



OFFICE OF INSPECTOR GENERAL

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Robert E. Clift
Inspector General

CSXT S-Line JRPA AQD17
Advisory Report No. 13I-1001
February 24, 2014

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) conducted an analysis of the Department of Transportation (department) oversight of Joint Rail Participation Agreement (JRPA) AQD17 with CSX Transportation (CSXT) to fund improvements to CSXT's S-Line located in north and central Florida. The purpose of this engagement was to determine if the Rail Office is adequately managing and monitoring the JRPA. We conducted the examination as part of the OIG's audit plan.

Our evaluation included inquiries with Rail Office staff, on-site observations and document review. We determined the Rail Office is following documented project-specific processes adequate for reviewing the JRPA and is performing detailed oversight on this project.

The Rail Office has created an invoice verification process for managing the JRPA deliverables and invoices. The Rail Office, on a monthly basis, travels to the project sites to document progress and compares these notes to the information provided on subsequent invoices. Specific inspection steps were created for reviewing this project by the Rail Office. These steps were created specifically for the terms associated with the JRPA and do not apply to other projects. We determined these steps were inclusive and sufficient to meet the needs of the contract.

Additionally, the Rail Office has created a monitoring process for reviewing the JRPA deliverables and invoices, as outlined in their internal procedures. The Rail Office engineer visits each project site monthly to determine if work is performed. The engineer also meets monthly with the CSXT project managers at one of their weekly update meetings. When invoices are received, the FDOT Rail employee reviews them to determine correlation with field notes. We determined the monitoring process was sufficient for the needs of this project.

We recommend the Rail Office Manager continue efforts to oversee the S-Line JRPA with CSX Transportation.

TABLE OF CONTENTS

<u>BACKGROUND AND INTRODUCTION</u>	3
<u>RESULTS OF REVIEW</u>	3
<u>APPENDIX</u>	
A. Purpose, Scope and Methodology	6
B. Management Response	7
<u>DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE</u>	8

BACKGROUND AND INTRODUCTION

The CSXT S-Line is the former Seaboard Airline Railroad route from Baldwin to Plant City, Florida. The S-Line runs west and parallel to the new SunRail route in Central Florida. CSXT is making improvements to the S-Line to add capacity and enhance the movement of freight trains displaced by reductions on the SunRail route.

The purpose of the JRPA AQD17 is for design, material acquisition and construction of capacity projects as described in the Master Projects Agreement. This \$198 million project had an estimated completion date in December 2013 and as of December 20, 2013, \$164,497,030 had been expended. This is a negotiated lump sum agreement and invoices are not required to be detailed. The primary objective of this evaluation was to review managing and monitoring processes associated with the S-Line project; therefore, we did not determine if costs were reasonable, allowable and allocable.

RESULTS OF REVIEW

The OIG evaluated the Rail Office oversight of the JRPA to determine if processes were adequate for reviewing submitted project invoices for accuracy and for monitoring the project. The Rail Office has an engineer assigned to oversee the S-Line Project. The engineer reviews the invoices and compares them against his monthly on-site inspection reports for accuracy. When we began our engagement, these processes had not been documented. However, subsequent to our initial inquiry, the processes were sufficiently documented.

There are two processes, one for the invoice review and one for the project inspection review:

1. For the invoice review, we assessed the November 2012 invoice using the November 2012 inspection report to determine if the process was followed. We determined all items were accurate as indicated in the invoice review by the Rail Office.

