



# OFFICE OF INSPECTOR GENERAL

## FLORIDA DEPARTMENT OF TRANSPORTATION

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Robert E. Clift  
Inspector General

Single Audit Compliance Review – District One  
Advisory Report No. 12I-8010

January 3, 2013

### EXECUTIVE SUMMARY

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

We tested a sample of 20 financial assistance grants, 9 federal and 11 state, with total disbursements over \$28 million from a population of 195 grants for fiscal year ended 2010.

Of the 20 grants reviewed, 10 fully complied with all the requirements tested and the remaining grants were missing only one or two compliance review elements (Attachment 1). We identified the following:

- All (100%) files contained evidence of during-the-award monitoring;
- All (100%) audit reports showed evidence of receipt, such as a date stamp;
- All (100%) Single Audit System checklists were completed within six months;
- Nineteen (95%) audit reports were received timely in the district;
- Fifteen (75%) agreements contained the required single audit language and provisions from Form DFS-A2-CL as required by Rule 69I-5.006(3), Florida Administrative Code (F.A.C.); and
- Fifteen (75%) audit report expenditures were accurately reconciled and adequately explained in the Single Audit System.

We commend District One's Single Audit Liaison and Program Managers for their improvement and diligence to correct issues noted from a prior single audit compliance review.

Based on the current findings, we recommend the Program Managers:

- Proactively attempt to obtain audit reports and hold subrecipients accountable for submitting audit reports timely;
- Revise Local Agency Program (LAP) agreement AOG80 to include the required monitoring language and review all active agreements to determine if any additional required single audit language needs to be included; and
- Use the Single Audit System to provide adequate comments accounting for all department funding and recipient expenditures. The department's Florida Accounting Information Resource (FLAIR) Information Delivery Option (FIDO) system can be utilized to obtain invoice numbers and/or dates and the information then entered into the Single Audit System checklist.

For state-funded Small County Outreach Program (SCOP) agreements that were missing required single audit language, the Program Manager implemented corrective action by revising active SCOP agreements to include monitoring and changing the records retention period to five years.

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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/subrecipients 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/subrecipient'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/subrecipient's audit report.

A prior District One Single Audit Compliance Review, Advisory Memorandum 10T-8007, indicated findings regarding outdated contract language, single audit reports not timely received and reviewed, inadequate reconciliations of expenditures against department disbursements and, in one instance, prior year audit findings not listed on the Single Audit System checklist.

## **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 Audit Plan.

The **purpose** of this engagement was to determine if District One complied with federal and state single audit regulations as well as the department's Procedure No. 450-010-001, *Single Audit Procedure*.

The **scope** of this advisory was a population of 195 federal and state financial assistance grants from the Single Audit System for fiscal year ended 2010. We reviewed 20 grants with total disbursements over \$28 million.

The **methodology** included a checklist with 38 individual compliance elements, which were consolidated into these categories:

- Reviewing federal and state regulations and the department's *Single Audit Procedure*;
- Verifying accuracy of the recipients'/subrecipients' 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.

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## RESULTS OF REVIEW

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District One's Single Audit Liaison and Program Managers have made improvements to correct issues noted from 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:

### Finding 1 – Federal regulations

**Objective**

To determine if the nine federal financial assistance grants are in compliance with federal regulations.

**Conclusion**

Of the nine federal grants tested, seven were in full compliance with federal regulations (Attachment 1). Our testing determined:

- Eight (89%) audit reports were received timely within nine months after the end of the subrecipient's fiscal year;
- Eight (89%) agreements contained the required single audit language and provisions; and
- All (100%) files contained evidence of during-the-award monitoring.

**Condition  
(Supporting  
Evidence)**

The subrecipient for AOI30 submitted their audit report two months after the required due date. Although the subrecipient received department disbursements in fiscal year 2009-10, but did not expend any department funds, they were required to submit an audit report for expending funds over \$500,000 from other sources.

District One revised their outdated active agreements to reflect the current \$500,000 audit threshold; however, LAP agreement AOG80 did not include the required monitoring language.

**Criteria**

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and OMB Circular A-133, *Compliance Supplement 2011, Part 3* for subrecipient monitoring. Rule Chapter 69I-5, F.A.C., for single audit contract language, monitoring and records retention from Form DFS-A2-CL.

