



# OFFICE OF INSPECTOR GENERAL

## FLORIDA DEPARTMENT OF TRANSPORTATION

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Robert E. Clift  
Inspector General

Single Audit Compliance Review – D7  
Advisory Report No. 12I-8006

August 22, 2012

### EXECUTIVE SUMMARY

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The Office of Inspector General (OIG) conducted a single audit compliance review in District Seven on March 20 - 21, 2012. The purpose of this engagement was to determine if District Seven complied with federal and state single audit regulations as well as the Florida Department of Transportation's (department) *Single Audit Procedure*.

We tested a sample of seven federal awards and 14 state financial assistance grants from a population of 141 for fiscal year ended 2010 with total disbursements over \$30.8 million.

Of the 21 grants reviewed, six fully complied with all the requirements tested and the remaining grants were missing only one or two compliance review elements (see Attachment 1 on page 10). We identified the following:

- Nineteen (90%) single audit reports showed evidence of receipt, such as a date stamp;
- Nineteen (90%) Single Audit System checklists were completed within six months;
- Seventeen (81%) single audit reports were received timely in the district;
- Sixteen (76%) single audit report expenditures were accurately reconciled and findings identified in the Single Audit System;
- Fifteen (71%) agreements contained all the single audit provisions from Form DFS-A2-CL as required by Rule 69I-5.006(3), Florida Administrative Code (F.A.C.); and
- Thirteen (62%) files contained evidence of during-the-award monitoring.

We commend District Seven's Program Managers for their diligence to correct issues noted from a prior single audit compliance review and recommend efforts continue.

Based on the current findings, we recommend that the:

- Single Audit Liaison follow the provisions within the department's *Single Audit Procedure* regarding receiving, recording the date and distributing single audit reports to appropriate Program Managers;
- Program Managers use the Single Audit System as required by the department's *Single Audit Procedure*;
- Program Managers hold recipients/sub recipients accountable for meeting the required audit reporting deadline and proactively attempt to obtain single audit reports timely;
- Single Audit Liaison and Program Managers revise all deficient agreements/exhibits to include required single audit language and project information as well as ensure outdated single audit threshold amounts are corrected; and
- Program Managers conduct during-the-award monitoring activities throughout the year.

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## **BACKGROUND AND INTRODUCTION**

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The department's Single Audit Liaisons and Program Managers are responsible for maintaining internal controls and reasonable assurance that recipients/sub recipients are complying with laws, regulations and the provisions of grant agreements related to federal and state single audit requirements. Department Program Managers reconcile the recipient's/sub recipient's reported expenditures against department funds disbursed and complete the OIG's Single Audit System checklist within six months after receipt of the recipient's/sub recipient's audit report.

A prior District Seven Single Audit Compliance Review, Advisory Memorandum 10T-8008, indicated findings regarding inconsistent use of the Single Audit System, outdated single audit language in agreements, untimely receipt, and review of single audit reports, inadequate reconciliations of expenditures against department disbursements and no evidence of receipt dates for audit reports.

## **PURPOSE, SCOPE and METHODOLOGY**

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Section 20.055, Florida Statutes (F.S.) requires the OIG to conduct audits, examinations, investigations, and management reviews related to programs and operations of the department. This engagement was performed as part of the OIG's Annual Work Plan.

The purpose of this engagement was to determine if District Seven complied with federal and state single audit regulations as well as the department's *Single Audit Procedure*.

The scope of this advisory consisted of a population of 141 federal awards and state financial assistance grants from the Single Audit System for fiscal year ended 2010. We reviewed 21 grants with total disbursements over \$30.8 million.

The methodology included:

- Reviewing federal and state regulations and the department's *Single Audit Procedure*;
- Verifying accuracy of the recipients'/sub recipients' reported Schedule of Expenditures of Federal Awards and State Financial Assistance and findings;
- Determining if Single Audit System checklists were accurately reconciled;
- Reviewing agreements for current single audit language and provisions;
- Examining management controls and supporting documentation; and
- Interviewing appropriate staff.

## **RESULTS OF REVIEW**

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District Program Managers have made improvements to correct issues noted in a prior single audit compliance review and we recommend efforts continue until full compliance with federal and state single audit regulations are achieved.

