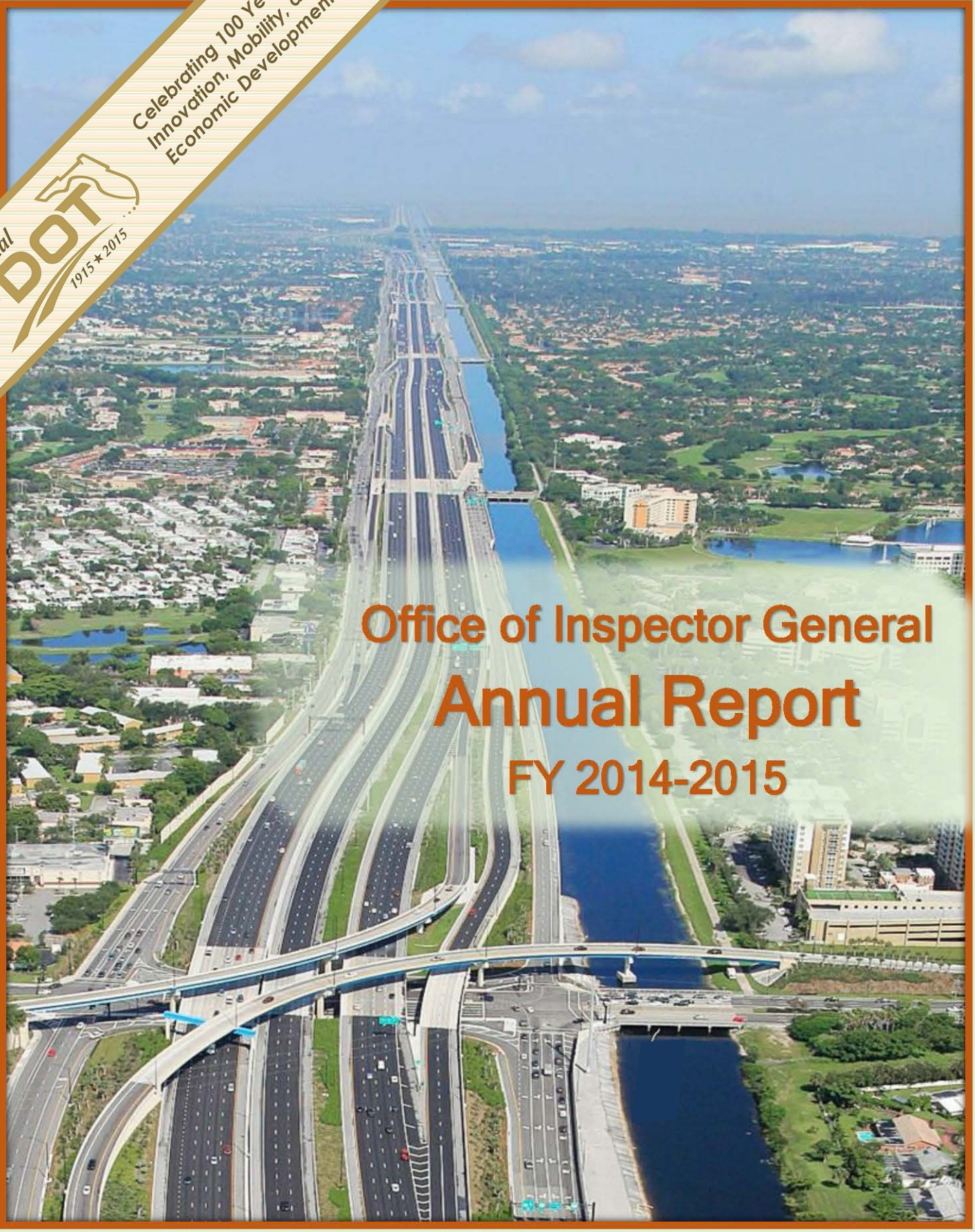
Celebrating 100 Years of Innovation, Mobility, and Economic Development

Centennial FDOT 1915 ★ 2015



Office of Inspector General

Annual Report

FY 2014-2015

FLORIDA DEPARTMENT OF TRANSPORTATION

1-595 Corridor - Photo courtesy of District Four

From the Inspector General

I am pleased to present the Florida Department of Transportation, Office of Inspector General Annual Report for the 2014/2015 Fiscal Year. Our audits provide independent and objective reviews that assist the department in providing efficient and effective products and services to our customers. Our investigations deter and detect fraud, waste, and abuse throughout the department. This report demonstrates the breadth of our work on programs and operations as diverse as the Space Florida Joint Participation Agreement to allegations of fraudulent Toll-by-Plate invoices.