**Cause**

The Program Manager for AOI30 was unaware that an audit report still needed to be obtained even if the subrecipient had not expended department funds. The Program Manager for AOG80 focused on revising the outdated threshold from \$300,000 to \$500,000 and did not notice the required monitoring language was missing from the agreement.

**Effect (Impact)**

Not being aware of the subrecipient's reporting requirements diminishes the Program Manager's ability to hold the subrecipient accountable to federal requirements. Not including monitoring

	language in the agreement makes the department noncompliant with federal regulations and contract requirements.
<b>Recommendation</b>	<p>The Program Manager for AOI30 was made aware of the reporting requirements and we recommend the Program Manager proactively attempt to obtain audit reports and hold subrecipients accountable for submitting audit reports timely.</p> <p>We recommend the Program Manager of AOG80 revise the LAP agreement to include the required monitoring language and review all active agreements to determine if any additional required single audit language needs to be included.</p>

## Finding 2 – State regulations

<b>Objective</b>	To determine if the 11 state financial assistance grants are in compliance with state regulations.
<b>Conclusion</b>	<p>Of the 11 state grants tested, seven were in full compliance with state regulations (Attachment 1). Our testing determined:</p> <ul style="list-style-type: none"><li>• All (100%) audit reports were received timely after the end of the recipient's fiscal year;</li><li>• Seven (64%) agreements contained the required single audit language and provisions; and</li><li>• All (100%) files contained evidence of monitoring.</li></ul>
<b>Condition (Supporting Evidence)</b>	In 2005, Florida's single audit requirements were updated to be consistent with federal requirements. SCOP agreements APA01, AON16, AP078 and AO816, executed between 2006 and 2008, were missing the monitoring language and had a records retention period of three years instead of the required five years.
<b>Criteria</b>	State single audit regulations are contained within Section 215.97, Florida Statutes, <i>Florida Single Audit Act</i> , Chapter 10.550, <i>Local Governmental Entity Audits</i> , Rules of the Auditor General; Chapter 10.650, <i>Florida Single Audit Act Audits – Nonprofit and For-Profit Organizations</i> , Rules of the Auditor General; and Rule Chapter 69I-5, F.A.C. for single audit language, monitoring and records retention period from Form DFS-A2-CL.
<b>Cause</b>	The Program Manager did not create amendments to add required monitoring language and revise the records retention period.
<b>Effect (Impact)</b>	Not amending the SCOP agreements makes the department noncompliant with state regulations and contract requirements.

<b>Recommendation</b>	Although the four SCOP agreements are already closed, we recommend the Program Manager review all active agreements to determine if any additional single audit language requires revisions.
<b>Corrective Action Taken</b>	In August 2012, the Program Manager implemented corrective action by revising active SCOP agreements to include monitoring language and changing the records retention period to five years.

### Finding 3 – Department procedure

<b>Objective</b>	To determine if the Single Audit Liaison and Program Managers followed department procedures.
<b>Conclusion</b>	Of the 20 federal and state financial assistance grants selected for testing (Attachment 1), we determined: <ul style="list-style-type: none"><li>• All (100%) audit reports showed evidence of receipt (date stamped, date posted on SharePoint site);</li><li>• All (100%) Single Audit System checklists were completed within the required six months; and</li><li>• Fifteen (75%) audit report expenditures were accurately reconciled to disbursements in the Single Audit System and discrepancies were adequately explained on the checklist.</li></ul>
<b>Condition (Supporting Evidence)</b>	Single Audit System checklist comments for AOV77, AOD19, AOE08, AOI30 and A4377 did not appropriately account for all funds disbursed to the recipient during fiscal year 2009-10.
<b>Criteria</b>	The department's Procedure No. 450-010-001, <i>Single Audit Procedure</i> , Sections 3.1 and 3.2 establish responsibilities for the Program Managers and Single Audit Liaison.
<b>Cause</b>	Single Audit System checklist comments did not contain adequate detail to explain the difference between recipients' expenditures and the department's disbursements.
<b>Effect (Impact)</b>	Without including sufficient details, such as the department's invoice number and/or date of disbursement on the Single Audit System checklist, the department cannot properly account for all funding.
<b>Recommendation</b>	We recommend the Program Managers use the Single Audit System to provide adequate comments accounting for all department funding and recipient expenditures. The department's FIDO system can be utilized to obtain invoice numbers and/or dates and the information then entered into the Single Audit System checklist.

