



OFFICE OF INSPECTOR GENERAL

FLORIDA DEPARTMENT OF TRANSPORTATION

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Robert E. Clift
Inspector General

Logo Sign Program Advisory Report No. 13C-6008

February 21, 2014

EXECUTIVE SUMMARY

The purpose of this engagement was to evaluate the monitoring of the Logo Sign Program (Program) by the Office of Outdoor Advertising Control (OAC) and the overall effectiveness of the Program. The Program was established to provide information to motorists about available gas, food, lodging, camping, attractions and other services at interstate interchanges through the use of business logos on specific service signs.

The Department of Transportation (department) executed contract BDR12 (contract) with Florida Logos, Inc. (contractor) to administer the Program for five years ending September 30, 2015. The requirements of the contract include the inventory of signs, processing of permit applications and renewals, designing and building sign structures, maintaining a marketing plan, maintaining sign structures, developing a relational database and developing a Program website for public access. During the 16 months between March 1, 2012 and July 31, 2013, the Program generated revenue of \$6.7 million for the department and \$1.6 million for the contractor.

Our review included the evaluation of Program monitoring efforts, control activities, permit fees and data. We determined the department needs improvement in monitoring the Program's quality control process and marketing plan. We identified two areas for improvement within the Program:

- staff did not verify monthly Quality Control Statements provided by the contractor; and
- staff did not monitor the marketing services required by the contract.

We recommend¹ the OAC Office Operations Supervisor develop a monitoring plan to ensure:

- verification of quality control statements; and
- validation of marketing services required by the Program contract.

OAC has initiated corrective actions as detailed in the report.

¹ The items in this recommendation are addressed separately, and in greater detail, in the Results of Review section of this report.

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BACKGROUND AND INTRODUCTION

The Logo Sign Program was established to provide information to motorists about available gas, food, lodging, camping, attractions and other services at interstate interchanges through the use of business logos on specific service signs. The Program is regulated by Section 479.261, Florida Statutes (F.S.), Rule Chapter 14-85, Florida Administrative Code (F.A.C.), department Manual No. 575-070-050 Motorist Information and Highway Advertising Regulation Procedures and the Florida Highway Administration Manual on Uniform Traffic Control Devices – 2009 Edition. The Office of Right of Way's OAC is responsible for monitoring the Program and the contract.

The department executed the contract with Florida Logos, Inc. to administer the Program for five years ending September 30, 2015. The contract requires the contractor to perform the following functions:

- inventory existing participating businesses annually to verify continued eligibility;
- process annual permit renewals for all existing logo sign permits;
- process all applications for new logo sign permits;
- design, reconfigure and build new structures, as approved by the Program's project manager;
- maintain and submit to OAC a marketing plan for recruiting and retaining businesses;
- maintain, repair or replace sign structures, as approved by the project manager;
- develop a relational database to manage the Program;
- design, develop and maintain a Program website for public access; and
- provide support for litigation arising from the administration of the Program.

For this engagement, we evaluated the monitoring of the Program by OAC and the overall effectiveness of the Program.

RESULTS OF REVIEW

During this review, we:

- identified and tested control activities for the monitoring of the contract and the Program;
- evaluated Program staff monitoring of monthly quality control statements issued by the contractor;
- evaluated Program staff monitoring of marketing services required by the Program contract;
- tested five components of the Program: customer surveys; physical verification of logo installations; fee calculations; applications and permits; and logo sign occupancy; and
- evaluated the Program for revenue opportunities.

We evaluated Program monitoring efforts, control activities, permit fees and data. Based on the work performed, we determined the department needs improvement in monitoring the Program's quality control process and marketing plan. Specifically, we identified two areas for improvement within the Program.

Finding 1 - Monitoring of Quality Control Statements

We determined Program staff did not verify monthly Quality Control Statements provided by the contractor.

According to Section VIII of the contract's scope of services, the contractor is required to provide a written quality control plan and to report on quality throughout the life of the contract; and the department will utilize quality assurance reviews to ensure all services provided by the contractor meet the designated standards and the contractor's written quality control plan is adhered to. In order for the department to ensure all services provided by the contractor meet the designated standards, Program staff need to verify the Quality Control Statements provided by the contractor.

The project manager indicated he was unable to independently verify these statements and did not have supporting documentation from the contractor. During the course of our review the project manager requested and received this supporting documentation.

As stated in the scope of services, the verification of quality control statements is important to ensure all services provided by the contractor meet the designated standards and the contractor's written quality control plan is adhered to.

We recommend the OAC Office Operations Supervisor develop a monitoring plan to ensure contractor quality control statements are verified. This monitoring plan could include, but not be limited to:

- requiring supporting documentation by the contractor to support the Quality

- Control Statements; and
- performing a designated number of quality assurance reviews of these statements by the project manager.

