



OFFICE OF INSPECTOR GENERAL

FLORIDA DEPARTMENT OF TRANSPORTATION

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Robert E. Clift
Inspector General

December 2, 2013

Single Audit Compliance Review – Safety Office Advisory Report No. 13I-8008

EXECUTIVE SUMMARY

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

From a population of 201 grants for fiscal year 2011-12, we tested a sample of 20 federal grants with total disbursements over \$1 million. Of the 20, nine subgrantees were not subject to single audit reporting due to being a community college, state university or state agency. None of the files reviewed fully complied with the requirements tested (Attachment 1). During our review we identified the following:

- six (55%) out of 11 required audit reports were received within nine months after the subgrantee's fiscal year end;
- nine (45%) out of 20 files contained evidence of during-the-award monitoring;
- none of the *Subgrant Application for Highway Safety Funds* (agreement) were in compliance with Rule 69I-5.006(3), Florida Administrative Code (F.A.C.) for required single audit language;
- all 11 required audit reports showed evidence of receipt;
- none of the Single Audit System checklists/certifications were completed and submitted within the required six months; and
- all 11 required audit report expenditures were accurately reconciled to disbursements in the Single Audit System and discrepancies adequately explained on the checklist.

We recommend the:

- Single audit liaison notify subgrantees annually of their reporting requirements and proactively attempt to obtain audit reports timely;
- Program managers perform during-the-award (onsite) monitoring annually;
- Safety Office revises incorrect, unnecessary language and include all required single audit language in its agreement;
- Single audit liaison reconciles subgrantees' reported expenditures to department disbursements and completes the Single Audit System checklist within six months after receiving the subgrantee's audit report.

The Safety Office concurred with our findings and recommendations. Corrective action has been completed on one finding and initiated on the other finding.

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BACKGROUND AND INTRODUCTION

The department's single audit liaisons and program managers are responsible for maintaining internal controls and reasonable assurance that subgrantees are complying with laws, regulations and the provisions of grant agreements related to single audit requirements. We were informed the Safety Office is currently only awarding federal funds.

Department program managers are responsible for reconciling the subgrantees' reported expenditures to the department's disbursements and completing the OIG's Single Audit System checklist within six months after receipt of the subgrantee's audit report. The Safety Office assigned the program managers' single audit responsibilities to their single audit liaison.

PURPOSE, SCOPE AND METHODOLOGY

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 the Safety Office complied with federal regulations and the department's Procedure No. 450-010-001, *Single Audit Procedure*.

The **scope** of this advisory was a population of 201 grants from the Single Audit System for fiscal year 2011-12. We reviewed 20 federal grants with total disbursements over \$1 million.

The **methodology** included a checklist with 37 individual compliance elements, which were consolidated into these categories:

- reviewing federal regulations and the department's *Single Audit Procedure*;
- reviewing agreements for current single audit language and provisions;
- reviewing the subgrantees' audit reports for required documents;
- reviewing project files for monitoring documentation;
- reviewing the Single Audit System for completed checklists/certifications and determining if expenditures were reconciled accurately;
- examining management controls and supporting documentation; and
- interviewing appropriate staff.

RESULTS OF REVIEW

A prior Safety Office Single Audit Compliance Review 10T-8003 for fiscal years 2006 and 2007 identified audit reports were not received timely; audit reports did not contain evidence of receipt or were reviewed timely; and single audit checklists were not completed timely in the Single Audit System.

Our current review is summarized as follows:

Finding 1 – Federal regulations

Objective

To determine if the 20 sampled federal grants are in compliance with federal regulations and the agreements contain required single audit language.

Conclusion

Of the 20 federal grants selected for testing, none were in full compliance with federal regulations:

- six (55%) out of 11 required audit reports were received within nine months after subgrantee's fiscal year end (excludes community colleges, state universities and state agencies, which were not subject to single audit reporting);
- nine (45%) out of 20 files contained evidence of during-the-award monitoring; and
- none of the agreements were in compliance with Rule 69I-5.006(3), F.A.C., for required single audit language.

Condition (Supporting Evidence)

Subgrantees' audit reports were not received for grants APT88, APP76, APX36 and APU93; the single audit liaison retrieved subgrantees' audit reports from the Auditor General's website prior to our fieldwork. Subgrantee's audit report for APX22 was received one month late and there was no file documentation reminding the subgrantee of their reporting requirement. Subgrantees for AQ309, APR49, APP16, APV00, APX77, AQ305, AQ351, APP15 and APQ14 were not subject to single audit reporting due to being a community college, state university or state agency.

No monitoring documentation was contained in the grant files for AQ309, APR49, APP16, APT88, APX22, AQ374, APX36, APP19, APU93, APQ79 and APQ14.

The *Subgrant Application for Highway Safety Funds* agreement, (number 500-065-01) contained inaccurate information, did not include two provisions, and had conflicting records retention periods.

