes. In a previous audit, (# 12821) the SFWMD was found to have had similar problems in reporting expenditures and budgeted items and, according to the Auditor General's office, exceeded budgetary authority. The SFWMD's response to the audit states that it is fully complying with state statutes regarding this issue, but the water management district's rebuttal statement to the audit also states that it will change policies in order to better match budgeted and actual expenditures.

This was an area of concern in Florida TaxWatch's August 1997 report. TaxWatch found that similar financial management procedures were not being followed in the Everglades Construction Project to include:

➡ *Project needs and revenues were not compared side by side against a lawfully approved \$685 million budget;*

➡ *There was no tracking of detailed variances against the original plan and budget approved by the Legislature; and,*  
➡ *Separate cash flow and expenditure budget components for land acquisition, construction and revenue were not assembled with central coordination and oversight for legislative and public presentation.<sup>2</sup>*

In addition, Florida TaxWatch recommended that a Capital Projects Fund (CPF) should be used for major undertakings such as the Everglades Construction Project. Because of the logistics of this project, a CPF would allow the district to provide a balance sheet, a statement of revenues, expenditures and changes, and a comparison of budgeted revenues and expenditures against actual revenues and expenditures as required by the Governmental Accounting Standards Board's generally accepted accounting principle for governmental funds. By doing so, the district provides a certain amount of credibility by being able to show where the money is and where it was supposed to go.

Florida TaxWatch further recommended and recommends that the SFWMD staff should provide the district board with explanations and justifications for changes in projects prior to the implementation of such changes. This would bring credibility to the district's actions.

**Land Acquisition.** Auditor General Report No. 13311 also reports discrepancies in land acquisitions, a major concern of the 1997 Florida TaxWatch report. Several acquisitions were found to have exceeded the approved value at which the land was appraised and the SFWMD did not adequately provide documentation as to why this happened. Auditors reviewed ten separate acquisitions and found that six exceeded appraised values and lacked documentation in order to warrant the excessive costs involved with acquisition.

The district defends the lack of information in order to keep confidential its bargaining power in dealing with future acquisitions. The Auditor General's office takes exception with this and recommends that the SFWMD document its transactions so that the public will know that the decisions of district officials are sound. Florida TaxWatch found the same deficiencies in its 1997 report concerning the Everglades Construction project. Land purchases were made outside of the construction project area and documentation was lacking in many others. In some cases, parcels were purchased without any verifiable reason or rationale.

In addition, an acquisition of two parcels of property made by the Nature Conservancy and subsequently sold to the district for its use also lacked proper documentation. In this case, a signed agreement outlining the Nature Conservancy's and the District's role in this sale was not available.

While it has become common practice for non-profit corporations to become quasi-agents for purchasing environmentally sensitive lands for government agencies, administrative

steps must be taken to ensure that these same agencies consequently are not placed in jeopardy. The Auditor General recommends that SFWMD develop contractual agreements and appropriate procedures as well as sound business practices so that these concerns need not be raised again when dealing with external entities. Florida TaxWatch wholeheartedly concurs with this recommendation.

**Conclusion.** The South Florida Water Management District is still in need of changes. Legislative review of key SFWMD projects should continue with an emphasis on those activities outlined by the Auditor General's report as well as on ongoing review of the district's efforts in the Everglades Construction Project. The district should make it a priority to correct faulty procedures and enact policies which will lay the groundwork for future decisions that are practical, credible and based on sound financial management and administrative practices.

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**ENDNOTES**

1. State of Florida Auditor General. *"Operational Audit of the South Florida Water Management District."* Number 13311. Tallahassee, FL: October 22, 1998. p. 2.
2. Florida TaxWatch. *"Oversight Combined with Performance and Fiscal Controls Should Help Implement the Everglades Construction Project on Time and Within Budget"*. Tallahassee, FL: August 1997. pp. 7-8.

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This report was researched and written by Daniel E. Sprague, Research Analyst under the direction of Dr. Keith G. Baker, Senior Vice President and Chief Operating Officer

Dr. Neil S. Crispo, Senior Vice President Emeritus; Vice President, Research Development

Joseph P. Lacher, Chairman; Dominic M. Calabro, President and Publisher

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For more information on this report, please call:

(850) 222-5052

OR

write Florida TaxWatch at:

P.O. Box 10209

Tallahassee, FL 32302