



# **U.S. Department of the Interior Office of Inspector General**

**Report No. C-IN-MOA-0006-2005**

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## **Modified Water Deliveries to Everglades National Park**

### **AUDIT REPORT**

**March 2006**



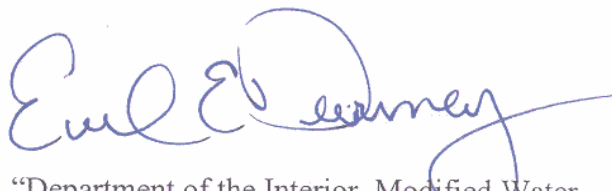
# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, DC 20240

MAR 31 2006

## Memorandum

To: P. Lynn Scarlett  
Deputy Secretary

From: Earl E. Devaney   
Inspector General

Subject: Final Audit Report, "Department of the Interior, Modified Water Deliveries to Everglades National Park" (No. C-IN-MOA-0006-2005)

The attached report presents the results of our audit to determine whether the Department has effectively participated in the Modified Water Deliveries to Everglades National Park Project (Project). We concluded that the Department's participation has been ineffective because it has not developed and communicated a comprehensive and unified restoration strategy and clearly defined its consultation role for the Project.

In your March 8, 2006 response to the draft report, you concurred with all six of the report's recommendations. At this time, we consider all six recommendations resolved but not implemented. The recommendations will be referred to the Department's Focus Leader for Management Control and Audit Follow-up for tracking of implementation. Since we consider all the recommendations in this report resolved, a response is not required.

The legislation, as amended, creating the Office of Inspector General requires that we report to Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

We appreciate the cooperation provided by the Department and agency staff during our audit. If you have any questions regarding this report, please call me at (202) 208-5745.

Attachment

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# EXECUTIVE SUMMARY

## WHAT WE FOUND

### WHY WE DID THIS AUDIT

We audited the Department's participation in the Project because of its importance to the overall restoration of natural hydrologic conditions in the Everglades. As of fiscal year 2005, about \$192 million had been appropriated for the Project. This is the first review of this Project by the Office of Inspector General. Government Accountability Office audits of overall Everglades restoration efforts have identified weaknesses including strategic planning and coordination. Our objective was to determine whether the Department has effectively participated in the Project.

The Department of the Interior (Department) has not effectively participated in the Modified Water Deliveries to Everglades National Park Project (Project). The Department's participation has been ineffective because it has not developed and communicated a comprehensive and unified restoration strategy and clearly defined its consultation role for the Project. This has contributed to Project delays and cost increases. Additionally, we found that the Department has taken little action to monitor or obtain Project status information from the agency charged with designing and constructing the Project, the U.S. Army Corps of Engineers (Corps).

Authorized in 1989, the Project was originally intended to improve water flows into Everglades National Park (Park). The Congress directed the Corps to plan and implement the Project in consultation with the Department. Although the Corps has overall responsibility for the Project, appropriations for the Project pass through the Department's National Park Service.

Since its inception, the Project has been subject to significant delays and escalating costs. Public controversies and conflict have resulted in litigation and further contributed to Project re-designs. The Project is currently eight years behind schedule and the projected price tag is approaching \$400 million, nearly five times its original estimate.

There are many factors that have resulted in these Project delays and cost increases that are outside the Department's direct responsibility and control. Some of these delays and cost increases are caused by the Corps and other Project stakeholders. Our audit was limited to the Department's participation in the Project. We did not audit the Corps' management of the Project or other stakeholders' involvement in the Project. We also limited our audit to the Modified Water Deliveries Project and did not audit the Department's involvement in the Comprehensive Everglades Restoration Plan that involves additional projects to be performed after completion of the Modified Water Deliveries Project.

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This report presents actions aimed at ensuring that the Department effectively participates in the Project. Effective participation can best be achieved by the Department utilizing a project management approach to guide its participation, including:

- A clearly defined Department-level consultation plan.
- A unified Departmental approach to restoration.
- A single line of communication with the Corps.
- Improved coordination and communication with Project stakeholders.
- Improved Departmental monitoring and reporting of the Project.

We concluded that if the Department does not improve its participation in the Project, there is a risk that it may contribute to:

- further delays.
- cost increases.
- failure to achieve Project benefits.
- environmental degradation.
- diminished public support.
- litigation.
- continued strain on limited federal resources.
- delays in implementation of other Everglades restoration projects.

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# THE MODIFIED WATER DELIVERIES PROJECT

## **The South Florida Everglades**

Before human intervention, freshwater moved south from Lake Okeechobee to Florida Bay in a broad, slow-moving sheet. The quantity and timing of the water's flow depended on rainfall patterns and on slow releases of stored water. The Everglades provides habitat for many species of native wildlife.

Following major droughts from the early 1930s and 1940s and drenching hurricanes in 1947, the Congress authorized the Central and Southern Florida Project to prevent flooding and to provide drainage and water for South Florida residents. The canals, levees, and pumps of this project coupled with agricultural and industrial activities and urbanization, have reduced the Everglades to about half its original size. These changes have had a detrimental effect on wildlife habitats and water quality.

The Modified Water Deliveries Project to Everglades National Park (Project) is a critical component in achieving environmental restoration in the South Florida Everglades. The Project's purpose is to remove impediments to natural water flows into Everglades National Park (Park) by altering or removing existing water management structures, such as levees and canals. The Department of the Interior has identified the Project as one of its highest priorities.

The Project was authorized in the Everglades National Park Protection and Expansion Act of 1989 (1989 Act) to improve water deliveries to the Park and, to the extent possible, restore the natural hydrological conditions within the Park. The Project is expected to provide significant benefits directly to the Park.

The Project is unusual in several respects. The U.S. Army Corps of Engineers (Corps) is responsible for designing and constructing the Project, but funding is provided through Department of the Interior appropriations. There are numerous stakeholders affected by the outcome of the Project. Stakeholders for the Project include the State of Florida, Native American tribes, local governments, residential and agricultural landowners, environmental groups, and recreational users.

The 1989 Act established the Department's role in the Project as one of consultation. Annual appropriations statutes specified that the Department was to fund the Project. However, for fiscal year 2006, Congress provided appropriations to both the Department and the Corps. Although the Department participates with the Corps in general Project planning and design, the Corps is the direct project manager and makes the final decisions. Because funding is transferred between federal agencies, the Department's responsibilities are generally limited to ensuring that the Corps uses the funds for the Project. Currently, no legislation exists that defines the extent of the Department's consultation to the Corps or that authorizes the Department to enforce cost limits on funding transferred to the Corps for the Project. Further, the Department has not defined its consultation role to the Corps for the Project nor has it implemented procedures to ensure adequate monitoring and accountability for the Project. The following page illustrates the general federal, state, and other stakeholder roles in the Project (Figure 1):

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## PUTTING IT ALL TOGETHER: THE DEPARTMENT'S CONSULTATION IS A CRITICAL COMPONENT TO ENSURE PROJECT SUCCESS

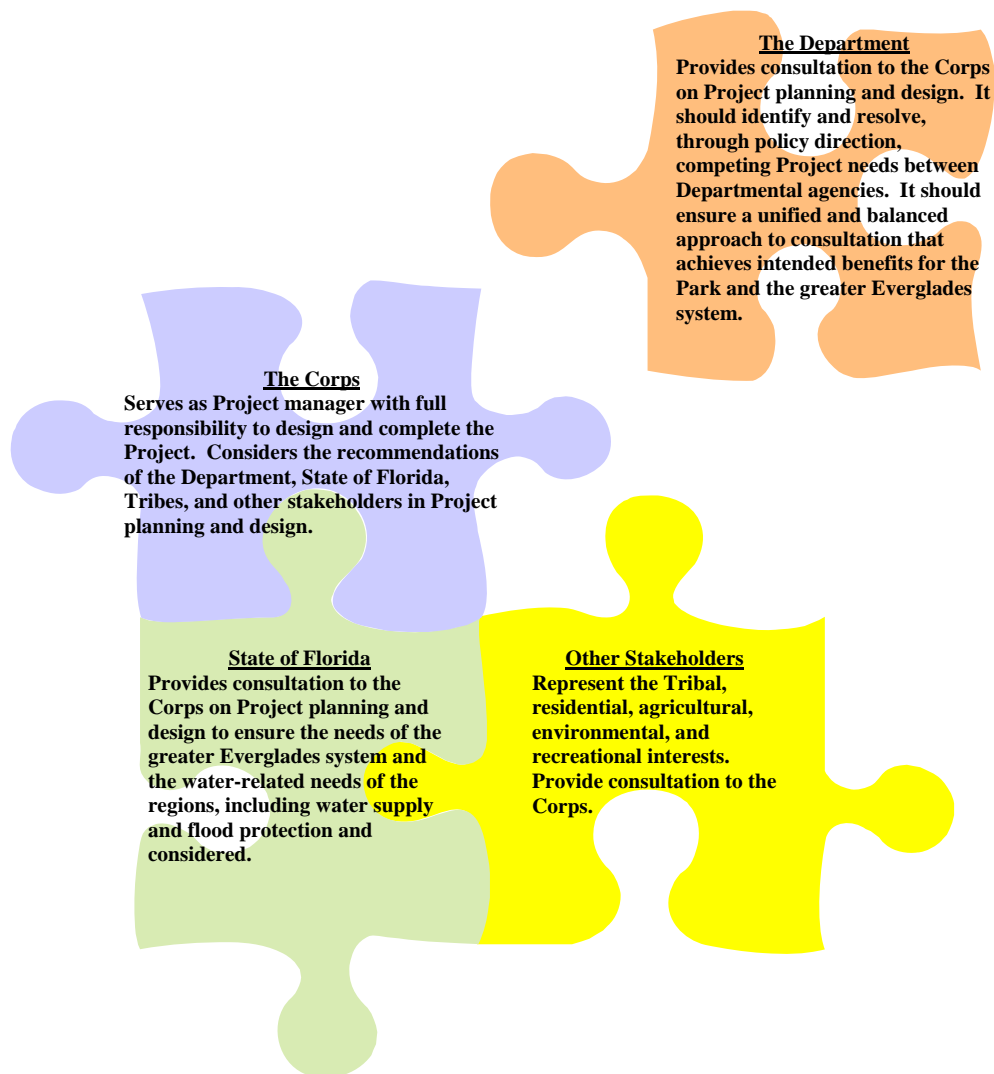


Figure 1



The Corps issued a General Design Memorandum (GDM) for the Project in 1992. The GDM provided the initial design for the Project and serves as the authorizing document for modifications needed to improve water flows into the Park. The Department supported the Corps' initial design as set forth in the GDM. The GDM identified work that is currently being carried out as three major components. These components are:

- **Eight and One-Half Square Mile Area:** Flood mitigation for a residential area near the Park. The acquisition of lands required to construct this component has been completed and a contract has been awarded for the construction of flood mitigation features.
- **Tamiami Trail:** Raising a small section of U.S. Highway 41, known as the Tamiami Trail. Re-design for this component was completed in January 2006.
- **Conveyance and Seepage:** The construction of features to pass and control water flows into the Park. Construction of these features was about 58 percent complete as of April 2005.

