



Office of Inspector General
Robert E. Clift, Inspector General

A handwritten signature in blue ink, appearing to read "Robert E. Clift", is positioned to the right of the printed name.

Right of Way Relocation
Advisory Report No. 13P-1005

July 28, 2014

EXECUTIVE SUMMARY

The purpose of this review was to evaluate internal controls over the Department of Transportation (department) Right of Way (ROW) Relocation Assistance Program, including a comparison of the relocation process in each district. We also assessed the utilization of the Right of Way Management System (RWMS) in each district and evaluated system access controls. The Relocation Assistance Program provides financial and advisory assistance to residents and businesses directly impacted by transportation projects and uses RWMS to store demographic and report relocation information. We conducted this review as part of the Office of Inspector General (OIG) annual risk-based audit plan.

In order to evaluate internal controls over relocation processes and RWMS, we reviewed the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act), the department's ROW Procedures Manual (ROW Manual) and the RWMS Users Manual. We also conducted interviews with ROW relocation staff in several districts and requested information about each district's relocation process through internal control questionnaires.

We compared relocation processes in each district to determine if they were consistent, predictable and repeatable. Although relocation processes and internal controls in district ROW offices generally provide reasonable assurances to safeguard state resources if followed, these processes and controls vary across districts leading to inconsistent operations statewide.

We determined RWMS is not used for the automated approval of documents in the ROW Relocation Assistance Program; however, RWMS has the potential to play a larger role by providing key automated controls and efficiencies in the relocation process, including integrated management approvals and electronic document storage.

We recommend the Manager of Relocation Assistance:

- Review the various controls districts provided, as indicated in this report, for best practices and determine if associated changes to the ROW Manual would improve performance and the consistency, predictability and repeatability of ROW operations statewide; and

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- Consider expanding the role of RWMS to add automations to the relocation process. Enhancements could include, but are not limited to, integrated management approvals and electronic document storage.

ROW concurred with the results of the review and the recommendations and has taken or initiated corrective action to improve the consistency of the Relocation Assistance Program.

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BACKGROUND AND INTRODUCTION

The ROW Office's primary mission is to acquire real property necessary for the construction of transportation projects. The ROW Relocation Assistance Program provides financial and advisory assistance to any displaced owner or tenant required to move their personal or business property. Relocatees are entitled to reimbursement of reasonable moving and related expenses.

Relocation staff are responsible for gathering information from, and providing information to, all households and businesses occupying the property being acquired for a transportation project. This is accomplished through personal contact during the Needs Assessment Survey (NAS). Employees usually conduct the NAS prior to or at the time properties are appraised for acquisition by the department.

Interviews are conducted with owners and tenants to provide information about the relocation program such as available payments and requirements for receiving assistance. Interviews are also used to gather specific information about each household or business so appropriate eligibility determinations can be made and proper replacement housing and/or move cost payments can be calculated. Persons required to relocate, due to a transportation project, may appeal any decision made by the department concerning an eligibility determination or payment amount.