The details of our results are summarized as follows:

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## Finding 1 – Federal regulations

<b>Objective</b>	To determine if the seven federal awards are in compliance with federal regulation.
<b>Conclusion</b>	<p>Of the seven federal awards tested, three were in full compliance with federal regulations (see Attachment 1 on page 10). Our testing determined:</p> <ul style="list-style-type: none"><li>• Four (57%) single audit reports were received timely;</li><li>• Six (86%) agreements contained the required single audit language and provisions; and</li><li>• Four (57%) files had evidence of during-the-award monitoring.</li></ul>
<b>Condition (Supporting Evidence)</b>	The single audit report for agreements AOV53, A5208 and ANP08 was date stamped July 29, 2011 – one month past the due date. Agreement ANP08 had an outdated audit threshold of \$300,000. Files did not contain evidence of during-the-award monitoring for agreements AOV53, A5208 and ANP08.
<b>Criteria</b>	Federal single audit regulations are contained within the OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> and OMB Circular A-133, <i>Compliance Supplement 2011</i> for sub recipient monitoring.
<b>Cause</b>	The single audit report with agreement numbers AOV53, A5208 and ANP08 was filed late with the district. Program Managers did not create a Supplemental Agreement for ANP08 revising the audit threshold to \$500,000. Program Managers failed to conduct during-the-award monitoring as required by OMB Circular A-133.
<b>Effect (Impact)</b>	Failure to file single audit reports by the mandated due date leads to sub recipient's noncompliance with federal requirements. Not creating a Supplemental Agreement increasing the audit threshold to \$500,000 makes the department noncompliant with federal regulations. Lack of during-the-award monitoring puts the department at risk of not receiving appropriate deliverables and violating federal provisions, laws and regulations.
<b>Recommendation</b>	<p>We recommend the:</p> <ul style="list-style-type: none"><li>• Program Managers hold sub recipients accountable for meeting the required single audit reporting deadline and proactively attempt to obtain audit reports timely;</li><li>• Single Audit Liaison ensures the Program Managers revise agreement ANP08 to correct the outdated single audit threshold and review all active agreements to determine if any additional outdated audit language requires revisions; and</li><li>• Program Managers conduct during-the-award monitoring activities</li></ul>

throughout the year, such as: site visits at the sub recipient to review programmatic records and observe operations; regular contact and documented inquiries concerning program activities, monthly status reports or photos demonstrating the project's progress; and reviews as described in the department's Local Agency Program (LAP) Bulletin 03-11, *LAP Construction Oversight and Project Review*.

## Finding 2 – State regulations

### Objective

To determine if the 14 state financial assistance grants are in compliance with state regulations.

### Conclusion

Of the 14 grants tested, three were in full compliance with state regulations (see Attachment 1 on page 10). Our testing determined:

- Thirteen (93%) single audit reports were received timely;
- Nine (64%) agreements contained the required single audit language and provisions; and
- Nine (64%) files had evidence of monitoring.

### Condition (Supporting Evidence)

The financial reporting package for APS46 was filed three months late and did not contain the required single audit report. Agreements ANH82 and ANW13 had an outdated audit threshold of \$300,000. Agreements AOX54, AON99 and AOO00 were not fully completed by the Program Managers prior to being executed. Files APN83, AOO00, ANW13, APS46 and APL18 did not contain any monitoring documentation.

### Criteria

State single audit regulations are contained within Section 215.97, *Florida Single Audit Act*, Florida Statutes; Chapter 10.550, *Local Governmental Entity Audits*, Rules of the Auditor General; Chapter 10.650, *Florida Single Audit Act Audits – Nonprofit and For-Profit Organizations*, Rules of the Auditor General; and Rule Chapter 69I-5, F.A.C. for standard audit language as well as monitoring from Form DFS-A2-CL.

### Cause

The Program Manager(s) did not:

- adequately communicate the single audit reporting requirements to the recipient;
- create Supplemental Agreements revising the audit threshold to \$500,000;
- fully complete the agreements; and
- conduct monitoring or consider alternate possibilities other than site visits.

**Effect (Impact)** Failure to communicate single audit reporting requirements by the Program Manager diminishes the ability to hold the recipient accountable. Not creating Supplemental Agreements increasing the audit threshold to \$500,000 and not fully completing agreements makes the department noncompliant with state regulations. Lack of monitoring violates state provisions, laws and regulations.

**Recommendation** We recommend the:

- Program Manager communicate to the recipient the due date and single audit report requirements as well as proactively attempt to obtain the audit report timely;
- Single Audit Liaison ensures Program Managers revise agreements ANH82 and ANW13 to correct the outdated single audit threshold. Revise agreement/exhibits AOX54, AON99 and AOO00 to reflect all required project information; and
- Program Managers conduct monitoring activities throughout the year, such as: site visits at the recipient to review programmatic records and observe operations as well as regular contact and documented inquiries concerning program activities, monthly status reports or photos demonstrating the project's progress.