The Project was originally estimated to be completed in 1997 at a total cost of about \$81 million. As of June 2005, about \$183 million had been transferred from the Department to the Corps for the Project.

The Project has been subject to considerable public controversy and many factors have led to Project delays and cost increases. Many of these factors are outside the Department's direct responsibility and control, such as delays resulting from litigation concerning the Eight and One-Half Square Mile Area. In addition, Federal and State of Florida planning agencies disagree about how to best achieve restoration. This has contributed to the need for redesign of Project features and escalating costs. Further, conflict within the Department over the restoration approach has also contributed to Project delays. Consequently, the Project is currently eight years behind schedule and its projected price tag is approaching \$400 million, nearly five times the original estimate.

In 1996, Congress authorized the Corps to develop a comprehensive plan for restoring, preserving, and protecting the Everglades. This comprehensive plan is known as the

The Comprehensive Everglades Restoration Plan (CERP) is being implemented jointly by Federal and State of Florida agencies. It is expected to cost \$11 billion and take 30 years to complete.

Comprehensive Everglades Restoration Plan (CERP) and is a separate restoration effort from the Project. Congress also established a special advisory task force that is charged with coordinating and facilitating CERP and other Everglades restoration projects. A Special Assistant to the Secretary of the Interior leads this task force. The Project has been recognized as a foundation project for CERP and its completion is a legislated prerequisite for other CERP projects. Therefore, the success of CERP is dependent on the completion of the Project. As a result, the Project's schedule is of particular interest to the Congress and the Department.

Our report will give the Department insight into some of the key issues that are currently hindering successful Project completion and present strategies geared towards resolving these issues. Appendices 1 and 2 contain information on the objective, scope, and methodology of our audit and prior audit coverage.

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## RESULTS OF AUDIT

The Department has not effectively participated in the Project because it has not clearly defined its consultation role and it has not developed and communicated a comprehensive and unified restoration strategy for the Project. This has contributed to Project delays and cost increases. Effective participation can best be achieved by the Department utilizing a project management approach to guide its participation, including:

- A clearly defined Department-level consultation plan.
- A unified Departmental approach to restoration.
- A single line of communication with the Corps.
- Improved coordination and communication with Project stakeholders.
- Improved Departmental monitoring and reporting of the Project.

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### DEVELOP A PLAN TO GUIDE THE DEPARTMENT'S PARTICIPATION

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The Department lacks a plan to effectively guide its participation in the Project. Although the Corps makes final Project decisions, the Department participates in Project planning and design and provides consultation to the Corps. Numerous planning documents exist, but none represent a comprehensive plan that adequately defines the process by which the Department will provide its consultation and its desired goals in meeting the overall statutory objectives for the Project. Given the unique nature of the Department's role in the Project, we believe that such a plan is needed to ensure the goals of the Department are clearly conveyed to the Corps and considered in the Corps' design. Specifically, the plan should define:

- A process for a unified Departmental approach to restoration, including clear decision-making and desired goals for the Project.
- A strategy for coordinating and communicating with the Corps and other stakeholders.
- A process to improve monitoring and accurately report on Project status and funding.

Since the initial design of the Project in 1992, the Department has changed its desired restoration goals for the Project resulting in the need to redesign Project components and contributing to delays and cost increases. The Department also has not communicated to the Corps a unified and consistent restoration approach that is based on the Park's needs and overall Department goals. For example:

The flood mitigation Project component has been delayed about six years due to re-design and litigation. Budgeted costs increased by about \$67 million over this period.

- **Eight and One-Half Square Mile Area:** The 1992 initial Project design included a pump station, a flood mitigation canal, and a levee around a residential area next to the Park. In 1998, the Department and the State of Florida determined that the Corps' initial design would no longer meet the desired restoration needs for the Park and the greater Everglades system. Specifically, the Department voiced concerns that pressure from residents within the area could cause this component to be operated for flood protection rather than restoration. The Department supported the State of Florida in its request that the Corps re-evaluate the initial design. This required a re-design of the Project component.

The Tamiami Trail Project component has been delayed about two years due to re-design and the budgeted cost has increased about \$125 million.

- **Tamiami Trail:** The 1992 initial Project design included raising a small section of U.S. Highway 41, known as the Tamiami Trail. Due to changing restoration goals, more water is now expected to be conveyed under the roadway. As a result, the Department and the State of Florida determined that the Corps' initial design was not workable. The Corps re-designed this component of the Project in 2003. Subsequently, the Department determined that the Corps' 2003 design was not workable and would not meet its desired restoration needs for the Park. As a result, the Corps had to re-design this Project component for a second time.

About \$7.6 million was used to construct a pump that has never been operated. The Department is paying about \$450,000 annually to maintain this pump.

Both Corps officials and NPS officials have acknowledged that a significant risk exists regarding the adequacy of the design for the Tamiami Trail. Specifically, agreement on the final design for the Conveyance and Seepage component has not been reached. Consequently, questions regarding the ultimate capacity, placement, and operation of Conveyance and Seepage Component features remain unanswered. This information is needed to address the timing, location, and amount of water flowing under the roadway. NPS officials have stated that they do not

believe they can direct the Corps on how to plan and design the Project and that such direction would have to come from the Secretary or Assistant Secretary level.

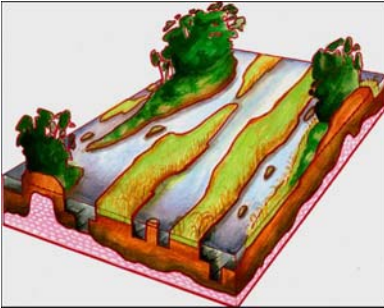
The Department has acknowledged the high priority of the Project and its importance to achieving restoration of the Park. Despite its importance, the Department has no performance goals for the Project. The needs of the Park are generally articulated in the Park's strategic plan for 2001 to 2005, which identifies two goals related to the Project: (1) hydrologic restoration and (2) water quality. The strategic plan identified a target date of September 30, 2005, for completing the Project's design. The plan was deficient because it did not identify clear and concrete restoration objectives for the Park. In addition, the plan did not include critical tasks and milestones for monitoring the consultation process to ensure the design target date was reached.

In September 2003, the NPS had developed a planning document that defined objectives and assumptions for operating the Project upon its completion. This document was not approved by the Department nor was it agreed to by the Corps. Additionally, this document did not address the Department's participation in the Project. For example, it did not describe a process for ensuring that the Department's consultation to the Corps was provided in a unified manner or that conflicts within the Department were adequately resolved prior to providing Project design consultation to the Corps.

None of the plans described above represent a coordinated and comprehensive strategy for the Department's participation in the Project. A 1999 Government Accountability Office (GAO) report on the South Florida Ecosystem Restoration indicated that the lack of 1) a strategic plan, 2) clearly defined restoration objectives, and 3) a dispute resolution process were significant factors impeding the successful restoration of the Everglades. The GAO report identified the Project as one that had incurred delays and cost increases as a result of these factors. The Department has the responsibility to communicate the Park's restoration needs to the Corps. However, without a restoration strategy and consultation plan, we question the Department's ability to participate successfully in the Project and to provide effective consultation to the Corps.

## DEVELOP A UNIFIED APPROACH TO RESTORATION

Tree islands are key indicators of the health of the Everglades ecosystem because of their sensitivity to both flooding and drought conditions.



The Corps estimates that damage to tree islands resulting from current high water levels could be as much as 246 acres per year and the cost to restore the islands ranges from \$12.3 million to \$123 million per year.

The Department has not developed a clear unified position on its preferred restoration approaches. The Fish and Wildlife Service (FWS) and NPS have had different positions regarding fundamental planning and design issues. Specifically, they differ on methods for water control and the preferred options to ensure that water depths achieve restoration objectives. Such differing positions have contributed to the need for multiple Project feature re-designs. For example:

- **Water Control Methods:** To best achieve restoration, NPS believes water should move freely into the Park. However, FWS is concerned that if water flows are not adequately controlled, poor water quality could compromise species habitat and Park restoration. Conflicts surrounding this issue have contributed to the need for multiple re-designs of Project features that determine how water will flow into the Park. As of June 2005, a final design of these features had yet to be determined.
- **Water Depths:** FWS and NPS have been unable to agree on the optimal water depths for Project operations. NPS has decided that higher water depths than were originally designed are now necessary to achieve its restoration objectives. However, FWS believes that the higher water depths proposed by NPS may cause damage to the tree islands. NPS insists the tree islands can survive with higher water depths. This argument has persisted for many years without resolution.