In the last year, we have issued 15 audits, 62 other audit related products, and 25 investigations to identify opportunities the department can use to become more innovative, efficient, and exceptional. Some key examples of products released during the period include the following:

- **Emergency Management** - We audited the department's Emergency Management Operations and determined the department had not implemented an adequate framework to ensure preparedness and response to disasters and emergencies. Executive management concurred with the findings and recommendations and has initiated corrective actions to ensure the department's readiness.
- **Asset Maintenance** - We investigated a prime contractor accused of non-compliance with the terms of an Asset Maintenance contract. We determined the contractor did not timely replace damaged guardrail, light poles, and traffic signs. We also identified instances of insufficient maintenance of traffic operations to ensure the safety of the public.
- **Internal Controls Guide** – We published a resource dedicated to providing an overview of internal controls to give department managers and employees insight into developing effective internal control systems related specifically to department programs.
- **Tampa Bay Area Regional Transportation Authority (TBARTA)** – We reviewed the department's Joint Participation Agreements with the TBARTA and determined funds were provided in accordance with applicable laws. We also determined TBARTA used Commuter Assistance Program funds to supplant lost funds for their legislatively created responsibilities as a regional transportation authority.

- **Fraud and Employee Misconduct Awareness Briefings** - We presented 12 briefings to 459 department employees and industry partners in locations around Florida.
- **Suwannee Valley Transit Authority (SVTA)** - We audited SVTA at the request of the Florida Commission for Transportation Disadvantaged. We determined SVTA's chart of accounts and general ledger were not maintained in accordance with required accounting principles; SVTA failed to properly manage administrative personnel timesheets, leave, overtime, and compensatory time; and, the SVTA Administrator employed practices, without obtaining Board authorization, which resulted in her personal benefit and the benefit of the Director of Operations.
- **Fuel Theft** - We investigated and proved that a department employee stole fuel from a department facility, conducted personal business during work hours, improperly supervised an inmate assigned to a roadwork crew, and provided his Fuel and Maintenance Card Personal Identification Number to other individuals. The employee was terminated.

From this report, you will learn more about what we do but perhaps not the reason we do it. Our motivation comes from the privilege we have been given to work in positions that have a direct and meaningful impact on protecting the public's interest, and their trust. I commend our staff for their outstanding efforts this past year and for moving toward the future with a continued focus on completing projects that add value.

We look forward to working in close coordination with the Secretary, the agency leadership team, members of the department team, and our statewide partners in industry to help meet the challenges and opportunities presented by the need to keep the transportation infrastructure in Florida robust, multi-modal, and safe.

Respectfully submitted,

Robert E. Clift
Inspector General
September 30, 2015

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INTRODUCTION

The role of the Office of Inspector General (OIG) is to provide a central point for coordination of, and responsibility for, activities that promote accountability, integrity, and efficiency in the department. Section 20.055, Florida Statutes (F.S.), defines the duties and responsibilities of agency inspectors general.

The statute requires that we submit an annual report, not later than September 30 of each year, summarizing the office activities during the preceding state fiscal year.

This report includes, but is not limited to:

- A description of activities relating to the development, assessment, and validation of performance measures.
- A description of significant abuses and deficiencies relating to the administration of programs and operations of the agency disclosed by investigations, audits, reviews, or other activities during the reporting period.
- A description of the recommendations for corrective action made by the Inspector General during the reporting period with respect to significant problems, abuses, or deficiencies identified.
- The identification of each significant recommendation described in previous annual reports on which corrective action has not been completed.
- A summary of each audit and investigation completed during the reporting period.

Mission Statement

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 Chief Inspector General and the Department of Transportation Team.

Vision

Our vision is to be:

- Championed by our customers,
- Benchmarked by our counterparts, and
- Dedicated to quality in our products and services.