Corrective Action Initiated

At the request of the project manager, the contractor began providing supporting documentation with the monthly Quality Control Statements on July 18, 2013. The project manager also requested the contractor provide this documentation within the logo sign database.

Finding 2 - Monitoring of Marketing Services

We determined Program staff did not monitor the marketing services required by the contract.

According to Section III.F.5 in the scope of services, the contractor is required to maintain a marketing plan for recruiting and retaining businesses. According to Section V.B in the scope of services, the department will monitor the contractor's performance to assure all items of work required by the contract are performed in accordance with applicable laws, rules, regulations, specifications and standards.

The project manager indicated he had not monitored the marketing services required by the contract because he considered the marketing plan established at the time of contract letting to be sufficient.

Proper monitoring of marketing services is important to identify potential declines in recruiting and retaining businesses who purchase or renew Logo Sign permits.

We recommend the OAC Office Operations Supervisor develop a monitoring plan to validate the contractor is providing required marketing services in accordance with the contract. This monitoring plan could include, but not be limited to:

- periodically reviewing program marketing materials;
- periodically reviewing business recruitment efforts, including face-to-face marketing and sales calls; and
- performing a designated number of quality assurance reviews of marketing performance.

Corrective Action Initiated

OAC has initiated the implementation of a quality control plan for the marketing aspects of the contract and also an evaluation of the effectiveness of the Program's marketing services.

APPENDIX A – Purpose, Scope and Methodology

The **purpose** of this engagement was to evaluate the monitoring of the Program by OAC and the overall effectiveness of the Program.

The **scope** of this assessment included all information and documentation related to the monitoring and performance of the Program since March 1, 2012.

The **methodology** included:

- reviewing applicable statutes, rules and procedures;
- reviewing prior engagements;
- interviewing department managers of the Program;
- evaluating contractual compliance;
- verifying a sample of logo installations, applications and permits;
- recalculating program revenue and fees; and
- identifying and evaluating internal controls.

APPENDIX B – Management Response

The following response was received from the department's Office of Right of Way on February 19, 2014.

Memorandum

Date: February 17, 2014
To: Joseph Gilboy, Audit Manager, Office of Inspector General
From: A.J. Jim Spalla, Director, Office of Right of Way *Thomas H. Hughes for A.J. Jim Spalla*
Re: Logo Audit Report Recommendations and Audit Follow-Up

The Office of Inspector General (OIG) Audit report of the Logo program identified two areas needing improvement within the program:

- Staff did not verify monthly Quality Control Statements provided by the contractor; and
- Staff did not monitor the marketing services required by the contract.

Quality Control Statements: The OIG report recommended the development of a monitoring plan to ensure contractor quality control statements are verified.

The report recognized corrective action was initiated last year by the contract manager. The contractor began providing supporting documentation with the monthly Quality Control Statements on July 18, 2013. The project manager also requested the contractor provide this documentation within the logo sign database. Data verification is now conducted using the data enhancements to the database.

We concur with the findings and recommendations. The recommendations were implemented prior to the report as noted above and is closed.

Marketing Services: The OIG report recommended the development of a monitoring plan to validate the contractor is providing required marketing services in accordance with the contract.

The report recognized that corrective action was initiated to implement a quality control plan for the marketing aspects of the contract and also to evaluate the effectiveness of the program's marketing services. Thus far such action has included the review of program marketing materials and as well as a review of the contractor's business recruitment efforts. Sales call contacts and results were added to the Logo database are being used for this review. The contract manager will conduct an annual quality assurance review of the marketing efforts to be completed by the end of the fiscal year 2014

We concur with the findings and recommendations. The recommendations are being implemented. A quality assurance review using the monitoring plan recommendations will be completed by the end of the fiscal year, and the results will be reported to the OIG Auditors.

We appreciate the opportunity to respond to these findings and wish to thank the audit staff for their professionalism during all phases of the audit process.

DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE

Action Official Distribution:

Jim Spalla, Director, Office of Right of Way (ROW)
Juanice Hughes, Deputy Director, ROW Operations
Robert Jessee, OAC and Logos Manager, OAC
Michael Green, Office Operations Supervisor, OAC

Information Distribution:

Ananth Prasad, P.E., Secretary
Brian Blanchard, P.E., Assistant Secretary of Engineering and Operations
Tom Byron, P.E., Chief Engineer

Project Team:

Engagement was conducted by Destin DuBose, Audit Team Leader
Sudeshna Aich, Audit Staff
Under the supervision of:
Joseph Gilboy, Audit Manager; and
Kristofer B. 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.

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