The Department does not have an adequate method to ensure the timely resolution of such disputes. Specifically, the Department lacks a formal process for elevating and resolving planning and design related disputes between the agencies to arrive at a unified Departmental position. In fact, when a Departmental official was asked if there were any unresolved issues for the Project, the official was unaware of any ongoing contentious issues. Further, the Corps' Project Manager noted disconnect within the Department regarding restoration approaches and believes NPS' approach to restoration is a moving target. Because the Department has not formulated a unified approach to restoration, it has contributed to the Corps' need to re-design project features.

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## **ESTABLISH A SINGLE LINE OF COMMUNICATION WITH THE CORPS**

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One Corps official noted that the Department's "fuzzy chain of command is problematic..." Another Corps official noted that there are "three separate camps" within the Department and there are Project decisions that need to be made at the Departmental level.

The Department does not have a single line of communication to clearly convey a unified position on Project issues to the Corps. The Department's communication with the Corps is fragmented, as it is carried out through the following offices and individuals:

- Department of the Interior
  - Special Assistant to the Secretary
  - Everglades Restoration Initiatives Office
- National Park Service
  - Everglades National Park Superintendent
  - South Florida Natural Resources Center Technical Staff
- Fish and Wildlife Service
  - South Florida Field Office

The Corps has received conflicting and inconsistent information from these various Departmental sources regarding Project planning and design issues. Corps planning officials stated that they were not sure which of these Departmental sources had the authority to resolve conflicting or inconsistent positions.

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## **IMPROVE COORDINATION AND COMMUNICATION WITH PROJECT STAKEHOLDERS**

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"The key to our success lies in the strength of our partnership and our commitment to collaboration."

Comment made by Secretary Norton to the Everglades Coalition, January 10, 2003.

The Department needs to improve its coordination and communication with stakeholders to provide effective consultation for the Project and to build consensus with stakeholders to reach workable Project solutions.

Numerous stakeholders are affected by the outcome of Project alternatives. Stakeholders for the Project include the State of Florida, Native American tribes, local governments, residential and agricultural landowners, environmental groups, and recreational users.

Since the Project's inception, public controversies have resulted from the competing interests of diverse stakeholder groups. Some controversies have resulted in litigation and have significantly delayed the Project. For example, debates over how to best achieve flood mitigation for the Eight and One-Half Square Mile Area resulted in a litigious dispute that was not resolved until 2003, delaying the Project by at least four years. Similarly, stakeholder controversies regarding the length and placement of bridging modifications for the Tamiami Trail component delayed the Project since at least 2003.



Native American Village that must be elevated prior to Project operations

To carry out its consultation role for the Project, the Department:

- Negotiates with the Miccosukee Tribe and the airboat operators within the Project's boundaries.
- Participates on a stakeholder's advisory team that provides a forum for building consensus.
- Serves as the Chair for the South Florida Ecosystem Restoration Task Force which coordinates the efforts of the federal, state, and local agencies involved in the larger Everglades restoration project.

The Department has not effectively coordinated and communicated with stakeholders to build consensus. Consequently, its image and credibility have suffered. For example:

The Park's typical way of going about business for the Project is behind closed doors. The mistrust is total now.

Comments from stakeholders representing Miccosukee Tribe and environmental interests.

"Nobody trusts anyone anymore, especially public agencies."

Comment from one stakeholder representing agricultural interests.

"The Department does not seem to share information."

Comment from one stakeholder representing recreational interests.

- Miccosukee Tribe members have expressed mistrust toward the NPS. Previous attempts by NPS staff to negotiate a workable solution with the Tribe's Osceola Village residents have been unsuccessful. The village must be raised due to the Project's higher water levels before the Project can operate. In an attempt to find a workable solution, the current Park Superintendent has taken over the responsibility for the negotiations.
- The Department participates on a stakeholder's advisory team that represents multiple stakeholder interests and provides a forum for consensus building. However, team members have asserted that the advisory process lacks transparency and that communication is not effective. Further, team members have stated their issues are not well addressed by the Department and pertinent information is not provided for effective input and consideration.
- Project operations require a flowage easement across lands used for airboat recreation. A flowage easement is a legal right to allow water flow across property. The landowners and the Corps could not reach agreement on the easement's purchase price. Consequently, the landowners initiated negotiations with the Department. However, the Department failed to inform the Corps of these ongoing negotiations. Unaware of the current status of these negotiations, the Corps subsequently condemned the property. As a result, trust-building efforts between the



Department and the landowners were undone.

NPS has attempted to improve coordination and communication with stakeholders. For example, the current Park Superintendent has made progress in moving negotiations forward with Osceola Village residents. Also, the Park staff developed Ground Rules in August 2003 for the stakeholder's advisory team. If adopted, these rules would aid in improving communications and transparency for the advisory process. However, as of June 2005 the Ground Rules had not been adopted.

Negative public perception in the past has hindered the effectiveness of cooperation efforts. In fact, a Departmental official noted that mistrust created by NPS in the past has limited current efforts to build consensus. Therefore, we believe a Departmental liaison is needed to ensure a coordinated and well communicated approach to improving consensus-building among stakeholders.

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## **IMPROVE MONITORING AND REPORTING**

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Historically, the Department has taken little action to monitor costs or to obtain status information from the Corps. Because Project funds are transferred from the Department to another federal agency, the Department's responsibility is generally limited to ensuring the funds are used for general Project purposes. As the primary beneficiary and funding agency for the Project, we believe the Department should take a greater role in monitoring the costs and schedule of this Project than it has in the past.

Departmental officials have expressed concern with the Corps' ability to manage the Project within budget and schedule. However, the Department did not require the Corps to formally report Project status and costs until late 2004, twelve years after the Project's authorized start date.

NPS, on its own initiative, has taken steps to improve oversight and accountability for the Project. For example, in April 2005, NPS instituted monthly Project management meetings that are attended by FWS and the Corps. Also, NPS has developed a management agreement with the Corps. Although the agreement was designed jointly with the Corps, it contained provisions intended to improve the Department's ability to monitor and track Project status and funding. We reviewed the agreement and noted that it was too general to ensure adequate oversight and accountability for the Project. For example, the agreement provides that disputes shall be resolved at the lowest

organizational level, but it does not specify a process or a timeframe for doing so.

Although the agreement was signed by the Special Assistant to the Secretary and the Corps in May 2005, the Department has not enforced the provisions in the agreement. For example, the quarterly meetings intended to brief Departmental policy officials have not occurred. Instead, the Department has opted to replace these meetings with the Corps' existing Quarterly Review Board meetings. Departmental policy officials do not attend these Quarterly Review Board meetings and the issues addressed in these meetings deal with the larger comprehensive Everglades restoration effort and are not specific to the Project. A Departmental official noted that although the management agreement specifies that quarterly briefings are to occur, these meetings are not occurring because policy officials do not have time. The official also acknowledged that there should be more oversight and input into the Project at higher levels within the Department. The quarterly meetings called for in the agreement were intended to:

- Determine if agencies were on track to achieve policy and management objectives.
- Provide an opportunity for policy officials to set and clarify joint goals.
- Review policy issues and provide direction to field managers.
- Resolve any disputed issues.
- Facilitate reporting to the Office of Management and Budget (OMB).

NPS is required to prepare an annual capital asset plan (CAP) that provides information on Project accomplishments, status, expenditures, and the proposed budget to the Department and OMB. NPS also uses this information in developing its five-year construction plan. NPS does not always include all known information regarding Project costs, risks, and uncertainties in its CAP. For example, the April 2005 CAP did not disclose all known costs and risks such as:

- There is a risk that the Tamiami Trail may need to be expanded onto the Park's property. This may require

additional authorization from Congress and about \$1 million for further environmental analysis.

- The Department has been unable to reach agreement with the Corps and the State of Florida on the operations for one pump station. As a result, the State of Florida will not accept transfer of the pumping station and the Department is paying about \$450,000 for annual maintenance of this pumping station. In addition, there is a risk that either the capacity of this pump will need to be increased or a seepage barrier will need to be constructed. The cost of this additional work was not included in the CAP.
- The risk that the scope of the Tamiami Trail design may exceed current legislative authority and could be subject to cost share requirements with the State of Florida, as expressed by the Corps' authorizing committee.

The NPS, recognizing the need for improved Project monitoring and reporting, has recently instituted more stringent reporting requirements from the Corps. However, the Department still needs to take steps to ensure that the Department is adequately and readily updated regarding Project status, cost, and risks. Given the importance of the Project to the Department, the Department should establish a process to improve monitoring and reporting to ensure that the Project stays within its authorized budget and scope.

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## RECOMMENDATIONS

To address the deficiencies identified in this report, we made six recommendations to the Deputy Secretary. The Deputy Secretary's March 8, 2006 response (Appendix 4) identified proposed actions by the Department to address our recommendations. Additionally, the Deputy Secretary's original February 6, 2006 response also included suggested changes to the report and additional information that we considered and included as appropriate. We also restated recommendation 2 in order to clarify the intent of the recommendation. Based on the Department's responses, we classified Recommendation 4 as resolved and implemented. The remaining five recommendations were classified as resolved—not implemented.

The Department should effectively participate in the Project by providing consultation to the Corps that is integrated, consistent, and unified. Effective participation may best be achieved by using a project management approach to guide the Department's consultation. We recommend that the Deputy Secretary establish and implement a project management approach to consultation for the Project by:

1. Appointing a proven project manager with access to the highest levels of the Department to take charge of this project and serve as the final arbitrator of intra Bureau conflicts and to speak with one Department voice to external stakeholders.