### **Finding 3 – Department procedure**

**Objective** To determine if the Single Audit Liaison and Program Managers followed procedures.

**Conclusion** Of the 21 federal awards and state financial assistance grants selected for testing, we determined:

- Nineteen (90%) single audit reports showed evidence of receipt at the district office, such as a date stamp;
- Nineteen (90%) Single Audit System checklists were completed within the required six months; and
- Sixteen (76%) audit report expenditures were accurately reconciled and findings identified in the Single Audit System.

**Condition  
(Supporting  
Evidence)**

Audit reports for APS46 and APL18 lacked evidence of receipt at the district office, such as a date stamp, electronic printout or a date published to the district's SharePoint site. Single Audit System checklists for AO752 and APE44 were not completed within the required six months. Recipients' expenditures for AOU01 and ANP08 were inaccurately reconciled to the department's disbursements in the Single Audit System. Additionally, single audit reports for AO752 and APL18 contained findings specific to department programs; however, Program Managers did not have appropriate documentation regarding corrective action plans.

**Criteria**

The department's Procedure No. 450-010-001, *Single Audit Procedure*, Sections 3.1 and 3.2 establish responsibilities for the Program Managers and Single Audit Liaison.

**Cause**

Program Managers received audit reports directly from the recipients instead of through one point-of-contact, such as the Single Audit Liaison. The priority for Program Managers was completing checklists within the required due date, which lead to not obtaining corrective action plans on single audit findings.

**Effect (Impact)**

Lack of evidence when audit reports were received in the district office diminishes the Program Managers' abilities to hold recipients accountable for timely audit report submittal. Not completing the Single Audit System checklist within the required six months and inaccurate reconciliations reduce the Program Managers' abilities to monitor recipients' use of federal and/or state funds. Failure to appropriately address single audit findings and follow-up on a recipient's corrective action causes the department to be noncompliant with federal and state requirements.

**Recommendation**

We recommend the:

- Single Audit Liaison follow the department's *Single Audit Procedure* provisions for receiving, recording the date and distributing single audit reports to appropriate Program Managers; and
- Program Managers use the Single Audit System as required by the department's *Single Audit Procedure* for reconciling recipient's expenditures, addressing single audit findings within six months after receipt of the audit report and ensuring corrective action plans are completed.

## APPENDIX A – Management Response

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RICK SCOTT  
GOVERNOR

### Florida Department of Transportation

605 Suwannee Street  
Tallahassee, FL 32399-0450

OFFICE OF THE  
SECRETARY

August 14, 2012

Mr. Joseph W. Gilboy  
Audit Manager  
605 Suwannee Street, M.S. 44  
Tallahassee, FL 32399-0450

Re: Single Audit Compliance Review in District Seven, Advisory Report No. 121-8006 on March 20-21, 2012.

Dear Mr. Gilboy:

The Office of the Inspector General (OIG) conducted a single audit compliance review in District Seven on March 20 – 21, 2012. A sample of seven federal awards and fourteen state financial assistance grants from a population of 141 for fiscal year ending 2010 with a total disbursement of over \$30.8 million were tested. While we concur with most of the findings from the audit we offer the following responses to your recommendations.

#### **Finding 1 - Federal Regulations**

##### **Recommendation #1**

- Program Managers hold sub-recipients accountable for meeting the required single audit reporting deadline and proactively attempt to obtain audit reports timely;
- Single Audit Liaison ensures the Program Managers revise agreement ANP08 to correct the outdated single audit threshold and review all active agreements to determine if any additional outdated audit language requires revisions; and
- Program Managers conduct during-the-award monitoring activities throughout the year, such as: site visits at the sub-recipient to review programmatic records and observe operations; regular contact and documented inquiries concerning program activities, monthly status reports or photos demonstrating the project's progress; and reviews as described in the department's Local Agency Program (LAP) Bulletin 03-11, *LAP Construction Oversight and Project Review*.

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**Response #1**

- All project managers will be reminded about the Single Audit process and requirements for each project they manage.
- ANP08 is a closed contract. Please note that in a conversation between Mr. George Boyle, District Seven Multi-modal Systems Administrator, and Ms. Helen Titoff of your office on Tuesday August 7, 2012, it was agreed that since ANP08 is a closed contract, no revisions would be needed. Ms. Titoff was assured that going forward project managers will assure all current and newly opened contracts will contain the necessary Single Audit requirements.
- Henceforth during the award period project managers will assure on site monitoring is conducted and properly documented. This will included meeting minutes, attendee's, location, date of meetings, review of programmatic records and observed operations, monthly status reports and dated pictures of progress (where applicable). Also, if the on-site monitoring information is stored in a location other than the project file (i.e. other computer data bases or files) the exact location will be noted.