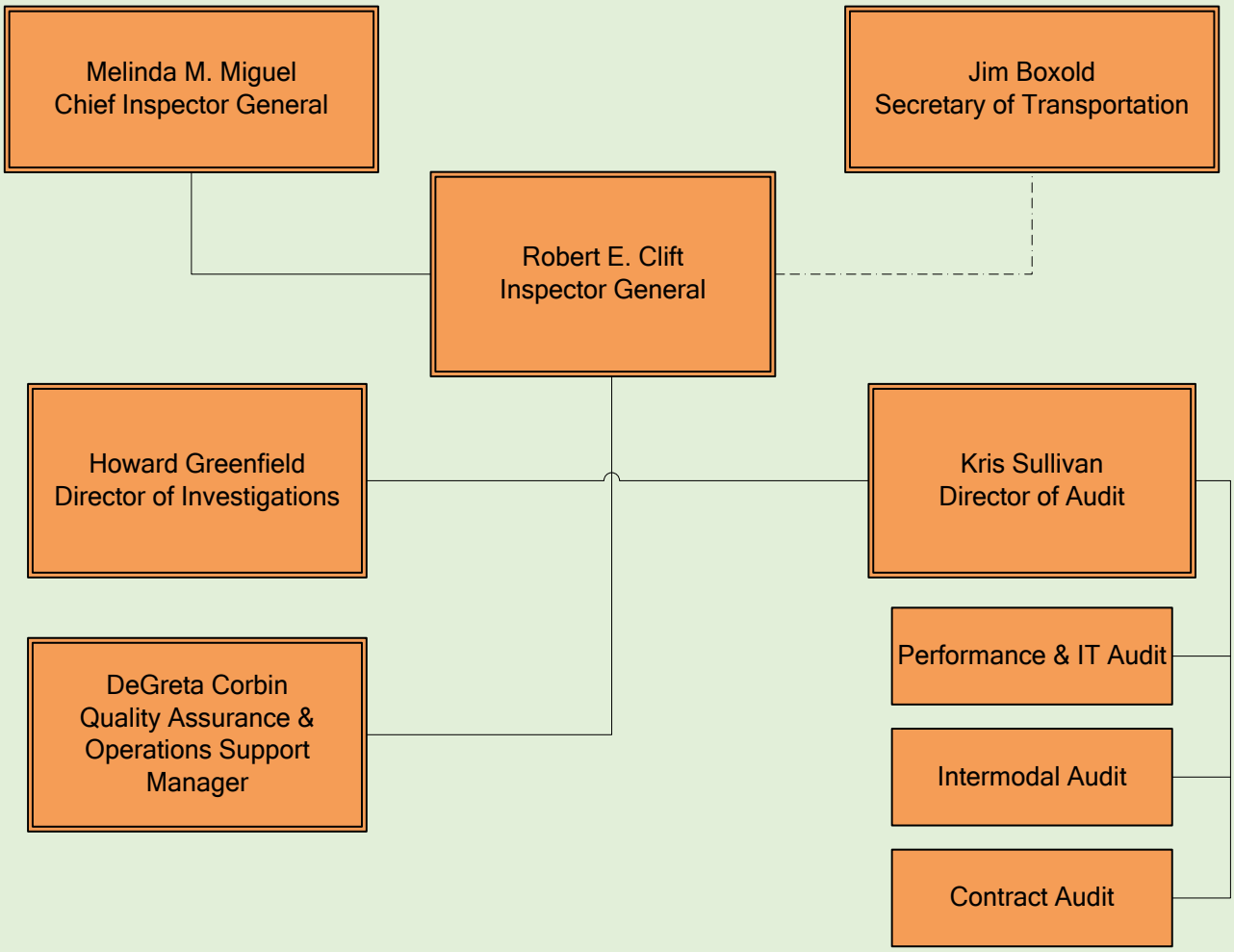
Duties and Responsibilities

- Providing direction for and coordination of audits, investigations, and management reviews relating to the programs and operations of the agency.
- Keeping the Chief Inspector General and Secretary informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the state agency.
- Recommending corrective action concerning fraud, abuses, and deficiencies and report on the progress made in implementing corrective action.
- Reviewing the actions taken by the state agency to improve program performance, meet program standards, and make recommendations for improvements, if necessary.
- Advising in the development of performance measures, standards, and procedures for evaluating agency programs.
- Ensuring an appropriate balance is maintained between audit, investigative, and other accountability activities.