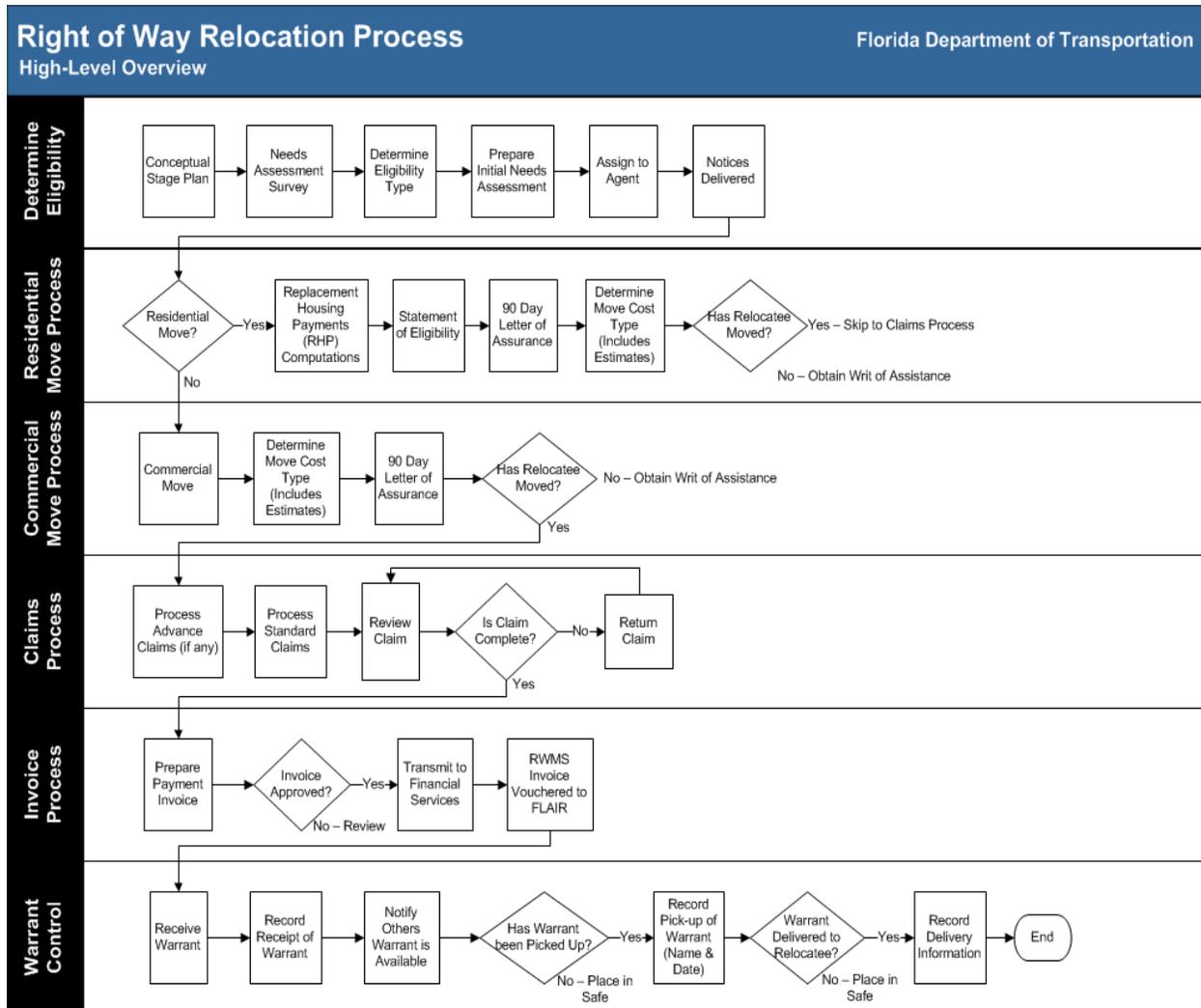
During the federal fiscal year 2012-2013, the department completed 208 relocations costing approximately \$4.89 million. Relocation activities provided by the department must comply with the ROW Manual, and if federally funded, the Uniform Act.

RWMS is an application used to track ROW projects through the cycle of appraisals, acquisition, litigation, relocation, business damages and transmittal submittals for payment.

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RESULTS OF REVIEW

We identified six primary processes within the Relocation process: Determine Eligibility, Residential and/or Commercial Move, Claims, Invoice and Warrant Control. The flowchart below provides a high-level overview of the relocation process verified by ROW management.



An internal control is designed to provide reasonable assurance to management that their organizational objectives are achieved. For the ROW office, these objectives include maintaining cost efficient and high quality operations, ensuring full compensation is paid for all property acquired and protecting federal funding for transportation. As in any business process, there are inherent risks that might prevent management from achieving its objectives. For example, there is the risk that ineligible recipients may receive relocation payments, placing the department at risk for reduction of federal funding.

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We identified risks based on applicable regulations and current relocation processes as described by ROW relocation staff statewide. Based upon our risk assessment, we defined and evaluated the following control objectives:

1. **Segregation of Duties (SD)** – appropriate segregation between the authorization of relocation activities, recording of relocation transactions and possession of warrants;
2. **Management Authorization (MA)** – approval authority is restricted to management and management appropriately authorizes relocation activities and transactions;
3. **Accuracy of Relocation Forms (AR)** – relocation payments are accurately calculated and relocation documents are accurately completed;
4. **Record Keeping of Activities (RK)** – all valid relocation activities are recorded and all required data is entered into RWMS; and
5. **Safeguarding of Assets (SA)** – assets are secured from theft, damage and unauthorized access or usage.

We evaluated district relocation processes and RWMS functions to determine if existing processes provided reasonable assurance to management ROW control objectives were adequate to safeguard state resources as well as determining if operations statewide were consistent, predictable and repeatable.

ROW Relocation CPR¹

Although relocation processes and internal controls in district ROW offices, in most areas, provide reasonable assurance ROW management control objectives are adequate to safeguard state resources, these processes and controls are not consistent, predictable and repeatable. Inconsistencies with relocation processes and controls existed across ROW district offices. For example:

- five (71%) districts have implemented management approval for the NAS;
- four (57%) districts segregated relocations from acquisitions so that one agent performs the acquisition functions for the real property and a second agent performs the relocation functions for displaced residents or business;
- two (29%) districts assign a second ROW agent to calculate the Relocation Housing Payment (RHP) and Move Costs;
- one (14%) district authorizes warrant control officers to approve Invoice Transmittals; and
- six (86%) districts use a checklist to document quality assurance reviews.