## APPENDIX A – Management Response

Response received from Chris Smith, Director of Transportation Development, on December 20, 2012:

		
<b>RICK SCOTT</b> GOVERNOR	<b>Florida Department of Transportation</b> 801 North Broadway Avenue Bartow, FL 33830	<b>ANANTH PRASAD, P.E.</b> SECRETARY
December 19, 2012		
Single Audit Compliance Review – District One Advisory Report No. 121-8010 Appendix A Management Responses		
<p>This document is in response to Advisory Report No. 121-8010 for District One. On June 11-14, 2012, a single audit compliance review was conducted by the Office of the Inspector General (OIG) in accordance with Section 20.055(5)(d), Florida Statutes. The District One team appreciates the OIG allowing us to provide responses to the findings and recommendations in Advisory Report No. 121-8010.</p> <p>We want to thank the auditors for their efforts. These audits are extremely important in aiding the districts as we strive to improve our LAP programs. We also thank you for recognizing our tremendous improvements and diligence to rectify issues noted in a previous single audit compliance review, and will continue our efforts to be in full compliance with federal and state regulations. The district would also like to commend Helen Titoff, OIG Single Audit Coordinator, for providing outstanding oversight, single audit training, and technical support. We have reviewed the report and submit the following responses to Finding 1, 2, &amp; 3 of the audit's recommendations.</p>		
<hr/> <b><u>Finding 1 - Federal Regulations</u></b>		
<b>Conclusion:</b> Of the nine federal grants tested, seven were in full compliance with federal regulations:		
<ul style="list-style-type: none"><li>• Eight (89%) audit reports were received timely within nine months after the end of the subrecipient's fiscal year;</li><li>• Eight (89%) agreements contained the required single audit language and provisions; and</li><li>• All (100%) files contained evidence of during-the-award monitoring.</li></ul>		
<b>Recommendation:</b> The Program Manager for AOI30 was made aware of the reporting requirements and we recommend the Program Manager proactively attempt to obtain audit reports and hold subrecipients accountable for submitting audit reports timely.		
<p>We recommend the Program Manager of AOG80 revise the LAP agreement to include the required monitoring language and review all active agreements to determine if any additional required single audit language needs to be included.</p>		
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**Department's Response:**

Audit reports are requested from the subrecipients within nine months after the end of the subrecipient's fiscal year. The reports are date stamped and placed on District One's Single Audit SharePoint site. The audit report for contract AO130 was not collected due to the subrecipient not expending department funds equal to or in excess of \$500,000. The Program Manager was unaware of the need to collect the report.

Local Agency Program (LAP) Agreement AOG80 executed June 2006 cannot be revised to include the required monitoring language due to construction being complete, agreement expired, and contract closed/inactive. LAP agreements may not be amended once they have expired. The boiler plate of the LAP agreement has been revised by Central Office to include the required single audit language. All active LAP agreements contain the required single audit language.

**Corrective Action:**

The Single Audit Liaison will send monthly reminder emails to Program Managers to obtain all audit reports from subrecipients 30 days or no more than nine months after the end of the audit period.

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**Finding 2 – State Regulations**

**Conclusion:**

Of the 11 state grants tested, seven were in full compliance with state regulations:

- All (100%) audit reports were received timely after the end of the recipient's fiscal year;
- Seven (64%) agreements contained the required single audit language and provisions;  
and
- All (100%) files contained evidence of monitoring.

**Recommendation:**

Although the four SCOP agreements are already closed, we recommend the Program Manager review all active agreements to determine if any additional single audit language requires revision.

**Department Response:**

The SCRAP/SCOP program agreements are boilerplate agreements from Central Office. The boilerplates had not been updated in the website.

**Corrective Action Taken:**

The four projects SCRAP/SCOP were updated to include the required monitoring language and change the records retention period to 5 years. All active projects now include the required monitoring language and correct retention period.

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**Finding 3 – Department Procedure**

**Conclusion:**

Of the 20 federal and state financial assistance grants selected:

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- All (100%) audit reports showed evidence of receipt (date stamped, date posted on SharePoint site);
- All (100%) Single Audit System checklists were completed within the required six months; and
- Fifteen (75%) audit report expenditures were accurately reconciled to disbursements in the Single Audit System and discrepancies were adequately explained on the checklist.