Organizational Structure

The Inspector General reports to the Chief Inspector General, Executive Office of the Governor, and is under the general supervision of the Secretary as prescribed by statute. The OIG is comprised of three main operational units that work together to fulfill its primary mission: Audit, Investigations, and Quality Assurance and Operations Support (QAOS).

The OIG has 42 positions: 26 of which are in the Audit Section; 10 of which are in the Investigations Section; 5 are in the Quality Assurance and Operations Support Section; along with the Inspector General.



AUDIT

MISSION STATEMENT

Promote integrity, accountability, and process improvement by providing objective, timely, and value-added audit services.

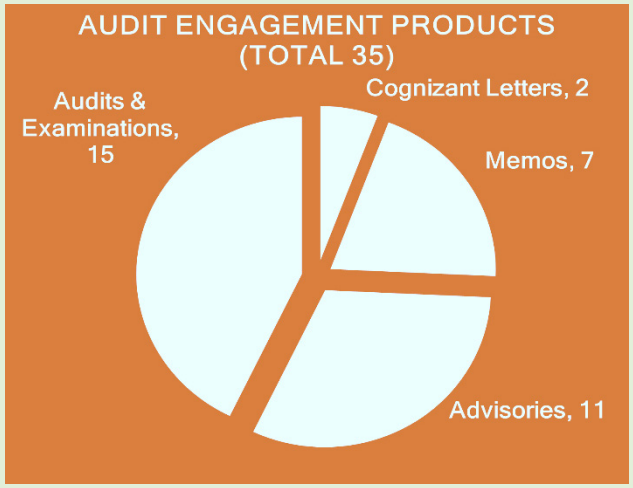
The Audit Section provides independent appraisals of the performance of department programs and processes, including the appraisal of management's performance in meeting the department's information needs while safeguarding its resources. The Audit Section ensures costs proposed and charged to the department through contracts and agreements with external entities are accurate, reasonable, and comply with applicable federal and state procurement regulations. The section is also responsible for the annual risk assessment and audit plan development.

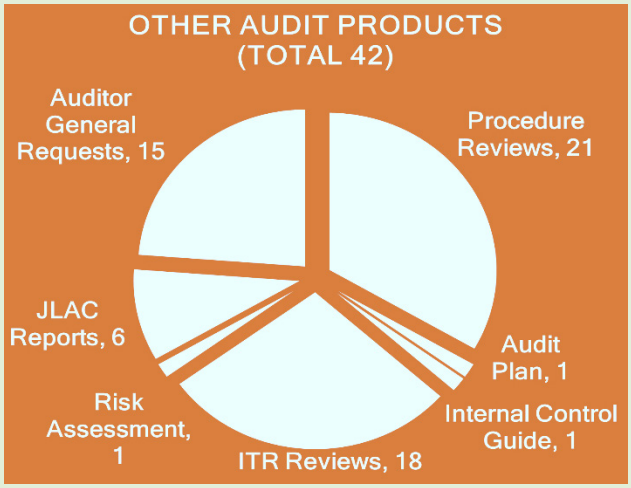
These reports and other products can be found on our website at:

http://www.dot.state.fl.us/inspectorgeneral/documentsandpublications.shtm

SUMMARY OF AUDIT ACTIVITIES

The Audit Section provides information to department management so they can make informed decisions, resolve issues, use resources effectively and efficiently, and satisfy statutory and fiduciary responsibilities. The value of our services is often not quantified, but is achieved through greater efficiencies, enhanced effectiveness, improved compliance, and mitigation of risks.





Performance & Information Technology Audit

Performance and Information Technology Audit conducts performance audits and management reviews of organizational units, programs, activities, and functions in accordance with applicable professional standards. The term performance audit is used generically to include work classified as program evaluations, program effectiveness and results audits, economy and efficiency audits, operational audits, and value-for-money audits. The work of Performance and Information Technology Audit consists of performance audits, financial audits, performance measures assessment, risk assessment, information technology audits, computer forensic reviews, and data mining.

Performance Audits

Performance audits provide information to improve program operations, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. Specifically, performance audits evaluate compliance, efficiency, effectiveness of policies and procedures; and evaluate internal controls, recommend improvements as appropriate.