## DOI RESPONSE

The Department hired a new Assistant Deputy Secretary who will serve as the Department's lead official on South Florida ecosystem restoration projects. She will report to the Deputy Secretary and will act as the final arbitrator of intra-bureau conflicts and represent the Department to external organizations. Additionally, NPS will recruit a project manager to be co-located with the Corps. This person will report to the Everglades National Park Superintendent, who will report to the Department's Director of Everglades Restoration Initiatives, who will in turn report to the Assistant Deputy Secretary of the Interior. The target completion date is May, 2006.

## OIG CONCLUSION

This recommendation is resolved – not implemented.

2. Developing a Department-level plan to guide the Department's participation in the Project. The plan should

clearly define the process by which the Department will provide its consultation and its desired goals in meeting the overall statutory objectives for the Project.

## **DOI RESPONSE**

A Department-level plan is currently being developed to improve the Department's participation in the implementation of the projects to ensure restoration objectives. The target date of completion is March 31, 2006.

## **OIG CONCLUSION**

The recommendation is resolved – not implemented.

3. Developing a Department-level approach to restoration including establishing a process for elevating critical Project issues, to arrive at a unified Department position.

## **DOI RESPONSE**

The Director of Everglades Restoration Initiatives will facilitate coordination, communication and consensus building. If resolution of issues is not achieved, the Director will elevate the issue to the Assistant Deputy Secretary for final arbitration and decision. The Assistant Deputy Secretary will issue a memorandum clarifying the role of the Director. Target completion date is March 15, 2006.

## **OIG CONCLUSION**

Management's target date for completion of the action for this recommendation was March 15, 2006; however, we have not received confirmation that the action was timely completed. Therefore, we consider this recommendation resolved – not implemented.

4. Establishing a single line of communication with the Corps to clearly convey the Department's position on critical Project issues.

## **DOI RESPONSE**

The Director of Everglades Restoration will serve as the South Florida direct contact and will be responsible for communicating the Department's day-to-day restoration efforts. The Assistant Deputy Secretary will serve as the ultimate single point of contact to convey the Department's position on critical Project issues.

## **OIG CONCLUSION**

The recommendation is resolved and implemented.

5. Designating a Departmental liaison to improve coordination, communication, and consensus building.

**DOI RESPONSE**

Implemented through the response to Recommendation 2. Target date March 31, 2006.

**OIG CONCLUSION**

Recommendation resolved – not implemented.

6. Improving monitoring and reporting by enforcing the provisions of the management agreement to ensure that the Project stays within authorized budget and scope.

**DOI RESPONSE**

Implemented through the response to Recommendation 1.

**OIG CONCLUSION**

Recommendation resolved – not implemented.

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## OBJECTIVE, SCOPE, AND METHODOLOGY

The authorizing legislation for the Project established the Department's role as one of consultation. Further, because funding is transferred between Federal agencies, the Department's responsibility is limited to ensuring that the Corps uses funds for general Project purposes. The Department participates with the Corps in project planning and design, but the Corps makes the final decisions. Therefore, our audit objective was to evaluate the effectiveness of the Department's participation in the Project. We did not audit the Corps' management of the Project, the State of Florida's involvement in the Project, or the Department's participation in the overall Comprehensive Everglades Restoration Project.

To accomplish our objective, we:

- Reviewed and evaluated the Project costs, land acquisition data, management plans, design plans, and other related agreements and reports.
- Reviewed laws, regulations, policies, and guidance relating to the Project and Everglades restoration.
- Obtained information on the processes and controls in place for monitoring Project activities.
- Examined prior audit reports, Departmental Performance and Accountability Reports, Congressional testimony, and various reports issued by advisory groups providing suggested improvements on Everglades' restoration.
- Reviewed and considered federal and private industry project management standards and practices, such as those set forth by the Project Management Institute.

During the audit, we also interviewed personnel and obtained Project-related documentation, as necessary, at the following locations:

### Department of the Interior

Everglades Restoration Initiatives Office  
Special Assistant to the Secretary of the Interior  
Office of the Solicitor

Miami, FL  
Washington, DC  
Washington, DC

### National Park Service

Everglades National Park  
South Florida Natural Resources Center

Homestead, FL  
Homestead, FL

Land Acquisition Office  
NPS Director's Office  
Budget Office  
Southeast Regional Office  
Denver Service Center

Naples, FL  
Washington, DC  
Washington, DC  
Atlanta, GA  
Denver, CO

### **Fish and Wildlife Service**

South Florida Field Office

Vero Beach, FL

### **U.S. Geological Survey**

Eastern Region Directorate  
Central Region Directorate

Ft. Lauderdale, FL  
Denver, CO

### **Bureau of Reclamation**

Phoenix Area Office  
Technical Service Center

Phoenix, AZ  
Denver, CO

### **U. S. Army Corps of Engineers**

Jacksonville District Office  
South Florida Office

Jacksonville, FL  
West Palm Beach, FL

### **State of Florida**

South Florida Water Management District

West Palm Beach, FL

### **Interested Stakeholders**

Miccosukee Tribe

Miami, FL

South Florida Ecosystem Restoration Task Force

Miami, FL

Other officials representing various stakeholder interests, such as residential, agricultural, environmental, and recreational

South Florida

We performed our audit from February 2005 to November 2005 in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that we considered necessary under the circumstances. As part of our audit, we evaluated the system of internal controls to the extent that we considered necessary to accomplish our objective. We identified internal control weaknesses in the area of budget preparation. The internal control weaknesses identified are discussed in the Results of Audit section of this report. If implemented, the recommendations should improve the internal controls.

We reviewed the Secretary's Annual Report on Performance and Accountability (Secretary's Report) to the President and the Congress for fiscal year 2005. This report is required by the Federal Managers' Financial Integrity Act of 1982. The Secretary's Report contained no reported weaknesses within the objective and scope of our audit.

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## PRIOR AUDITS

During the past five years the Office of Inspector General has not issued any audit reports regarding the Project. The Government Accountability Office (GAO) issued six reports in the past five years related to Everglades' restoration. Five of the six reports generally addressed the overall Everglades restoration efforts, but the reports also included narrative specific to the Project, as well as other authorized Everglades restoration projects. One report addressed major management challenges for the Department of the Interior, including the Project.

- **“South Florida Ecosystem Restoration: An Overall Strategic Plan and a Decision-Making Process are Needed to Keep the Effort on Track,” GAO Report No. 99-121, April 1999.**

Agencies involved in Everglades' restoration, including the Modified Water Deliveries Project have differing and conflicting missions. This has contributed to the inability to resolve disagreements in a timely manner and has kept Everglades National Park from achieving anticipated environmental benefits. Without some entity or group with overall management responsibility and authority to resolve differences, problems could continue to hinder the Project as well as other Everglades restoration projects. GAO recommended the development of a comprehensive strategic plan for Everglades' restoration and a decision-making process to resolve conflicts.

- **“South Florida Ecosystem Restoration: Substantial Progress Made in Developing a Strategic Plan, but Actions Still Needed,” GAO Report No. 01-361, March 2001.**

The South Florida Ecosystem Restoration Task Force has made progress in developing a strategic plan for ecosystem restoration. However, GAO noted that the plan was not sufficient in that it does not outline how restoration will occur. Specifically, the plan did not: (1) describe approaches or strategies to achieve the strategic goal of fostering compatibility of the built and natural systems, (2) describe the relationship of desired end results and strategic restoration goals, and (3) include quantifiable measures for assessing progress.

- **“Major Management Challenges and Program Risks: Department of the Interior,” GAO Report No. 01-249, January 2001.**

GAO identified ecosystem restoration as a major management challenge for the Department. GAO noted that the Department needed to: (1) work with outside entities to develop plans and strategies that will achieve restoration and

management goals and (2) improve its coordination with the multiple entities involved in the restoration efforts by ensuring coordination procedures are in place and that a means to resolve conflicts exists.

➤ **“Comprehensive Everglades Restoration Plan,” GAO Report No. 00-235, September 2000.**

The Comprehensive Everglades Restoration Plan (Plan) provides a conceptual framework for improving the quality, quantity, timing, and distribution of water in the South Florida ecosystem. GAO concluded that there were too many uncertainties to estimate the number and costs of the Corps projects that would ultimately be needed to address water quality. GAO stated that it was likely that modifications and additions to the Plan would be necessary and that these changes could increase the total cost of the Plan over the estimated \$7.8 billion. GAO recommended that the Secretary of the Army provide Congress with updates that (1) reflect the cumulative project and cost changes to the overall Plan and (2) indicate the progress being made toward implementing the Plan.

➤ **“South Florida Ecosystem Restoration: A Land Acquisition Plan Would Help Identify Lands That Need to be Acquired,” GAO Report No. 00-84, April 2000.**

The South Florida Ecosystem Restoration Task Force (Task Force) has established ecosystem restoration goals and identified land acquisition as critical to achieving them. However, the Task Force has not yet developed a land acquisition plan that identifies all of the lands needed to accomplish the goals of the restoration initiative; each federal and state agency has made independent acquisition decisions. Without an acquisition plan, the Task Force cannot (1) identify all the lands needed, (2) reasonably estimate the cost of land acquisition, (3) measure progress in acquiring lands, or (4) increase the chances that the lands being acquired are needed. GAO recommended the Task Force develop a land acquisition plan that includes an assessment of the lands needed to accomplish the initiative’s goals.