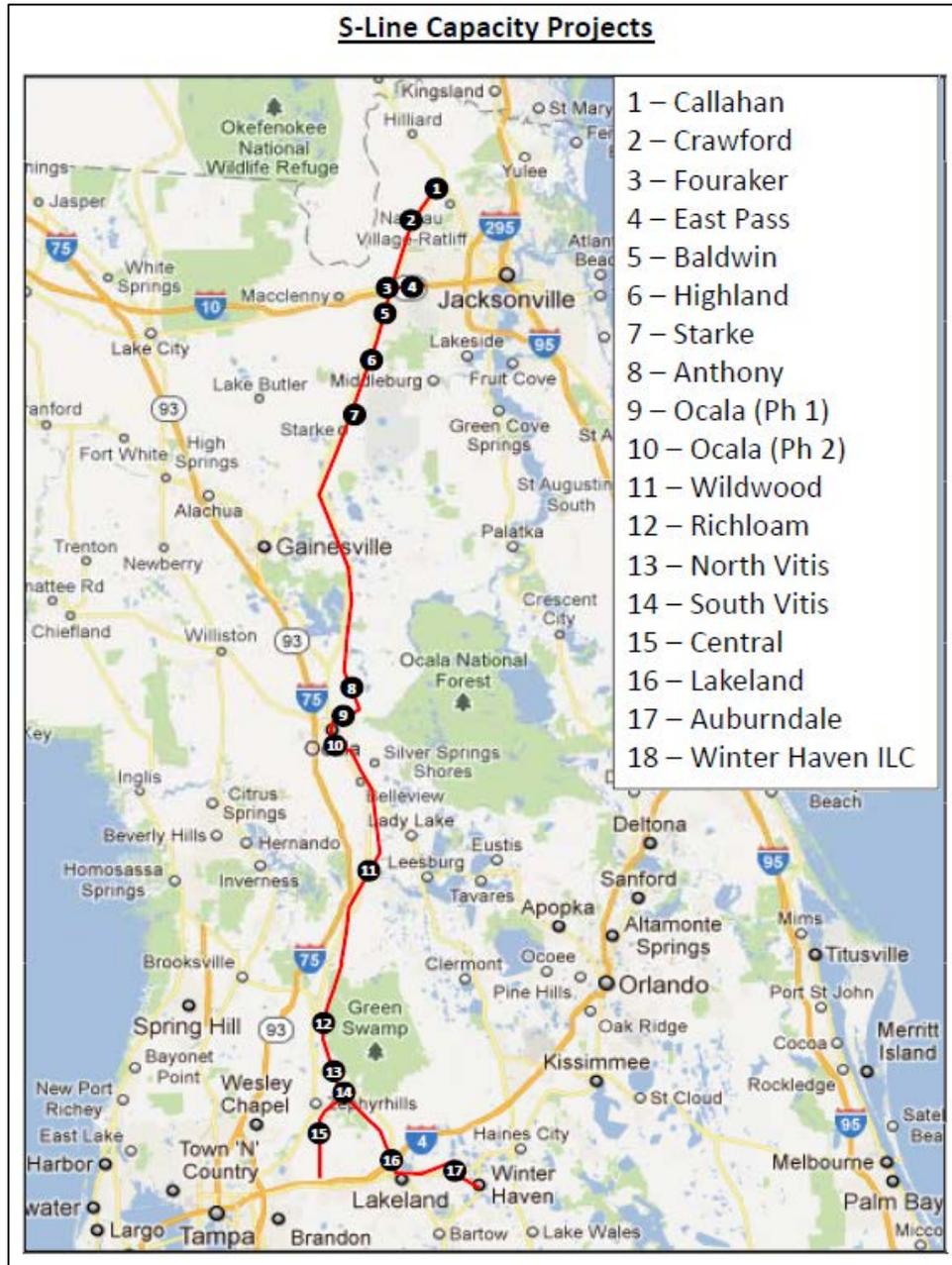
2. For the inspection review process, the rail engineer performs an on-site inspection and issues a subsequent report. In January 2013, we verified the engineer's report by visiting seven S-Line sites including: Wildwood, Richloam, North Vitis, South Vitis, Lakeland and the two Ocala sites. We compared the steps in the field review process to what we observed on-site to determine if the November 2012 report, the latest report available, was accurate as to work completed. We determined all items were complete as indicated in the report.

Our evaluation included inquiries with rail staff, observation of the project inspection process and document review. We determined the Rail Office is following documented project-specific processes adequate for reviewing the JRPA and is performing detailed oversight on this project.

The Rail Office has created an invoice verification process for managing the JRPA deliverables and invoices. The Rail Office, on a monthly basis, travels to the project sites to document progress and compares these notes to the information provided on subsequent invoices. Specific inspection steps were created for reviewing this project by the Rail Office. These steps were created specifically for the terms associated with the JRPA and do not apply to other projects. We determined these steps were inclusive and sufficient to meet the needs of the contract.

Additionally, the Rail Office has created a process for reviewing the JRPA deliverables and invoices, as outlined in their internal procedures. The Rail Office engineer visits each project site monthly to determine if work is performed. The engineer also meets monthly with the CSXT project managers at one of their weekly update meetings. When invoices are received, the FDOT Rail employee reviews them to determine correlation with field notes. We determined the monitoring process was sufficient for the needs of this project.

The map of the CSXT S-Line Capacity Projects is provided below.



APPENDIX A - Purpose, Scope and Methodology

The **purpose** of this engagement was to determine if the department Rail Office is adequately managing and monitoring JRPA AQD17.

The **scope** of the advisory was Rail Office agreements and processes related to oversight of the JRPA AQD17.

The **methodology** included:

- review of department agreements associated with the project;
- interviews of Rail Office employees;
- review of inspection reports;
- analysis of oversight processes used; and
- verification of oversight processes used.

APPENDIX B – Management Response

Rail Office management indicated on February 21, 2014, they had no response to the preliminary and tentative report.

DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE

Action Official Distribution:

Fred Wise, Rail Office Manager (Interim)
Robert E. Lee, Rail Planning/Safety Administrator
Ed Bryant, P.E., Rail Capacity Production Engineer

Information Distribution:

Ananth Prasad, P.E., Secretary
Richard Biter, Assistant Secretary for Intermodal Systems Development
Juan Flores, State Freight and Logistics Administrator

Project Team:

Engagement was conducted by Destin DuBose, Audit Team Leader
Carlos Mistry, Audit Staff
Under the supervision of:
Joseph W. 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.*

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