Criteria

The following criteria were used:

- U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires pass-through entities to identify federal awards by informing subrecipients of the CFDA title and number as well as advise subrecipients of requirements imposed on them by federal laws, regulations, and provisions of contract or grant agreements;
- U.S. OMB Circular A-133, Compliance Supplement 2011, Part 3, for subrecipient monitoring; and
- Rule 69I-5.006(3), F.A.C. requires standard audit language contained on Form DFS-A2-CL to be included on agreements with recipients or subrecipients of state or federal financial assistance.

Cause

The single audit liaison stated that the office was under-staffed and lacked resources required for proactively attempting to obtain audit reports timely and conducting sufficient during-the-award monitoring.

The Safety Office's agreement template has a protected field for the program title next to CFDA number; therefore, all CFDA numbers list the same program title. Additionally, the agreement was not adequately reviewed for required single audit language (from Form DFS-A2-CL) prior to its update in 2010.

Effect (Impact)

Not proactively attempting to obtain audit reports timely and lack of during-the-award monitoring makes the Safety Office noncompliant with federal regulations and puts the department at risk of not receiving appropriate deliverables.

Listing an incorrect program title with CFDA number creates an inaccurate agreement. Additionally, not including required single audit language in the agreement makes the Safety Office noncompliant with federal regulations.

Recommendation

We recommend the:

- Single audit liaison notify subgrantees annually of their reporting requirements and proactively attempt to obtain audit reports within nine months after subgrantees' fiscal year end;
- Program managers perform during-the-award (onsite) monitoring annually or conduct telephone status inquiries

Corrective Action Taken

- regularly depending on the award amount, program's materiality and potential risk factors; and
- Safety Office revise incorrect, unnecessary language, include all required single audit language in its agreement and modify the records retention section by adding "whichever is more restrictive."

On July 31, 2013, the Safety Office amended page 1 of their agreement to include a field for entering the CFDA program title.

On August 8, 2013, the Safety Office provided their *Highway Traffic Safety Program Manual*, which was revised in July 2012 to include monitoring requirements for Safety Office program managers after a finding was identified in a previous OIG audit report. Our current review tested grants in the fiscal year prior to this action.

Finding 2 – Department procedure

Objective

To determine if the single audit liaison followed the department's Procedure No. 450-010-001, *Single Audit Procedure*.

Conclusion

Of the 20 federal grants selected for testing, none were in full compliance. Nine subgrantees were not subject to single audit reporting due to being a community college, state university or state agency. With regard to the single audit liaison following the department's procedures:

- all 11 required audit reports showed evidence of receipt, such as electronic or a date stamp;
- none of the Single Audit System checklists/certifications were completed and submitted within the required six months; and
- all 11 required audit report expenditures were accurately reconciled to disbursements in the Single Audit System and discrepancies adequately explained on the checklist.

Condition (Supporting Evidence)

The Safety Office had a total of 201 grants in the Single Audit System that required checklists to be completed in 2012, or, for subgrantees not subject to single audit reporting requirements, a certification statement needed to be submitted. The single audit liaison completed checklists or submitted certification statements prior to our fieldwork in April 2013.

Funds reported in the Schedule of Expenditures of Federal Awards (SEFA) were accurately reconciled to department

	<p>disbursements and discrepancies adequately explained on the Single Audit System checklists. However, APP89, APX22, AQ374, APX36 and APU93 over-reported expenditures in the SEFA and there was no file documentation informing subgrantees of the discrepancies or requesting a revised SEFA.</p>
Criteria	<p>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. The Safety Office assigned the program managers' single audit responsibilities to their single audit liaison.</p>
Cause	<p>The single audit liaison stated that the Safety Office was understaffed and several employees had responsibilities for two positions, which may have led to this finding.</p>
Effect (Impact)	<p>Not completing Single Audit System checklists within six months after receiving the subgrantees' audit reports diminishes the Safety Office's ability of holding subgrantees accountable for accurately reporting expenditures and correcting any errors.</p>
Recommendation	<p>We recommend the single audit liaison reconcile subgrantees' reported expenditures to department disbursements and complete the Single Audit System checklist within six months after receiving the subgrantee's audit report. Any discrepancies detected in subgrantees' SEFA should be communicated to subgrantee and corrected timely.</p>

APPENDIX A – Management Response



Florida Department of Transportation

RICK SCOTT
GOVERNOR

605 Suwannee Street
Tallahassee, FL 32399-0450

ANANTH PRASAD, P.E.
SECRETARY

November 22, 2013

Kristofer B. Sullivan, Director of Audit
Florida Department of Transportation
605 Suwannee Street
Tallahassee, FL 32399

Dear Mr. Sullivan,

Thank you for the opportunity to work with you and your team on the recent single audit review of the Safety Office. We appreciate the cooperative approach to improving our processes.

Finding 1 – Federal regulations: Of the 20 federal grants selected for testing, none were in full compliance with federal regulations.

