



# OFFICE OF INSPECTOR GENERAL

## FLORIDA DEPARTMENT OF TRANSPORTATION

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Robert E. Clift  
Inspector General

February 19, 2013

### Single Audit Compliance Review – District Two Advisory Report No. 13I-8004

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

We tested a sample of 25 financial assistance grants, 8 federal and 17 state, with total disbursements over \$33 million from a population of 177 grants for fiscal year ended 2010.

Of the 25 grants reviewed, nine fully complied with all the requirements tested and the remaining grants were missing only a few compliance review elements (Attachment 1). We identified the following:

- All (100%) audit reports were received timely in the district;
- All (100%) audit reports showed evidence of receipt, such as a date stamp;
- Twenty-three (92%) Single Audit System checklists were completed within the required six months after receipt of audit report;
- Twenty (80%) audit report expenditures were accurately reconciled to disbursements in the Single Audit System and discrepancies adequately explained on the checklist;
- Eighteen (72%) files contained evidence of project monitoring; and
- Sixteen (64%) 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.).

We commend District Two's Single Audit Liaison and Program Managers for their organized project files and correcting issues noted in a prior single audit compliance review.

Based on the current findings, we recommend Program Managers:

- Complete the Single Audit System checklists within six months after receipt of the audit report;
- Use the Single Audit System to provide more detailed comments accounting for all department funding and recipient/subrecipient expenditures;
- Conduct during-the-award monitoring activities throughout the year; and
- Review all active agreements to determine if any additional single audit language requires revisions.

District Two's response to our report indicated concurrence with these findings and appropriate corrective action has either been implemented or is in the process of being implemented.

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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.

## **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 Two 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 177 federal and state financial assistance grants from the Single Audit System for fiscal year ended 2010. We reviewed 25 federal and state financial assistance grants with total disbursements over \$33 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 Two's Single Audit Liaison and Program Managers have corrected issues noted from a prior single audit compliance review 07T-3002 issued July 8, 2008.

The details of our current review are summarized as follows:

### Finding 1 – Federal regulations

**Objective**

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

**Conclusion**

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

- All (100%) audit reports were received timely within nine months after the end of the subrecipient's fiscal year;
- Seven (88%) files had evidence of during-the-award monitoring; and
- Seven (88%) agreements contained the required single audit language and provisions.

**Condition  
(Supporting  
Evidence)**

The AP438 project file had invoices, but no evidence of during-the-award monitoring, such as onsite visits or documented inquiries.

District Two notified subrecipients that the audit threshold increased from \$300,000 to \$500,000; however, Local Agency Program (LAP) agreement AOE25 did not include the required monitoring language and had a records retention period of three years instead of five years.

**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 was unaware that during-the-award monitoring was required by OMB Circular A-133. The Program Manager was unaware the agreement did not contain monitoring language and the correct records retention period.

**Effect (Impact)**

Lack of during-the-award monitoring puts the department at risk of not receiving appropriate deliverables and violating federal regulations. Not being aware of the required single audit language that needs to be contained in an agreement makes the department noncompliant with federal regulations and contract requirements.

<b>Recommendation</b>	<p>We recommend the Program Manager conduct during-the-award monitoring activities throughout the year, such as:</p> <ul style="list-style-type: none"><li>• Site visits at the subrecipients to review programmatic records and observe operations;</li><li>• Regular contact and documented inquiries concerning program activities;</li><li>• Obtaining status reports demonstrating the project's progress; and</li><li>• Reviews as described in the department's LAP Bulletin 03-11, <i>LAP Construction Oversight and Project Review</i>.</li></ul> <p>The deficient contract AOE25 is closed; however, we recommend the Program Manager review all active LAP agreements to determine if any additional required single audit language needs to be included.</p>
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## Finding 2 – State regulations

<b>Objective</b>	To determine if the 17 state financial assistance grants are in compliance with state regulations.
<b>Conclusion</b>	<p>Of the 17 state grants tested, nine 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;</li><li>• Eleven (65%) files contained appropriate evidence of monitoring; and</li><li>• Nine (53%) agreements contained the required single audit language and provisions.</li></ul>
<b>Condition (Supporting Evidence)</b>	<p>There was no evidence of project monitoring or requests for status on the work of Small County Outreach Programs (SCOP) APP04, AOY50, APA16 and AOX16 or Small County Road Assistance Programs (SCRAP) AP808 and AP818.</p> <p>In 2005, Florida's single audit requirements were updated to be consistent with federal requirements. The above agreements and SCRAP AP878, executed between 2007 and 2008, were missing the monitoring language and had a records retention period of three years instead of the required five years. SCRAP AO457, executed in June 2005, had the outdated \$300,000 threshold, no monitoring language and an incorrect records retention period. During the course of our compliance review, the Program Manager followed up with recipients to ensure all documentation has been retained for the required five years.</p>
<b>Criteria</b>	<p>State single audit regulations are contained within:</p> <ul style="list-style-type: none"><li>• Section 215.97, Florida Statutes, <i>Florida Single Audit Act</i>;</li></ul>

- 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 single audit contract language, monitoring and records retention from Form DFS-A2-CL.