**Finding 2 - State Regulations**

**Recommendation #2**

- Program Manager communicate to the recipient the due date and single audit report requirements as well as proactively attempt to obtain the audit report timely;
- Single Audit Liaison ensures Program Managers revise agreements ANH82 and ANW13 to correct the outdated single audit threshold. Revise agreement/exhibits AOX54, AON99 and AOO00 to reflect all required project information; and
- Program Managers conduct monitoring activities throughout the year, such as: site visits at the recipient to review programmatic records and observe operations as well as regular contact and documented inquiries concerning program activities, monthly status reports or photos demonstrating the project's progress.

**Response #2**

- All project managers will be reminded to communicate to the recipient the due date and single audit report requirements as well as proactively attempt to obtain the audit report timely;
- A checklist has been developed and will be included in each project file to track the following information:

1. Audit report is received timely, evidence of audit report received on time (date stamped) and agreement contains necessary single audit requirements/documentation.
  2. During-the-award on site monitoring is conducted and properly documented. This will include meeting minutes, attendee's, location, date of meetings, review of programmatic records and observed operations, monthly status reports and dated pictures of progress (where applicable). Also, if the on-site monitoring information is stored in a location other than the project file (i.e. other computer data bases or files) the exact location will be noted.
  3. Single Audit Systems checklists completed within 6 months,
  4. Checklist reconciliation, comments and findings accurately reflect sub-recipient's activity.
- ANH82, ANW13, AOX54, AON99 and AOO00 are closed contracts. As previously noted in a conversation between Mr. George Boyle, District Seven Multi-modal Systems Administrator, and Ms. Helen Titoff of your office on Tuesday August 7, 2012, it was agreed that since ANH82, ANW13, AOX54, AON99 and AOO00 are closed contracts, no revisions would be needed. Ms. Titoff was assured that going forward project managers will assure all current and newly opened contracts will contain the necessary Single Audit requirements.
  - As previously noted going forward the contract file will contain solid evidence that during-the-award on site monitoring was conducted. This will include meeting minutes, attendee's, location, date of meetings, review of programmatic records and observed operations, monthly status reports and dated pictures of progress (where applicable). Also, if the on-site monitoring information is stored in a location other than the project file (i.e. other computer data bases) the exact location will be identified. It should be noted that in almost all cases in this report the projects audited contained some sort of monitoring throughout the award period, however not of the caliber required in the Single Audit requirements.

**Finding 3 – Department Procedure**

**Recommendation #3**

- Single Audit Liaison follow the department's *Single Audit Procedure* provisions for receiving, recording the date and distributing single audit reports to appropriate Program Managers; and

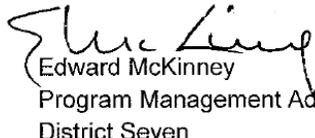
- Program Managers use the Single Audit System as required by the department's *Single Audit Procedure* for reconciling recipient's expenditures, addressing single audit findings within six months after receipt of the audit report and ensuring corrective action plans are completed.

**Response #3**

- A SharePoint site has been established to upload and track the submission of each agency's Comprehensive Annual Financial Report (CAFR). This SharePoint site will be maintained and monitored by the Single Audit Liaison to ensure all financial reporting packages are received and are timely addressed. This site will be made accessible to OIG staff.

We thank you for the opportunity to respond to the findings of Single Audit Compliance Review of District Seven, Advisory Report No. 121-8006 on March 20-21, 2012. Should you need additional information please do not hesitate to contact me at (813) 975-6095 or Edward.McKinney@dot.myflorida.com.

Sincerely,

  
Edward McKinney  
Program Management Administrator  
District Seven

EM:gwb

cc: Donald J. Skelton, P.E., District Secretary  
Debbie Hunt, Director of Transportation Development  
Ming Y. Gao, P.E., Intermodal Systems Development Manager  
Ron Chin, P.E., District Design Engineer  
Brian McKishnie, P.E., District Construction Engineer

## **DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE**

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### **Action Official Distribution:**

Donald Skelton, P.E., Secretary, District Seven  
Ming Gao, P.E., Intermodal Systems Development Manager, District Seven

### **Information Distribution:**

Ananth Prasad, P.E., Secretary of Transportation  
Brian Peters, Assistant Secretary for Finance and Administration  
Robin Naitove, Comptroller  
Richard Biter, Assistant Secretary for Intermodal Systems Development  
Francis Gibbs, Chief of Staff  
Ken Harvey, Finance Director, Federal Highway Administration  
Dyshá Weems, Financial Specialist, Federal Highway Administration