➤ **“South Florida Ecosystem Restoration: Task Force Needs to Improve Science Coordination to Increase Likelihood of Success,” GAO Report No. 03-345, March 2003.**

The Science Coordination Team (Team) – the group created to coordinate scientific information for the restoration – is limited by a number of factors. First, the Team is limited by the lack of clear direction on what it is to accomplish. Second, it has no processes to ensure (1) that the South Florida Ecosystem Restoration Task Force identified key management issues that need to be addressed in science planning and (2) that the Team, the Working Group, and the Task Force prioritize critical science issues requiring synthesis in order to provide input into

restoration decisions. Third, the Team lacks resources to adequately carry out its responsibilities. Until the factors limiting the Team are addressed, coordination of scientific activities cannot be improved. Without effective coordination of scientific activities, the Task Force lacks assurance that the scientific information needed to make key decisions will be available; decreasing the likelihood that restoration of the South Florida ecosystem will be successful. GAO recommended that as Chair of the Task Force, the Secretary of the Interior:

1. Specify the plans and documents – including a science plan focused on key information gaps, a comprehensive monitoring plan, and progress reports for each plan – that the Team needs to complete and the time frames for completing them.
2. Establish a process that ensures the Task Force identifies key management issues that need to be addressed by science planning.
3. Establish a process, such as review by an advisory group, to ensure that the Team, Working Group, and Task Force prioritize issues that require synthesis and are critical to restoration decisions.
4. Evaluate staffing needs of the Team and allocate sufficient resources to carry out its duties.

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## MANAGEMENT'S COMMENTS ON DRAFT REPORT

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THE DEPUTY SECRETARY OF THE INTERIOR  
WASHINGTON

MAR 08 2006

Memorandum

To: Earl Devaney  
Inspector General

From: P. Lynn Scarlett *PJ Scarlett*  
Deputy Secretary

Subject: Draft Audit Report, Modified Water Deliveries to Everglades National Park

On February 6, 2006, the Department of the Interior submitted comments in relation to the draft report on the Modified Water Deliveries to Everglades National Park Project. The Department appreciates the opportunity to provide further comments and offers the following modifications to Attachment A.

**Recommendations (OIG recommendations are reprinted below in bold italics; actions being taken to implement each recommendation follow)**

1. ***Appoint a proven project manager with access to the highest levels of the Department to take charge of this project and serve as the final arbitrator of intra Bureau conflicts and to speak with one Department voice to external stakeholders.***

Action: The Department hired Assistant Deputy Secretary Kameran Onley in January 2006. In this capacity, Ms. Onley will serve as the Department's lead official on South Florida ecosystem restoration projects and she reports directly to the Deputy Secretary of the Interior. She will act as the final arbitrator of intra-bureau conflicts and will represent the Department to external groups and also to the Army Corps of Engineers.

In addition to Departmental oversight, the National Park Service is recruiting a project manager to be co-located with the Army Corps of Engineers in Jacksonville, Florida to improve communication between the National Park Service and the Department and the Army Corps of Engineers on the remaining work to be completed for this project, which includes implementation of the Tamiami Trail and Conveyance and Seepage components, as well as the adoption of an operational protocol through the Combined Structural and Operational Plan (CSOP) for the Modified Water Deliveries and C-111 Projects.

The project manager will report to the Superintendent of Everglades National Park who will report to the Department's Director Everglades Restoration Initiatives, who will in turn report to the Assistant Deputy Secretary of the Interior.

Responsible official and target date: Dan Kimball, Superintendent of Everglades National Park, will appoint the project manager with an estimated target completion date of May, 2006.

**2. *Developing a Department-level plan to guide the Department's participation in the Project. The plan should clearly define the Department's consultation role and objectives for the Project.***

Action: A Departmental-level plan is currently being developed to improve the Department's participation in the implementation of the projects to ensure restoration objectives. The target completion date for this is March 31, 2006.

**3. *Developing a Department-level approach to restoration including establishing a process for elevating critical Project issues, to arrive at a unified Departmental position.***

Action: The Director of Everglades Restoration Initiatives serves as the Department's senior representative in South Florida and reports directly to the Assistant Deputy Secretary in the Office of the Deputy Secretary. The Director functions as the South Florida contact and facilitates coordination, communication and consensus building in South Florida, both among the Department's bureaus involved in the restoration effort by hosting weekly conference calls and periodic meetings among the Interior agencies. The Director will represent the Department in discussions with local stakeholders, work to resolve any intra-bureau conflicts that may arise to achieve a unified Departmental position. If resolution is not achieved, the Director will elevate the issue to the Assistant Deputy Secretary for final arbitration and decision.

The Director will be designated as the Department's liaison to improve coordination, communication and consensus building, and monitor and enforce the provisions of the Management Agreement with the Department of the Army. The meetings of the Quality Review Board have substituted for the quarterly policy-level meetings between the Army and Interior because both the Departments of the Interior and Army determined that this forum, which also includes the local sponsor, works very well to identify any issues that require resolution.

Responsible official and target date: Kameron Onley, the Assistant Deputy Secretary for Interior will issue a memorandum clarifying the role of the Director, Everglades Restoration Initiatives, in the implementation of this project. The target completion date for this will be March 15, 2006.

**4. *Establishing a single line of communication with the Corps to clearly convey the Department's position on critical Project issues.***

Action: The Director of Everglades Restoration Initiatives will serve as the South Florida direct contact and will be responsible for communicating the Department's position regarding day-to-day restoration efforts and will report status to the Deputy Secretary on a weekly basis. The Assistant Deputy Secretary will serve as the ultimate single point of contact to convey the Department's position on critical Project issues.

**5. *Designating a Departmental liaison to improve coordination, communication, and consensus building.***

Action: This will be implemented through the response to recommendation 2 above.

**6. *Improving monitoring and reporting by enforcing the provision of the management agreement to ensure that the Project stays within authorized budget and scope.***

Action: This will be implemented through the response to recommendation 1 above.

Thank you for the opportunity to provide additional comments on the report. The Department appreciates the fact that your recommendations are geared toward improved management to ensure the completion of the Modified Water Deliveries Project so that its statutory objectives and restoration benefits are achieved.

cc: Assistant Secretary – Fish and Wildlife and Parks  
Director, National Park Service  
Director, Fish and Wildlife Service  
Solicitor



THE DEPUTY SECRETARY OF THE INTERIOR  
WASHINGTON

FEB 06 2006

To: Earl Devaney  
Inspector General

From: P. Lynn Scarlett *PJS*  
Deputy Secretary

Re: Draft Audit Report, Modified Water Deliveries to Everglades National Park

Thank you for providing the Department of the Interior with the draft report on the Modified Water Deliveries to Everglades National Park Project. The Department appreciates your review and recommendations for this high priority project and will implement your recommendations, as appropriate, to ensure the completion of this project.

As the report indicates, the Modified Water Deliveries to Everglades National Park Project was originally authorized by Congress in the Everglades National Park Protection and Expansion Act of 1989 and is the highest Everglades restoration priority for the Department of the Interior. The project requires the Secretary of the Army to modify the Central and Southern Florida Project (C&SF Project) to restore more natural flows of water to Everglades National Park. This is accomplished by constructing conveyance features to allow water to move from the state-managed water conservation areas to the park, thereby reestablishing hydrologic connections that are now separated. It is anticipated that implementation of this project will restore park habitat that has been adversely affected by the operation of the C&SF Project, which is operated by the Army Corps of Engineers and its local sponsor, the South Florida Water Management District.

The report states that the Department has not effectively participated in this project because the Department "has not developed and communicated a comprehensive and unified restoration strategy and clearly defined its consultation role for the Project." It further states that this ineffective participation "has contributed to Project delays and cost increases."

Although we believe many factors have affected project schedule and cost, we share your concerns about the overall delays and cost increases. We also appreciate the spirit in which your recommendations are made and agree that the project must be completed as expeditiously as possible. Completion of this project is not only critical for the preservation and restoration of the resources at Everglades National Park, but also because improved flows of water to the park will lay a strong foundation for future

environmental benefits to be realized for the Everglades under the Comprehensive Everglades Restoration Plan.

As a result of the significant cost increases of which we were notified in 2004 and because of our concern that taxpayer resources be used wisely, we implemented a number of management improvements during the last two years. These improvements include:

- improving internal and external Departmental coordination;
- realizing savings by closely reviewing proposed project expenditures and providing assistance to the Army Corps of Engineers in acquiring lands within the 8.5 Square Mile Area; and
- development of a funding strategy, which Congress endorsed in the FY 2006 budget, whereby funding for this project is shared jointly between the Department and the Army Corps of Engineers.

We believe the improvements we have implemented increase agency accountability with respect to implementing the project within its current budget and estimated time-frames. Further, enhanced internal coordination over the past two years has helped policy officials resolve many policy issues. Despite these achievements, we will further strengthen coordination among the federal agencies by re-instating regular meetings among policy officials representing federal agencies involved in the Everglades restoration effort.

Since you completed your review, several key milestones have been achieved. These include:

- ✓ completing all land acquisition for the 8.5 Square Mile Area, with the exception of those parcels pending condemnation action in federal court or held by Miami-Dade County or Florida Power and Light that will be transferred to the Army Corps of Engineers upon final relocation of the remaining affected residents;
- ✓ awarding a contract for the 8.5 Square Mile Area project component (this work will be completed this year);
- ✓ working with the Army Corps of Engineers to evaluate alternatives for the Tamiami Trail component so that the Army could finalize a Final Revised General Reevaluation Report/Second Supplemental Environmental Impact Statement and Record of Decision (January 25, 2006) for this component.

Additionally, I am pleased to report that the stakeholder advisory team for the Combined Structural and Operational Plan, which the Department proposed be established two years ago as an advisory body to the South Florida Ecosystem Restoration Task Force for the purpose of facilitating and improving stakeholder involvement in this project, recently reported its unanimous recommendations to the South Florida Ecosystem Restoration Task Force on how this project should be operated so as to achieve the necessary environmental benefits. We believe this recent accomplishment indicates that the

stakeholder advisory process achieved its objective, though we will strive to improve both internal and external coordination and communications.