**Cause**

The Program Manager was unaware that monitoring, such as onsite visits, was required by Rule Chapter 69I-5, F.A.C. The Program Manager was unaware the agreements were required to have monitoring language and a five year records retention period. Therefore, the Program Manager did not amend the SCOP or SCRAP agreements.

**Effect (Impact)**

Lack of monitoring puts the department at risk of not receiving appropriate deliverables and violating state provisions, laws and regulations. Not being aware of the required single audit language for grant agreements makes the department noncompliant with state regulations and contract requirements.

**Recommendation**

We recommend the Program Manager conduct monitoring activities throughout the year, such as: site visits to review programmatic records and observe operations, regular contact and documented inquiries concerning program activities and obtaining status reports demonstrating the project's progress.

All deficient SCOP and SCRAP agreements tested are now closed; however, we recommend the Program Manager review all active SCOP and SCRAP agreements to determine if any additional single audit language needs to be included.

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

**Objective**

To determine if the Single Audit Liaison and Program Managers followed the department's procedure.

**Conclusion**

Of the 25 federal and state financial assistance grants selected for testing (Attachment 1), we determined:

- All (100%) audit reports showed evidence of receipt, such as a date stamp;
- Twenty-three (92%) Single Audit System checklists were completed within the required six months; and
- Twenty (80%) audit report expenditures were accurately reconciled to disbursements in the Single Audit System and discrepancies adequately explained on the checklist.

**Condition  
(Supporting  
Evidence)**

The Single Audit System checklist for AP929 was completed three months late and checklist AO457 was completed one month late.

For AOQ07, AP029, AP450, AP808 and AP818, the Single Audit System checklist comments did not appropriately account for all funds disbursed to the recipient during fiscal year 2009-10. During the course of our compliance review, Program Managers provided supporting documentation and explanations clarifying their reconciliations of the Single Audit System checklists.

**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. Program Managers are responsible for reviewing audit reports, reconciling the expenditures and completing Single Audit System checklists within six months after receipt of the audit report.

**Cause**

The Program Manager for AP929 indicated they were short staffed and the checklist did not get completed timely. The Program Manager for AO457 was unaware the checklist was completed late and became aware of the checklist completion requirement during Single Audit Training in September 2012.

The Program Managers' comments in the Single Audit System did not contain adequate detail to explain the difference between recipient's/subrecipient's expenditures and department disbursements.

**Effect (Impact)**

Not completing the Single Audit System checklist within six months diminishes the department's ability of monitoring recipients'/subrecipients' audit reports timely. Without including sufficient details, such as the department's invoice number and/or disbursement date on the Single Audit System checklist, the department cannot properly account for all funding.

**Recommendation**

We recommend all Single Audit System checklists are completed within six months after receipt of the audit report.

We recommend Program Managers use the Single Audit System to provide more detailed comments accounting for all department funding and recipient/subrecipient 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.

## APPENDIX A – Management Response



### Florida Department of Transportation

RICK SCOTT  
GOVERNOR

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Jacksonville, FL 32204-2730

ANANTH PRASAD, P.E.  
SECRETARY

February 12, 2013

This document is in response to Advisory Report No. 13I-8004 for District Two received on January 13, 2013 detailing the findings of Single Audit Compliance Review for fiscal year ending June 30, 2010. District Two appreciates the opportunity to review the report and provide responses and/or corrective action.

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**Finding 1 – Federal Regulations:** Of the eight federal grants tested, six were in full compliance with federal regulations.

**Recommendation:** The Program Manager conduct during-the-award monitoring activities throughout the year, such as:

- Site visits at the subrecipients to review programmatic records and observe operations;
- Regular contact and documented inquiries concerning program activities;
- Obtaining status reports demonstrating the project's progress; and
- Reviews as described in the department's LAP Bulletin 03-11, *LAP Construction Oversight and Project Review*.

The Program Manager review all active LAP agreements to determine if any additional required single audit language needs to be included.

**District Response:** *Concur with finding*

**District Corrective Action:** *Corrective action is already in place to improve the level of monitoring documentation – regular meetings with local agencies, meeting minutes, field reviews – documented in the project file.*

*The District Program Administrator will correct LAP agreements as **allowed** (an approved form, legal review required) and as needed.*

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**Finding 2 – State Regulations:** Of the 17 state grants tested, nine were in full compliance with state regulations.