The ROW Manual provides high-level instruction for the performance of relocations;² however, it does not contain specific requirements regarding controls over the relocation process. For example, the ROW Manual does not detail requirements for management approval of transactions; or peer and/or supervisory review of relocation documents.

¹ Consistent, Predictable, Repeatable

² ROW Manual, Section 1.1 - Purpose

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Additionally, district ROW offices do not maintain detailed procedures of the relocation process.

The following determinations regarding various controls statewide are based upon interviews with ROW relocation staff about each district's process and responses to internal control questionnaires.

Segregation of Duties

All districts indicated administrative staff, or Funds and Records Management staff, prepare the Invoice Transmittal, appropriately segregating these duties from the relocation agent. Additionally, several of the district ROW offices have indicated they implement other controls for segregation of duties, including:

- five (71%) districts indicated they segregate warrant possession from the Replacement Housing Payment/Move Cost information; and,
- four (57%) districts segregated the acquisition and relocation activities for each project.

The calculation of the relocation payment and the preparation of the Invoice Transmittal are activities within the relocation process which could present financial risk to the department, e.g. undetected errors or fraud. Segregation of relocation activities, such as those mentioned above, mitigate the risk of a single agent committing or concealing errors or fraud. When duties are not adequately segregated, compensating internal controls such as management and/or peer reviews are critical to the prevention of fraud.

Management Authorization

In all districts, approval of RHP and Move Cost Transaction Packages was restricted to management. Additionally, in six (86%) district ROW offices, approval authority for Invoice Transmittals was restricted to management. In district four, both management and Warrant Control Officers have the authority to approve Invoice Transmittals. Management compensates the risk associated with this dual authority by conducting periodic quality assurance reviews and limiting authority/capability of the Warrant Control Officer. A district comparison of controls for management authorization is provided below.

Management Authorization (MA)							
Control	D1	D2	D3	D4	D5	D6	D7
Management authorization of Transaction Packages (100%)	YES						
Authorization of Invoice Transmittal is restricted to management only (86%)	YES	YES	YES	NO	YES	YES	YES

Proper authorization of relocation documents and transactions facilitates the achievement of management objectives. Requiring management approval at key points in the relocation process provides validation of compliance with applicable laws, rules and regulations.

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Relocation Documents

In all districts, we found existing controls provided reasonable assurance relocation documents were accurately maintained. Internal controls included management review of the Needs Assessment Survey (NAS), relocation payment calculations and quality assurance reviews. Furthermore, Central Office ROW management performs annual quality assurance reviews in each district. All districts perform cross checks to avoid duplicate payments, take before-and-after photographs and perform pre- and post-move inventories.

A district comparison of controls for relocation document accuracy is provided below.

Accuracy of Relocation Documents (AR)							
Control	D1	D2	D3	D4	D5	D6	D7
Before and after photos are taken (100%)	YES						
Additional review of unusual or high estimates (100%)	YES						
Agents present at commercial estimate (100%)	YES						
Cross checks performed to avoid duplicate payments (100%)	YES						
Site visits performed	YES						
Second agent and/or supervisory review of NAS (100%)	YES						
Second agent and/or supervisory review of Transaction Packages (100%)	YES						
District Quality Assurance review of relocation file (100%)	YES						

Management and staff reviews of relocation documents, calculations and supporting documentation provide validation of relocation information and protection of federal funding. Quality assurance activities provide validation of the achievement of cost-efficient and high-quality operations.

Recordkeeping of Activities

In all districts, relocation forms specified in the ROW Manual are used to document relocation activities. Additionally, journal entries are used to document all changes in possession of the warrant. Six of the districts use a standard or custom checklist for Quality Assurance Reviews. An opportunity for improvement in district five would be the utilization of a QAR checklist.

A district comparison of controls for relocation recordkeeping is provided below.

Recordkeeping of Activities (RK)							
Control	D1	D2	D3	D4	D5	D6	D7
Approved relocation forms are used to document relocation activities (100%)	YES						
Checklist used for Quality Assurance Reviews (86%)	YES	YES	YES	YES	NO	YES	YES

In order to demonstrate compliance with the Uniform Act, ROW Manual and applicable regulations, ROW must maintain required documentation to support relocation costs and activities. Inadequate recordkeeping puts the department at risk for noncompliance with applicable requirements and could result in a loss of federal funding.