Recommendation:

- The single audit liaison notify sub-grantees annually of their reporting requirements and proactively attempt to obtain audit reports within nine months after sub-grantees' fiscal year end;
- The program managers perform during-the-award (onsite) monitoring annually or conduct telephone status inquiries regularly depending on the award amount, program's materiality and potential risk factors; and
- Safety Office revise incorrect, unnecessary language, include all required single audit language in its agreement and modify the records retention section by adding "whichever is more restrictive."

Corrective Action Taken and Safety Office Response:

- On July 31, 2013, the Safety Office amended page 1 of our agreement to include a field for entering the Catalog of Federal Domestic Assistance (CFDA) program title.
- On August 8, 2013, the Safety Office provided our *Highway Traffic Safety Program Manual*, which was revised in July 2012 to include monitoring requirements for Safety Office program managers after a finding was identified in a previous OIG audit report. The IG current review tested grants in the fiscal year prior to this action. The single audit liaison currently notifies grantees of the single audit requirement.
- The Part V Acceptance and Agreement contract for all sub-grantees contains the required language for single audit found in sections 14 and 15, meeting both federal and state requirements. Each sub-grantee agrees to the single audit requirements upon acceptance of grant funds.

Finding 2 – Department procedure: Of the 20 federal grants selected for testing, none were in full compliance with regard to the department's procedure.

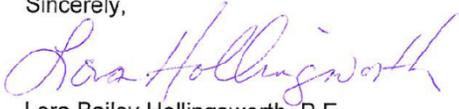
Recommendation: The single audit liaison reconcile sub-grantees' reported expenditures to department disbursements and complete the Single Audit System checklist within six months after receiving the sub-grantee's audit report. Any discrepancies detected in sub-grantees' SEFA should be communicated to sub-grantee and corrected timely.

Corrective Action Taken and Safety Office Response:

- To address the single audit checklists with six months as recommended, currently there is a staffing shortage to meet this requirement. The Safety Office is currently seeking an FTE to address the staffing shortage.

Again, thank you for the opportunity to work with your team.

Sincerely,



Lora Bailey Hollingsworth, P.E.
Chief Safety Officer

DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE

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Ken Harvey, Finance Director, Federal Highway Administration (FHWA)
Dyshá Weems, Financial Specialist, FHWA

Project Team:

Engagement was conducted by: Helen Titoff, Auditor
Under the supervision of:
Joseph W. Gilboy, Deputy Audit Director; 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 Grants:			Federal Requirements			Department Procedure		
Grant Number	Subgrantee	Disbursements	Agreement contained required single audit language?	Audit report received within 9 months or exemption notification?	Evidence of during-the-award monitoring?	Evidence of audit report receipt? (electronic; date stamp)	Single Audit System checklist / certification statement completed within 6 months?	Expenditures reconciled accurately and discrepancies adequately explained in the Single Audit System?
AQ309	TCC	\$275,565.50	No	*	No	*	No	*
APR49	TCC	\$150,000.00	No	*	No	*	No	*
APP16	TCC	\$117,999.86	No	*	No	*	No	*
APT88	Pinellas County	\$89,994.00	No	No	No	Yes	No	Yes
APV00	FAMU	\$73,088.16	No	*	Yes	*	No	*
AQ304	Manatee County	\$52,589.91	No	Yes	Yes	Yes	No	Yes
APX77	TCC	\$46,245.60	No	*	Yes	*	No	*
AQ305	TCC	\$35,853.03	No	*	Yes	*	No	*
APR68	All Children's Hospital	\$27,812.54	No	Yes	Yes	Yes	No	Yes
APP89	St. John's Tax Collector	\$23,536.48	No	Yes	Yes	Yes	No	Yes
APP76	St. Joseph's Hospital	\$20,003.50	No	No	Yes	Yes	No	Yes
APX22	Broward County Sheriff's Dept.	\$19,164.97	No	No	No	Yes	No	Yes
AQ374	Hillsborough County	\$17,503.63	No	Yes	No	Yes	No	Yes
APX36	City of St. Petersburg	\$15,165.24	No	No	No	Yes	No	Yes
APP19	Martin County	\$12,967.28	No	Yes	No	Yes	No	Yes
APU93	City of Titusville	\$10,940.00	No	No	No	Yes	No	Yes
APQ79	City of Ocala	\$9,198.33	No	Yes	No	Yes	No	Yes
AQ351	USF	\$6,155.41	No	*	Yes	*	No	*
APP15	TCC	\$2,869.00	No	*	Yes	*	No	*
APQ14	Bay County Health Dept. (funds transferred through Florida Department of Health)	\$568.40	No	*	No	*	No	*
TOTAL:		\$1,007,220.84						

FAMU = Florida Agricultural and Mechanical University
TCC = Tallahassee Community College
USF = University of South Florida

* Not Applicable = community colleges, state universities and state agencies are not subject to single audit reporting requirements