**Recommendation:** The Program Manager conduct monitoring activities throughout the year, such as: site visits to review programmatic records and observe operations, regular contact and documented inquiries concerning program activities and obtaining status reports demonstrating the project's progress.

The Program Manager review all active SCOP and SCRAP agreements to determine if any additional single audit language needs to be included.

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**District Response:** *Concur with finding*

**District Corrective Action:** *Corrective action is already in place to improve the level of monitoring documentation – regular meetings with local agencies, meeting minutes, field reviews – documented in the project file.*

*The District Program Administrator will correct SCRAP and SCOP agreements as **allowed** (legal review required) and as needed.*

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**Finding 3 – Department Procedure:** Of the 25 federal and state financial assistance grants selected for testing:

- Twenty-three Single Audit System checklists were completed within the required six months; and
- Twenty audit report expenditures were accurately reconciled to disbursements in the Single Audit System and discrepancies adequately explained on the checklist.

**Recommendation:** All Single Audit System checklists are completed within six months after receipt of the audit report.

Program Managers use the Single Audit System to provide more detailed comments accounting for all department funding and recipient/subrecipient 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.

**District Response:** *Concur with finding*

**District Corrective Action:** *Every effort will be made to complete Single Audit Checklists in a timely manner and provide more detailed comments.*

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

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### **Action Official Distribution:**

Greg Evans, P.E., Secretary, District Two  
Jordan Green, P.E., Rural Area Transportation Development Engineer  
Phil Worth, District Modal Development Manager

### **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 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.

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**

Federal:			Federal Requirements			Department Procedure		
Agreement Number	Subrecipient	Disbursements	Audit report received timely?	Evidence of during-the-award monitoring?	Agreement contained required single audit language?	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?
AP930	Big Bend Transit	\$65,984.58	Yes	Yes	Yes	Yes	Yes	Yes
AP929	Big Bend Transit	\$6,508.50	Yes	Yes	Yes	Yes	No	Yes
ANN50	North FL TPO	\$966,709.64	Yes	Yes	Yes	Yes	Yes	Yes
A4983	Metro TPO	\$482,894.55	Yes	Yes	Yes	Yes	Yes	Yes
AOL95	City of Gainesville	\$131,105.25	Yes	Yes	Yes	Yes	Yes	Yes
AOQ07	Gainesville-Alachua County Airport	\$2,574.80	Yes	Yes	Yes	Yes	Yes	No
AP438	Jacksonville Transportation Authority	\$9,902,776.21	Yes	No	Yes	Yes	Yes	Yes
AOE25	City of Jacksonville	\$629,122.07	Yes	Yes	No	Yes	Yes	Yes
<b>TOTAL:</b>		<b>\$12,187,675.60</b>						

**ATTACHMENT 1 – Compliance Review Elements continued**

State:			State Requirements			Department Procedure		
Agreement Number	Recipient	Disbursements	Audit report received timely?	Evidence of monitoring?	Agreement contained required single audit language?	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?
AP152	City of Williston	\$804,941.48	Yes	Yes	Yes	Yes	Yes	Yes
AOI93	Taylor County	\$614,726.71	Yes	Yes	Yes	Yes	Yes	Yes
AOX61	St. Augustine Airport	\$221,937.40	Yes	Yes	Yes	Yes	Yes	Yes
AP029	City of Palatka	\$47,460.99	Yes	Yes	Yes	Yes	Yes	No
AP450	St. Johns County	\$4,039,725.62	Yes	Yes	Yes	Yes	Yes	No
AP241	Suwannee County	\$3,707,314.18	Yes	Yes	Yes	Yes	Yes	Yes
AOW73	Madison County	\$1,048,169.08	Yes	Yes	Yes	Yes	Yes	Yes
AOZ48	City of Gainesville	\$943,511.57	Yes	Yes	Yes	Yes	Yes	Yes
APP04	Lafayette County	\$2,189,521.69	Yes	No	No	Yes	Yes	Yes
AOY50	Levy County	\$1,312,391.43	Yes	No	No	Yes	Yes	Yes
APA16	Union County	\$907,436.38	Yes	No	No	Yes	Yes	Yes
AOX16	Gilchrist County	\$684,223.69	Yes	No	No	Yes	Yes	Yes
AO457	Nassau County	\$1,314,316.99	Yes	Yes	No	Yes	No	Yes
AP808	Dixie County	\$1,134,586.87	Yes	No	No	Yes	Yes	No
AP818	Hamilton County	\$697,137.07	Yes	No	No	Yes	Yes	No
AP878	Bradford County	\$594,393.07	Yes	Yes	No	Yes	Yes	Yes
AOQ08	Jacksonville Port Authority	\$1,108,910.36	Yes	N/A*	Yes	Yes	Yes	Yes
<b>TOTAL:</b>		<b>\$21,370,704.58</b>						

\* N/A – Advance Reimbursement