Safeguarding of Assets

All districts designate Warrant Control Officers and Warrant Retrievers as required by the ROW Manual. Additionally, all districts maintain effective physical control over warrants by placing them in a safe and secure location until delivery to the displaced individual. As required by Section 9.2.15, Payment Disbursement, of the ROW Manual, all districts indicated the warrant is not be delivered by the same department employee who computed the payment or who estimated the move costs. Additionally, districts indicated the person who reviews Form 575-040-05, RHP Determination, Three Comparables Method, is also disqualified from delivering the warrant.

A district comparison of controls for the safeguarding of assets is provided below.

Safeguarding of Assets (SA)							
Control	D1	D2	D3	D4	D5	D6	D7
Warrant log is updated upon change in possession (100%)	YES						
Warrants maintained in secure location until delivery (100%)	YES						
Warrant is not delivered by employee who computed the payment or estimated the move costs (100%)	YES						

In order to achieve ROW management’s objective of ensuring full compensation is paid for all property acquired, ROW offices should maintain adequate physical and internal controls over warrants. Failure to safeguard assets puts the department at risk of theft or fraud, which could result in loss of funding for ROW projects and programs.

RWMS

District ROW offices use demographic and relocation information in RWMS for decision-making purposes; however, RWMS is not a management-approval system.

One function of RWMS is to track relocation warrants released by the District Financial Services Office or Disbursement Operations Office and sent to the District ROW Office. RWMS restricts warrant data entry to only users with the security profile “Warrant Management”. Personnel who physically handle warrants update the RWMS warrant log and provide an electronic signature. Maintenance of the warrant log is the responsibility of the Warrant Control Officer.

In the case of warrant errors, warrant data may be deleted from RWMS. The District System Data Administrator is responsible for deleting warrant data and updating the deletion log. To ensure proper segregation of duties, the approver of a warrant transmittal cannot delete the warrant transmittal.

Logical controls in RWMS are adequate to protect the integrity of the data. The position District Security Coordinator (DSC) requires management approval prior to granting new user access and making changes to security profiles. The DSC segregates user capabilities based on the assigned duties of the relocation staff. Data processing

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personnel and security managers, with the exception of the Central Security Administrator, are prohibited from modifying data in RWMS.

Reports with confidential data, such as Social Security Numbers (SSNs) and Taxpayer Identification Numbers (TINs), are restricted to users with specific privileges such as "People 1099 view and update."

RWMS has the potential to play a larger role in the ROW office by providing key controls and/or efficiencies in the relocation process, including integrated management approvals and increased document storage.

Conclusion

Existing relocation processes and controls in district ROW offices generally provide reasonable assurance to ROW management that state resources are safeguarded. However, these processes and controls vary across districts leading to operations statewide which are not always consistent, predictable and repeatable.

RWMS is not used for the automated approval of documents in the ROW Relocation Assistance Program; however, RWMS has the potential to play a larger role in the ROW Office by providing key automated controls and efficiencies in the relocation process, including integrated management approvals and electronic document storage which could lead to more consistent, predictable and repeatable operations.

We recommend the Manager of Relocation Assistance:

- Review the various controls districts provided, as indicated in this report, for best practices and determine if associated changes to the ROW Manual would improve performance and the consistency, predictability and repeatability of ROW operations statewide; and
- Consider expanding the role of RWMS to add automations to the relocation process. Enhancements could include, but are not limited to, integrated management approvals and electronic document storage.

APPENDIX A – Purpose, Scope and Methodology

The **purpose** of this review was to evaluate internal controls over the department's ROW Relocation Assistance Program, including a comparison of the relocation process in each district. We also assessed the use of RWMS in each district and evaluated system access controls.

The **scope** of this assessment included information and documentation related to the ROW Relocation Assistance Program and corresponding RWMS functions for fiscal years 2011/2012 and 2012/2013.

The **methodology** included:

- reviewing policies, procedures, statutes, rules and regulations;
- conducting site visits to district ROW offices;
- conducting interviews with ROW management;
- reviewing questionnaire responses from ROW management;
- evaluating the ROW Relocation Assistance Program and related processes; and
- evaluating RWMS functions for relocation.

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APPENDIX B – Management Response



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ANANTH PRASAD, P.E.
SECRETARY

July 21, 2014

Robert E. Clift
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RE: Office of Right of Way Response to Advisory Report No. 13P-1005

Dear Inspector General Clift:

In regard to the review of the Right of Way Relocation Assistance Program conducted as part of the Office of Inspector General's annual risk-based audit plan, the Office of Right of Way respectfully submits the following responses to the recommendations cited in the Right of Way Relocation Advisory Report No. 13P-1005.