Overall, we are very encouraged by achievement of these milestones and accomplishments as all of these actions together indicate that the project is now on track toward its estimated completion, subject to the availability of appropriations, at the end of 2009.

While we appreciate the importance of sound project management, as emphasized in the draft report, we would like to clarify the individual and statutory roles of the Army Corps of Engineers and Department of the Interior in carrying out this project. We would also like to comment on the overall context – the larger intergovernmental Everglades restoration initiative – in which this project is being implemented. The report does not make clear that the Department is the beneficiary of the project and the Army Corps of Engineers is the direct project manager.

The legal framework that sets forth the Department's consultation role is provided by statute. The Fish and Wildlife Coordination Act, the Endangered Species Act and the National Environmental Policy Act, as well as laws and regulations applicable to the National Park Service also define and guide this consultation role with the Army Corps of Engineers in carrying out this project. We believe that officials in the Army Corps of Engineers and in the Department of the Army understand the Department's consultation role and the unique and specific requirements for each of our two bureaus that are involved in this process. We have worked to improve the collaboration of responsible agencies, which has recently resulted in completion of the final record of decision for the Tamiami Trail that presents a cost-effective approach to achieving project goals.

We agree with your assessment that the project has experienced delays. The draft IG report notes that "differing positions [on preferred restoration approaches] have contributed to the need for multiple Project feature re-designs." In our view, however, many project delays are attributable to State and Federal efforts to find a sustainable solution for the 8.5 Square Mile Area and the requirement, as set forth in the National Environmental Policy Act, to redesign project components, including Tamiami Trail, based upon significant new information that was received subsequent to the completion of the Army Corps of Engineers' 1992 General Design Memorandum.

We agree that over the past decade agency coordination and external communications have not always met public expectations. We will continue to improve agency coordination. Many recent efforts have resulted in management improvements that are generating cost savings. Our more detailed comments below further address these issues and we appreciate your consideration of them as you finalize the report.

#### **The Legal Framework**

In the 1989 Everglades National Park Protection and Expansion Act, the Congress directed that:

*the Secretary of the Army, in consultation with the Secretary [of the Interior], is authorized and directed to construct modifications to the Central and Southern Florida Project to improve water deliveries into the park and shall, to the extent practicable, take steps to restore the natural hydrological conditions within the park. 16 U.S.C. § 410r-8(a).*

Additionally, the Congress provided that:

*If the Secretary makes a determination...that the "Eight and One-Half Square Mile Area" will be adversely affected, the Secretary of the Army is authorized and directed to construct a flood protection system for that portion of presently developed land within such area. 16 U.S.C. § 410r-8(c).*

With respect to project funding, and contrary to the report's (page 1) characterization of the 1989 Act, the Congress provided that "such sums as may be necessary" may be appropriated to carry out the Modified Water Deliveries Project. 16 U.S.C. § 410r-6(f)(1). Congress did not specify whether these appropriations were to be made to the Army or the National Park Service. In initial implementation of the project, a policy decision was made within the Administration to propose appropriations to the National Park Service. Appropriations continued in this fashion through fiscal year 2005. For FY 2006, however, the Administration proposed a revised funding strategy that divided responsibility for the remaining costs of the project between the National Park Service and the Army Corps of Engineers. The Congress agreed with this proposal and provided appropriations for the project to both agencies.

As set forth by Congress, the Secretary of the Army is responsible for modifying the C&SF Project, which provides for regional water supply and flood control in South Florida, to improve water deliveries to Everglades National Park. As a result, the Army Corps of Engineers is responsible for implementing the project, including developing project designs, cost estimates, schedules and managing the work. It is important to note that in contrast to the usual practice, Congress did not authorize implementation of a specific plan or report that the Army Corps of Engineers had previously developed and submitted to Congress prior to authorization, but instead set forth direction by statute as to what should be achieved, specifically, "improved water deliveries" and restoration of "natural hydrologic conditions" for Everglades National Park. The Army Corps of Engineers then had to develop the appropriate plan to achieve these statutory requirements.

Lands managed by the Department of the Interior are the intended beneficiary of the Army Corps' work. Thus, because we do not manage the C&SF Project, our role in carrying out the actual project has been limited to "consultation." As explained below, we believe that consultation has occurred within a statutory and regulatory framework

that guides our land management and, when applicable, regulatory responsibilities in South Florida. We agree that we can and should continue to take appropriate steps to enhance interagency coordination.

### **The Role of the Department of the Interior**

The report (page 1) states that “no legislation exists that defines the extent of the Department’s consultation to the Corps.” Further, the report (page 5) states that “[n]umerous planning documents exist, but none represent a comprehensive plan that adequately defines the Department’s consultation role and its objectives for the project.” We believe the Department’s land-management and regulatory responsibilities are clearly set forth in statutes and regulations, which guide and define the Department’s collaboration and consultation role in working with the Army Corps of Engineers to implement this project. The planning documents that have been provided to the Army Corps of Engineers reflect the specific missions of the Departmental bureaus involved in this process and consistently articulate the Modified Water Deliveries Project objectives.

For example, as the land-manager for Everglades National Park, the principal bureau beneficiary of the project, the Department is responsible for ensuring that actions implementing this project are consistent with the park’s original authorizing legislation, the National Park Service Organic Act, and other applicable laws and regulations governing the management of units of the National Park System. As with any project that is implemented at the local level, it is appropriate that the National Park Service take the lead in providing input to the Army Corps of Engineers on the implementation of the Modified Water Deliveries Project. For instance, the National Park Service, through the South Florida Natural Resources Center at Everglades National Park, has taken a lead role in working with the Army Corps of Engineers to model and analyze the hydrologic effects of the various project designs and alternatives to ensure that the project will meet its performance objectives. Additionally, the Department is aware that since this project was first authorized, the National Park Service has had regular and frequent meetings with the Army Corps of Engineers to monitor and track the status of the project.

Policy issues, such as those concerning the 8.5 Square Mile Area, were regularly elevated to the Department for resolution or direction. This arrangement resulted in close interagency collaboration between the National Park Service and Army Corps of Engineers on technical and scientific issues concerning the implementation of the project. We believe that the National Park Service consistently articulated the Department’s position objectives to be achieved. These project objectives are set forth in the authorizing legislation – the restoration of more natural flows of water to Northeast Shark River Slough and the restoration of park habitat.

We agree that the National Park Service did not initially identify its concerns with the 1992 General Design Memorandum. However, the National Park Service soon identified its concerns to the Army Corps of Engineers in 1994 as interagency collaboration on the overall Everglades restoration effort increased and scientists became more aware of the



importance of the quantity, timing and distribution of a more natural hydroperiod for the Everglades. This is discussed further below.

In addition to local collaboration between the National Park Service and the Army Corps of Engineers, the Department's consultation is also guided by the Fish and Wildlife Coordination Act that provides for input to the Army Corps of Engineers on the effects of water projects on fish and wildlife resources. Pursuant to this statute, since this project was first authorized, the U.S. Fish and Wildlife Service in Florida has worked closely with Everglades National Park in the interagency consultation process. In fact, it was the joint effort and analysis of the U.S. Fish and Wildlife Service and Everglades National Park that produced numerous Planning Aid Letters and the Coordination Act Report upon which the Army Corps of Engineers heavily relied in assessing the environmental benefits of the revised 8.5 Square Mile Area project component – "Alternative 6D" - that is being implemented today.

The U.S. Fish and Wildlife Service also has a specific consultation role under Section 7 of the Endangered Species Act, which mandates that any federal agency "consult" with the Service on the effects of a proposed federal action on endangered and threatened species. The U.S. Fish and Wildlife Service has carried out this function through both informal and formal consultation processes, consistent with the statute and implementing regulations. We agree that such efforts can certainly be further enhanced.

Lastly, the National Park Service has generally participated in the Army Corps of Engineers' planning process for this project as a cooperating agency under the National Environmental Policy Act (NEPA). This cooperating agency role is well established in law and agency practice, and the National Park Service participates with the Army Corps of Engineers in all stages of the Corps's NEPA process.

#### **Generation and Use of Science**

The report (page 8) discusses a scientific disagreement between the U.S. Fish and Wildlife Service and the National Park Service on the effect of water levels in the water conservation areas on the tree islands resources located there. The Department acknowledges that such scientific disputes exist, and are common, among the many scientists that work on Everglades restoration issues. We believe such disagreements are intrinsic to the scientific process and the degree of uncertainty that prevailed at the outset of the project and would almost certainly arise in virtually any project of this magnitude. These debates are often fueled by others outside the Department. However, we do not believe this disagreement has delayed this project or resulted in the need to redesign project components. The scientific disagreement over the effect of water conservation area water levels on the tree islands has not affected any decision related to the redesign of any project component that has been finalized to date. Rather, this disagreement goes to future operational issues for the project that have not been yet finalized and that are the subject of the Combined Structural and Operational Plan (CSOP) NEPA review, which will be finalized later this year.

Presently, the Army Corps of Engineers, the U.S. Fish and Wildlife Service, and the National Park Service are collaborating on this NEPA review of the CSOP, which will replace the current water management operations (that are known as the Interim Operational Plan, or IOP). During the recent and ongoing IOP and CSOP efforts, the National Park Service and U.S. Fish and Wildlife Service have held a common position on the Modified Water Deliveries Project objectives as set forth in the authorizing statute. During 2005, the U.S. Fish and Wildlife Service and the National Park Service initiated a joint effort to review existing data and develop a consensus methodology for evaluating the effects of changing water depths on tree islands. We believe this consensus methodology will lessen the intensity of internal disagreements as we evaluate CSOP alternatives and we note that the recent consensus recommendations of the CSOP advisory team should also lessen future disagreements on operational issues associated with CSOP.