### **Project Team:**

Engagement was conducted by:  
Helen Titoff, Audit Team Leader; and  
Cameisha Smith, Auditor  
Under the supervision of:  
Joseph W. Gilboy, Audit Manager  
Approved by: Robert E. Clift, Inspector General

### **Statement of Accordance**

*The mission of the department is to provide a safe transportation system that ensures the mobility of people and goods, enhances economic prosperity, and preserves the quality of our environment and communities.*

*The mission of the Office of Inspector General is to promote integrity, accountability and process improvement in the Department of Transportation by providing objective fact-based assessments to the DOT team.*

This work product was prepared pursuant to Section 20.055, Florida Statutes, in accordance with the applicable Principles and Standards for Offices of Inspectors General as published by the Association of Inspectors General and the International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors, Inc.

This report is intended for the use of the agency to which it was disseminated and may contain information that is exempt from disclosure under applicable law. Do not release without prior coordination with the Office of Inspector General.

Please address inquiries regarding this report to the department's Office of Inspector General at (850) 410-5800.

**ATTACHMENT 1 – Compliance Review Elements**

<b>Federal Awards:</b>								
Agreement Number	Sub recipient	Disbursements	Audit report received timely?	Evidence of audit report received (date stamped)?	Agreement contained necessary single audit requirements?	During-the-award monitoring conducted?	Single Audit System checklist completed within 6 months?	Checklist reconciliation, comments and findings accurately reflect sub recipient's activity?
AOV53	Pasco Co.	\$2,080,202.00	No	Yes	Yes	No	Yes	Yes
AOD03	City of St. Petersburg	\$1,287,888.81	Yes	Yes	Yes	Yes	Yes	Yes
AOU01	Pinellas Co.	\$988,345.55	Yes	Yes	Yes	Yes	Yes	No
A5208	Pasco MPO	\$644,953.01	No	Yes	Yes	No	Yes	Yes
AP644	City of Clearwater	\$318,679.72	Yes	Yes	Yes	Yes	Yes	Yes
ANP08	Pasco Co.	\$145,344.47	No	Yes	No	No	Yes	No
ANM38	City of St. Petersburg	\$9,214.62	Yes	Yes	Yes	Yes	Yes	Yes
<b>TOTAL:</b>		<b>\$5,474,628.18</b>						

<b>State Financial Assistance:</b>								
Agreement Number	Recipient	Disbursements	Audit report received timely?	Evidence of audit report received (date stamped)?	Agreement contained necessary single audit requirements?	Monitoring conducted?	Single Audit System checklist completed within 6 months?	Checklist reconciliation, comments and findings accurately reflect recipient's activity?
AOX54	Tampa Port Authority	\$7,189,014.45	Yes	Yes	No	Yes	Yes	Yes
AON99	Hillsborough Co. Aviation Authority	\$3,547,829.03	Yes	Yes	No	Yes	Yes	Yes
AO752	Hillsborough Area Reg. Transit Auth.	\$3,538,987.00	Yes	Yes	Yes	Yes	No	No
APN83	Pinellas Suncoast Transit Auth.	\$3,521,849.70	Yes	Yes	Yes	No	Yes	Yes
AOO00	City of St. Petersburg	\$3,423,125.58	Yes	Yes	No	No	Yes	Yes
AP019	Hernando Co.	\$2,586,253.62	Yes	Yes	Yes	Yes	Yes	Yes
APC82	City of Inverness	\$436,000	Exempt	Under Threshold	Yes	Yes	Exempt	Under Threshold
ANH82	Citrus Co.	\$173,677.65	Yes	Yes	No	Yes	Yes	Yes
ANW13	City of Clearwater	\$62,595.60	Yes	Yes	No	No	Yes	Yes
APS46	Westshore Alliance	\$24,850.94	No	No	Yes	No	Yes	No
AOL36	Trans/City of Zephyrhills	\$208.23	Yes	Yes	Yes	Yes	Yes	Yes
APE44	Pinellas Co.	\$114,811.58	Yes	Yes	Yes	Yes	No	Yes
AOO61	Citrus Co.	\$102,411.18	Yes	Yes	Yes	Yes	Yes	Yes
APL18	BACS *	\$604,838.95	Yes	No	Yes	No	Yes	No
<b>TOTAL:</b>		<b>\$25,326,453.51</b>						

\* NOTE: Bay Area Commuter Services (BACS) merged with Tampa Bay Area Regional Transportation Authority in May 2010