- **Advisory Report Recommendation:** *Review the various controls districts provided, as indicated in this report, for best practices and determine if associated changes to the ROW Manual would improve performance and the consistency, predictability and repeatability of ROW operations statewide; and*

Office of Right of Way Response: Concurs with recommendation cited in the report. Manual revisions are in the process at this time for changes to Federal Requirements and should be completed by October 1, 2014. These changes will include language to strengthen warrant control/possession currently in Section 9.2.15 Payment Distribution, of the ROW Manual at the same time.

- **Advisory Report Recommendation:** *Consider expanding the role of RWMS to add automations to the relocation process. Enhancements could include, but are not limited to, integrated management approvals and electronic document storage.*

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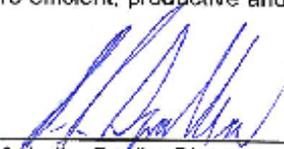
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Office of Right of Way Response: Further development of RWMS will be based on program capability and funding resources. RWMS is an enterprise system and the enhancement and maintenance of the system is dependent on resource availability in the Office of Information Systems – Business Systems Support Office (BSSO). Modifications to RWMS to allow the indexing and uploading of electronic documents from RWMS to Enterprise EDMS were separated into three phases. Phases I and II are complete. Phase III modifications include changes throughout RWMS as well as the addition of 116 document types, including over 30 relocation document types.

Phase III modifications were requested on 03/01/2013 but resources have not been available to modify RWMS. Subsequently, BSSO and RW worked with the Budget Office and included a Legislative Budget Request (LBR) for FY 14/15 in the overall FDOT budget request to provide funding for Phase III. However, the Governor's Office declined to include the funding in their budget and it was not included in the final passed budget. Therefore, Phase III is currently not funded and no resources are assigned to the enhancement.

In conclusion, the Office of Right of Way concurs with the recommendations identified in the subject report and has either taken action or attempted to take action to improve the consistent integrity of the Relocation Assistance Program.

The Office of Right of Way appreciated the opportunity to be reviewed as part of the Office of Inspector General's annual risk-based audit plan. We look forward to working with the Office of the Inspector General for assistance in this matter and any other issues that will assist us to perform our duties in a more efficient, productive and proper manner.



A.J. Jim Spella, Director
Office of Right of Way

JS:dab

cc: Thomas C. Byron, Chief Engineer
Derrick, Brown, Deputy Director of Production

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APPENDIX C – District Comparison of Controls by Relocation Process

A district comparison of evaluated controls (by relocation process) is provided below.

Internal Control	D1	D2	D3	D4	D5	D6	D7	Control Objective
Overall								
Acquisition and relocation activities are segregated	YES	NO	YES	NO	NO	YES	YES	SD
Appropriate segregation of duties in RWMS				YES				SD
Appropriate management authorization for RWMS access				YES				MA
Access control over RWMS				YES				SA
Determining Eligibility								
Second agent and/or supervisory review of NAS	YES	YES	YES	NO	NO	YES	YES	AR
Residential and/or Commercial Move								
Calculation of RHP and Move Cost payment segregated	NO	YES	NO	YES	NO	NO	NO	SD
Before and after photos are taken	YES	AR						
Additional review of unusual or high estimates	YES	AR						
Agents present at commercial estimate	YES	AR						
Cross checks performed to avoid duplicate payments	YES	AR						
Site visits performed	YES	AR						
Claims								
Second agent and/or supervisory review of RHP and Move Cost Transaction Packages	YES	AR						
Management authorization of RHP and Move Cost Transaction Package	YES	MA						
Invoice Transmittal								
Preparation of Invoice Transmittal segregated	YES	SD						
Management authorization of Invoice Transmittal	YES	YES	YES	NO	YES	YES	YES	MA
Warrant Control								
Designated Warrant Control Officers restricted from Invoice Transmittal approval	YES	YES	YES	NO	YES	YES	YES	SD
RHP and Move Cost calculator is restricted from warrant possession	YES	YES	YES	YES	YES	NO	NO	SD
Warrants maintained in secure location until delivery	YES	SA						
Warrant log is updated upon change in possession	YES	RK						
Closeout								
District Quality Assurance review of relocation file	YES	AR						
Checklist used for Quality Assurance reviews	YES	YES	YES	YES	NO	YES	YES	RK

Control Objective Legend:

- SD** - Segregation of Duties
- MA** - Management Authorization
- AR** - Accuracy of Relocation Documents
- RK** - Recordkeeping of Relocation Activities
- SA** - Safeguarding of Assets

DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE

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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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