While we do not believe that the Department needs to further define its consultation role for the project, which is established by statutes and bureau practices in South Florida. Further, we agree that we can enhance coordination and communication. We plan to reconvene an interagency federal group to assist us in this effort. We believe a Departmental approach to restoration is occurring through the close coordination of Departmental bureaus involved in this effort under the leadership of the Office of the Secretary of the Interior, though we agree we must look for opportunities to strengthen these efforts.

The Department's restoration efforts are also guided by the Comprehensive Everglades Restoration Plan, authorized by Public Law 106-541 and its implementing regulations, as well as the overall Strategic Plan and Land Acquisition Strategies that have been adopted by the South Florida Ecosystem Restoration Task Force. The Department has developed a Science Plan, which it promulgated in 2004, to improve coordination and collaboration among Interior bureaus and to ensure that science efforts being funded by the Department support the needs of the land managing agencies in implementing Everglades restoration programs.

#### **Modified Water Deliveries in the Context of Everglades Restoration**

Generally, the 1992 project design for Modified Water Deliveries evolved contemporaneously with other efforts in South Florida to review and understand more clearly the concept of restored natural hydrologic conditions within the South Florida ecosystem and the Everglades. The revised and new information that was developed during that time demonstrated the need for the Army Corps of Engineers to revise its 1992 design for Modified Water Deliveries.

The genesis for an improved understanding of the region's hydrology started in 1992 when the Congress directed the Army Corps of Engineers to undertake a reconnaissance study of the C&SF Project to determine the feasibility of making improvements and modifications to the C&SF Project to enhance environmental conditions in South Florida.

Shortly thereafter, in 1993, the Federal government established a Federal interagency task force (which Congress later expanded and codified as the intergovernmental South Florida Ecosystem Restoration Task Force in the Water Resources Development Act of 1996) to improve overall collaboration and information sharing on ecosystem needs. Information was collected; system-wide hydrologic models were developed; and State and Federal agencies worked closely together to more fully understand the characteristics of quantity, timing and distribution of water within the South Florida ecosystem as it related to restoring a more natural hydroperiod.

Following the completion of the Corps' reconnaissance report in 1994, Congress in the 1996 Water Resources Development Act directed that the Secretary of the Army develop and submit to the Congress by 1999 a comprehensive plan for the restoration, preservation and protection of the South Florida ecosystem while also providing for other water-related needs of the region. Again, this led to intense interagency scientific and engineering collaboration, as well as stakeholder involvement, as the Army Corps of Engineers developed a proposal consisting of a suite of 68 separate operational and structural modifications to the C&SF Project to restore, preserve and protect the South Florida ecosystem. Congress authorized this comprehensive plan, now known as the Comprehensive Everglades Restoration Plan, in the Water Resources Development Act of 2000 (P.L. 106-541).

The revised assumptions and new information developed during the 1992-1999 time frame were major factors that lead to State and Federal review of the 1992 General Design Memorandum plans and assumptions for the 8.5 Square Mile Area (a chronology follows below), as well as the Tamiami Trail component. As early as 1994, the Congress realized that the original design plans for the 8.5 Square Mile Area project component would not necessarily guarantee the achievement of the environmental benefits for Everglades National Park that the Congress had set forth in the original Modified Water Deliveries Project authorization. As a result, in 1994 Congress amended its original authorization to allow the Army Corps of Engineers to provide flood protection for the 8.5 Square Mile Area by acquiring lands with specific cost-share arrangements between the State and Federal governments, 16 U.S.C. § 410r-8(k). The development and implementation of the Modified Water Deliveries Project did not occur in isolation but rather within the framework of the largest landscape-level restoration effort underway anywhere in the Nation.

#### **The 8.5 Square Mile Area - Primary Cause for Delay**

We believe project delays are largely attributable to the efforts at all levels of government to find a sustainable solution for the 8.5 Square Mile Area flood mitigation component of the project. As noted above, the 1994 amendment to the project authorization provided the Army Corps of Engineers with non-structural alternatives to implement the requirement to provide flood mitigation to the 8.5 Square Mile Area. The 1994 amendment was a significant event in the overall chronology for this project component,

as it led to State of Florida efforts to review alternatives to the 1992 design. The chronology follows:

**1992** – Army Corps of Engineers finalizes original project design.

**1992** – Congress directs the Army Corps of Engineers to conduct a reconnaissance report to determine feasibility of modifying the C&SF Project to improve its functions.

**1993** – South Florida Ecosystem Restoration Task Force established as Federal task force for purposes of improving interagency collaboration on ecosystem restoration issues.

**1994** – In response to concerns over how best to restore natural hydrologic conditions within Everglades National Park, the National Park Service's South Florida Natural Resources Center at Everglades National Park completes its report, "Restoration of Northeast Shark Slough and the Rocky Glades" in early 1994. The report summarizes the hydrologic impacts of the C&SF project that resulted in an increase in water levels in the western portions of the Shark River Slough while lowering water levels in the eastern portion, including the Rocky Glades, the 8.5 Square Mile Area and northern Taylor Slough.

Later that same year, the Congress amends the Everglades National Park Protection and Expansion Act of 1989 to allow the Federal and State governments to partner financially to acquire additional lands in areas adjacent to the park, including the 8.5 Square Mile Area, to assist in restoring the Northeast Shark River Slough and historic patterns of water flows from the park to Florida Bay and also to provide for a non-structural solution to the flood mitigation problems in the 8.5 Square Mile Area. Funds previously appropriated for Modified Water Deliveries were made available for this purpose. The legislation was supported by the State of Florida, the entire Florida delegation and the Department of the Interior.

**1994 and 1995** – Florida Governor Lawton Chiles forms a committee ("the Chiles Commission") in 1994 to study the 8.5 Square Mile Area component of the Modified Water Deliveries Project. The committee determines that the 1992 project design would not resolve land use conflicts and recommends instead a design called a "flow-way" buffer, which requires the acquisition of the western one-third of the 8.5 Square Mile Area.

**1998** – The South Florida Water Management District votes unanimously to support the full acquisition of the 8.5 Square Mile Area and requests that the Department of the Interior provide funding assistance, which the Congress has appropriated and the Department agrees may be provided.

**1999** – The South Florida Water Management District reverses its 1998 position on the full acquisition of the 8.5 Square Mile Area and instead requests that the Army Corps of Engineers undertake a NEPA review of all alternatives for this component of the project, including acquiring lands to provide for flood mitigation for the 8.5 Square Mile Area.

**2000** – The Army Corps of Engineers finalizes a revised project design, known as Alternative 6D, for the 8.5 Square Mile Area. This revised project design, which is very similar to the recommendation in 1995 of the Chiles Commission, is supported by the South Florida Water Management District and the Department of the Interior. Congress reappropriates \$50 million to implement this revised plan.

**2002** – Litigation halts the implementation of Alternative 6D.

**2003** – Congress resolves all legal issues associated with the litigation by including legislative language in the 2003 Consolidated Appropriations Act and the project restarts.

The deliberations over the 8.5 Square Mile Area took place over nine years. During that time, Congress amended the law and authorized alternative means to provide flood protection to the 8.5 Square Mile Area than those means provided under the 1992 plan. The State of Florida and the local sponsor each studied the issue, and the local sponsor, which initially supported full acquisition of the area, reversed its position a year later. Subsequently, litigation halted the project. During this time, land acquisition and construction costs increased substantially.

We agree that these delays are unfortunate. However, the project being implemented today is greatly improved in terms of environmental performance over that first designed in 1992. The revised designs incorporate much of the new information developed during the seven-year planning process for the Comprehensive Everglades Restoration Plan. The supplemental environmental impact statement for the revised project design for the 8.5 Square Mile Area sets forth facts and analyses indicating that the 1992 plan would have drained the very areas within the park that the project was intended to restore. It is for this reason that the Army Corps of Engineers worked with the State and Federal governments to find a sustainable solution that would provide both flood mitigation, as well as restored natural flows to Everglades National Park. Congress endorsed this solution when it reappropriated funds to implement Alternative 6D and when it enacted legislation codifying this approach in the 2003 Omnibus Appropriations Act.

Similarly, the Tamiami Trail component was also redesigned due to concerns over deficiencies with the 1992 design. This lengthened the schedule somewhat and increased the cost for the project substantially. However, as cost projections continued to rise, the agencies worked very closely to review those costs and explore options that could achieve restoration goals at lower cost. The Army Corps of Engineers' Final Revised General Reevaluation Report/Second Supplemental Environmental Impact Statement

(EIS) (November 2005) for the Tamiami Trail component reflects these efforts. The Final Revised Report/Second Supplemental EIS notes that the redesign is necessary because it was determined subsequent to the 1992 plan that the original design would not adequately pass the necessary flows of water and would adversely affect the structure of Tamiami Trail.

The report (page 6) refers briefly to the fact that the Army Corps of Engineers completed a General Reevaluation Report/Supplemental Environmental Impact Statement on this project component last year but that the Department requested that the Corps revise the design and review again certain alternatives. The report does not explain the Department's reason for this request. Generally, we requested that the Corps revise its plans based upon concerns that the proposed action at that time (a 3,000 foot bridge) could result in waste of taxpayer resources by building up the Tamiami Trail roadbed under the Modified Water Deliveries Project only to have those roadbed improvements ripped up later in implementation of the Comprehensive Everglades Restoration Plan. Further, we were concerned that the 3,000 foot bridge, while adequate to pass the necessary flows of water, did so in a manner that negatively affected Everglades National Park resources. Instead, we asked the Corps of Engineers to implement a design plan for Tamiami Trail that would provide the flows consistent with the Modified Water Deliveries Project authorization while anticipating other future actions. We also requested a design that would not negatively affect park resources. As noted above, the Army recently approved the revised design for Tamiami Trail. We believe this will achieve the purpose of the project *and* ensure the wise use of fiscal resources. There are no disagreements now among the Army, Interior or the State of Florida on the design component that will be implemented by the Army Corps of Engineers for this project component.