**Recommendation:**

We recommend the Program Managers use the Single Audit system to provide adequate comments accounting for all department funding and recipient expenditures. The department's FIDO system can be utilized to obtain invoice numbers and/or dates and the information then entered into the Single Audit System checklist.

**Department Response:**

The comments listed in the single audit checklist for contracts AOV77, AOD19, AOE08, AO130 and A4377 were reviewed, approved, and deemed sufficient reconciliation during fiscal year 2009-10. During the audit review and training, thanks to Helen Titoff, we discovered how to report and explain in more detail the differences of disbursements and expenditures in overlapping fiscal years or project phases. The program managers will continue to utilize Florida Accounting Information Resource (FLAIR), Florida Information Delivery Option (FIDO) and Financial Management (FM) system to ensure comments listed on the single audit checklist accurately reflect and account for all department disbursements and expenditures.

**Corrective Action:**

The program managers will implement utilizing invoice numbers and dates of disbursement, if necessary, to adequately explain the differences between the recipient's expenditures and department disbursements.

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

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### **Action Official Distribution:**

Billy Hattaway, P.E., Secretary, District One  
Chris Smith, Director of Transportation Development, District One

### **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, Auditor  
Under the supervision of:  
Joseph W. Gilboy, Audit Manager; and  
Kristofer Sullivan, Director of Audit  
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:</b>			Federal Requirements			Department Procedure		
Agreement Number	Subrecipient	Disbursements	Audit report received timely?	Agreement contained required single audit language?	Evidence of during-the-award monitoring?	Evidence of audit report received (date stamped)?	Single Audit System checklist completed within 6 months?	Checklist reconciliation, comments and findings accurately reflect subrecipient's activity?
AOV91	City of Punta Gorda	\$167,121.62	Yes	Yes	Yes	Yes	Yes	Yes
AP473	Charlotte County	\$3,247,810.40	Yes	Yes	Yes	Yes	Yes	Yes
AP291	City of Ft. Myers	\$396,821.23	Yes	Yes	Yes	Yes	Yes	Yes
APH48	City of Marco Island	\$380,719.00	Yes	Yes	Yes	Yes	Yes	Yes
AP876	City of Cape Coral	\$320,553.80	Yes	Yes	Yes	Yes	Yes	Yes
AOG80	Sarasota County	\$297,699.60	Yes	No	Yes	Yes	Yes	Yes
AP920	City of North Port	\$676,702.72	Yes	Yes	Yes	Yes	Yes	Yes
AOI30	City of Haines City	\$125,623.60	No	Yes	Yes	Yes	Yes	No
A4377	Collier County MPO	\$449,767.61	Yes	Yes	Yes	Yes	Yes	No
<b>TOTAL:</b>		<b>\$6,062,819.58</b>						

<b>State:</b>			State Requirements			Department Procedure		
Agreement Number	Recipient	Disbursements	Audit report received timely?	Agreement contained required single audit language?	Evidence of monitoring?	Evidence of audit report received (date stamped)?	Single Audit System checklist completed within 6 months?	Checklist reconciliation, comments and findings accurately reflect recipient's activity?
AOV96	Lee County (Lee Tran)	\$1,533,371.00	Yes	Yes	Yes	Yes	Yes	Yes
AP970	Polk County	\$4,450,776.20	Yes	Yes	Yes	Yes	Yes	Yes
APA01	Glades County	\$1,591,422.73	Yes	No	Yes	Yes	Yes	Yes
AON16	Highlands County	\$1,254,307.68	Yes	No	Yes	Yes	Yes	Yes
AP078	DeSoto County	\$1,180,216.34	Yes	No	Yes	Yes	Yes	Yes
AO816	Hendry County	\$862,865.95	Yes	No	Yes	Yes	Yes	Yes
AOW09	Lakeland Area Mass Transit District (LAMTD)	\$726,510.00	Yes	Yes	Yes	Yes	Yes	Yes
AOV77	Sarasota County Area Transit (SCAT)	\$1,320,933.54	Yes	Yes	Yes	Yes	Yes	No
AOD19	Lee County	\$5,955,207.00	Yes	Yes	Yes	Yes	Yes	No
AOE08	Port Manatee	\$2,086,380.33	Yes	Yes	Yes	Yes	Yes	No
AOW08	Manatee County	\$1,396,184.00	Yes	Yes	Yes	Yes	Yes	Yes
<b>TOTAL:</b>		<b>\$22,358,174.77</b>						