Additionally, the report (page 13) indicates that the National Park Service's capital asset plan should identify as a risk that the scope of the Tamiami Trail design may exceed current legislative authorization. Legal staff for the Departments of the Army and the Interior have carefully reviewed the approved revised design for Tamiami Trail and have concluded that all actions that are necessary to implement this revised design are fully within the scope of the authorized project and are necessary to achieve the requirements of the authorization for the Modified Waters Delivery Project. There were some concerns expressed during the review of the alternatives that the 11-mile bridge option, which was considered but rejected, may have exceeded the scope of the project.

#### **Departmental Oversight and Internal Coordination**

We generally agree with your recommendation that improved management is necessary to ensure this project is completed expeditiously and that further delays and cost increases are avoided. For these reasons, when the costs for this project rose substantially in 2004, we implemented a number of management measures to ensure appropriate policy and management oversight.

With respect to monitoring costs (discussed on pg. 11), staff from the Department and Everglades National Park met with the Army Corps of Engineers numerous times over a period of several months in late 2004 to review the rising cost estimates. We identified several problems, including proposals by the Army Corps of Engineers to expend funds on items that were not within the authorized scope of the project or were more appropriately funded somewhere else. One example was a \$4 million storm water treatment area that the Army Corps of Engineers proposed to build to deal with water quality improvements along the eastern boundary of Everglades National Park. Although meritorious, the Department informed the Corps that this project was not within the statutorily authorized scope of the project. The Corps subsequently deleted these items from the funding estimate.

Additionally, in reviewing the proposed expenditures to acquire lands within the 8.5 Square Mile Area, the Department and the National Park Service noted the large overhead and contingency costs estimated by the Corps to complete the acquisition. Because the National Park Service has substantial experience in buying land in South Florida, the Department requested that the National Park Service's Naples Land Office conduct an independent review of the Corps's proposed acquisition strategy and cost estimates. This review concluded that the Corps could achieve significant savings in the range of \$2-7 million by implementing a number of changes. We provided that review to the Corps, and we also worked out an arrangement whereby staff from the National Park Service provided assistance to the Corps in completing the 8.5 Square Mile Area acquisitions, resulting in a significant savings of funds that the Corps would have expended on its overhead. As noted above, the 8.5 Square Mile Area land acquisition is now largely complete and cost savings were realized.

Other management improvements that we implemented internally included weekly updates and conference calls on the project between the Superintendent of Everglades National Park and management and policy officials within the Department, as well as more frequent conference calls between the Department and the Army Corps of Engineers, as well as the Department of the Army. The report notes that we executed a memorandum of agreement with the Army to improve overall interagency collaboration. The Department has not held quarterly policy briefings because we determined that our weekly interagency conference calls with policy officials and attendance at the Quality Review Board, which is also attended by the State of Florida, the Army Corps of Engineers and the Department of the Interior, have greatly improved the interagency relationship. To the extent policy issues have arisen, we have scheduled joint policy briefings between the Department of the Army and the Department of the Interior. However, we will consider returning to the quarterly policy briefings, which would supplement the more frequent weekly calls and other interactions.

Appendix 2 of your report summarizes the prior audits that have been issued by the General Accounting Office on issues related to Everglades restoration. The Department notes that all of the recommendations of these reports have either been fully implemented, or, as is the case with the most recent GAO report concerning science coordination, are in the process of being implemented. The GAO reports correctly point

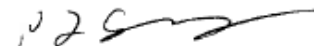
out that the Everglades restoration initiative is the largest intergovernmental landscape restoration initiative underway and that there are significant uncertainties and risks associated with any such effort. Despite that challenge, the Department believes that it has addressed the concerns raised by the GAO and, as a result, the overall restoration effort at the State and Federal level has achieved an extraordinary amount of success within the last decade. Restoration remains a priority of the State and Federal Governments and significant staff and funding resources are targeted to this effort. As with any program of this magnitude and complexity, it is not unusual to encounter staff level disagreements or concerns that may not be fully informed or represent final agency action. We agree that we should work to minimize conflicting or unclear policy communications to the public and other stakeholders.

The Department appreciates the fact that your recommendations are geared toward improving the Department's participation in the project to ensure that the project achieves its restoration objectives. Your recommendations build upon management improvements that we have implemented in response to the significant cost increases and schedule delays to ensure that the project is completed expeditiously with the most efficient use of taxpayer resources.

The Department agrees that recommendations geared to improve the overall departmental participation for this project are warranted. Actions that are being taken and are planned to implement the recommendations are included as Attachment A to this memorandum.

Thank you for the opportunity to comment on the report. The Department appreciates the input of your staff and is working to ensure the completion of the Modified Water Deliveries Project so that its statutory objectives and restoration benefits are achieved.

Sincerely,



P. Lynn Scarlett  
Deputy Secretary

Attachment

Cc:

Assistant Secretary – Fish and Wildlife and Parks  
Director, National Park Service  
Director, Fish and Wildlife Service  
Solicitor



**Attachment A – Actions to implement recommendations for Modified Water Deliveries project**

**Recommendations (OIG recommendations are reprinted below in bold italics; actions being taken to implement each recommendation follow)**

- 1. Appoint a proven project manager with access to the highest levels of the Department to take charge of this project and serve as the final arbitrator of intra Bureau conflicts and to speak with one Department voice to external stakeholders.***

Action: The National Park Service is recruiting a project manager to be co-located with the Army Corps of Engineers in Jacksonville, Florida for the purpose of ensuring a single line of communication between the National Park Service and the Department and the Army Corps of Engineers on the remaining work to be completed for this project, which includes implementation of the Tamiami Trail and Conveyance and Seepage components, as well as the adoption of an operational protocol through the Combined Structural and Operational Plan (CSOP) for the Modified Water Deliveries and C-111 Projects.

The project manager will report to the Superintendent of Everglades National Park who will report to the Department's Director, Everglades Restoration Initiatives, who will in turn report to the Deputy Secretary of the Interior. The Department's Director of Everglades Restoration Initiatives will serve as the final arbitrator of intra-bureau conflicts and represent the Department to external stakeholders.

Responsible official and target date: Dan Kimball, Superintendent of Everglades National Park, will appoint the project manager with an estimated target completion date of May, 2006.

- 2. Developing a Department-level plan to guide the Department's participation in the Project. The plan should clearly define the Department's consultation role and objectives for the Project.***

Action: The Department will clarify that the Director of Everglades Restoration Initiatives will serve as the senior Interior official who will report to the Office of the Deputy Secretary on the status of this project on a weekly basis, which has been occurring during this Administration on a wide range of Everglades Restoration issues. Additionally, the Director of Everglades Restoration Initiative will represent the Department in discussions with stakeholders, resolve any intra-bureau conflicts that may arise that do not require resolution among policy officials so as to achieve a unified Departmental position, represent the Department and its participation in this project to the Army Corps of Engineers and the Department of the Army, be designated as the Department's liaison to improve coordination, communication and consensus building, and monitor and enforce the provisions of the Management Agreement with the Department of the Army. The meetings of the Quality Review

Board have substituted for the quarterly policy-level meetings between the Army and Interior because both the Departments of the Interior and Army determined that this forum, which also includes the local sponsor, works very well to identify any issues that require resolution. However, we will consider returning to the quarterly policy briefings as provided in the Management Agreement, which would supplement the more frequent weekly calls and other interactions.

Additionally, many of these functions are currently the practice of the Department whereby the Director of Everglades Restoration Initiatives facilitates coordination and communication and consensus building both among the Department's bureaus involved in the restoration effort by hosting weekly conference calls and periodic meetings among the Interior agencies, as well as serving as the Department's senior representative in South Florida.

Because the Department's consultation role is established by statute, the Department does not believe it is necessary to further define the Department's consultation role and objectives for the project.

Responsible official and target date: Kameron Onley, the Assistant Deputy Secretary for Interior will issue a memorandum clarifying the role of the Director, Everglades Restoration Initiatives, in the implementation of this project. The target completion date for this will be February 15, 2006.

***3. Developing a Department-level approach to restoration including establishing a process for elevating critical Project issues, to arrive at a unified Departmental position.***

Action: This will be implemented through the response to recommendation 2 above.

***4. Establishing a single line of communication with the Corps to clearly convey the Department's position on critical Project issues.***

Action: This will be implemented through the response to recommendation 2 above.

***5. Designating a Departmental liaison to improve coordination, communication, and consensus building.***

Action: This will be implemented through the response to recommendation 2 above.

***6. Improving monitoring and reporting by enforcing the provision of the management agreement to ensure that the Project stays within authorized budget and scope.***

Action: This will be implemented through the response to recommendation 2 above.

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## STATUS OF AUDIT RECOMMENDATIONS

Recommendations	Status	Action Required
1, 2, 3, 5, 6	Resolved – Not Implemented	No further response to the Office of Inspector General is required. The recommendations will be referred to the Department's Focus Leader for Management Control and Audit Follow Up for tracking implementation.
4	Resolved and implemented	No further response to the Office of Inspector General is required.

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## **PHOTOS COURTESY OF:**

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“Southern Florida.” Image adapted from the NASA visible earth website  
<http://visibleearth.nasa.gov>

Artist Rendering of ridge and slough landscape, Chris McVoy, “The Role of Flow in the Everglades Landscape,” H.Fling, N.Aumen, T. Armento, F. Mazzotti, University of Florida website  
<http://edis.ifas.ufl.edu/>

“Indian Village, Tamiami Trail.” South Florida Water Management District website  
<http://www.sfwmd.gov>

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