13P-1005: Right of Way Relocation

We determined relocation processes and internal controls in district Right of Way (ROW) offices generally provide reasonable assurances to safeguard state resources if followed, but these processes and controls vary across districts, leading to inconsistent operations statewide. We also determined the Right of Way Management System is not used for the automated approval of documents in the ROW Relocation Assistance Program.

14P-1003: Maintenance Office - Work Document Process Review

We reviewed Maintenance Contract Management work document processes including the procedures and controls. The examination resulted in two findings and recommendations for strengthening internal controls and formal detailed procedures, and a consistent methodology to ensure the maintenance work document process is consistent, predictable, and repeatable statewide.

14P-1005: Overweight and Over-Dimensional Vehicle Permit Program

We determined all functions of the automated Permit Application System used for issuing overweight and over-dimensional vehicle permits are operational; however, there are opportunities to improve two of the functions that are not fully effective or user friendly.

15P-1001: Emergency Management

We determined the Emergency Management Office had not implemented an adequate framework to ensure the department's preparedness and response to disasters and emergencies. Some of the areas of concern include missing, outdated, and inaccurate procedures and plans; undefined roles and responsibilities; and inadequate processes to maintain and store documentation in support of Federal Emergency Management Agency-Public Assistance reimbursements.

Performance Measure Assessments

Performance measure assessments are designed to assess the reliability and validity of information related to performance measures and standards, and recommend improvements, if necessary.

14P-3001: Performance Measures Assessment FY 2012-2013

We determined the Office of Work Program and Budget performance measure and supporting data was valid and reliable. However, the total figure reported for Prior Year Actual FY 2012/2013 in the 2014/2015 Long Range Program Plan was understated because of an administrative error.

15P-3001: Performance Measures Assessment FY 2013-2014

We determined the Office of Freight, Logistics, and Passenger Operations (Transit Office) performance measures and supporting data were valid and reliable. However, in order to comply with deadlines, the data used by the Transit Office for the performance measures has not been finalized since many transit agencies follow varying fiscal years.

INFORMATION TECHNOLOGY AUDITS

Information Technology Audits are intended to evaluate the integrity and availability of information technology resources. Specifically, information technology audits:

- measure the quality of the department's information technology services;
- evaluate implementation of information technology resource statutes, rules, policies, procedures, and industry standards; and
- evaluate internal controls and recommend improvements as appropriate.

14P-1007: Follow-Up to ICS Reports on FDOT Information Technology

We reviewed the status of corrective actions taken to address findings and recommendations made by Integrated Computer Security Solutions, Inc. (ICS) because of a security assessment they conducted under contract to the department. We determined Office of Information Services has completed corrective actions for approximately half of the findings and recommendations and are still completing the remaining portions.

14P-5001: SSRC – Service Level Agreements

We conducted this engagement to determine the status of the corrective actions taken by the Southwood Shared Resource Center (SSRC) for Auditor General findings directly related to the department's service level agreements (SLA). We determined SSRC has completed corrective actions on four of the eight Auditor General findings.

In addition, another purpose was to determine whether the SSRC had responded to the incidents reported by the department and processed the departments past service requests within the time frames specified in the SLA.

We were unable to evaluate both the SSRC's response to reported incidents and requests for additional resources because the data needed could not be provided by OIS or SSRC.

15P-5002: Transportation Finance Life Cycle - Needs Assessment

We monitored the progress of the Transportation Finance Life Cycle - Needs Assessment project, ensuring that appropriate methodology is used for the development of the new system, which is the replacement for the department's Financial Management system. We monitored the progress from the start of this part of the project through June 2015.

15P-5003: IT Risk Assessment

The purpose of this engagement was to conduct an Information Technology (IT) risk assessment with the purpose of developing a risk-based annual IT audit plan for the department's IT infrastructure.

We identified 14 potential IT audit topics and with department management input, two new IT audit topics were included on the OIG's annual audit plan for 2015-2016.

INFORMATION TECHNOLOGY RESOURCE COMPLIANCE REVIEWS

Eighteen Information Technology Resource (ITR) Compliance Reviews were conducted using computer forensic techniques. The purpose of the reviews was to determine if Florida Statutes, department rules, and department procedures concerning the use of ITR were violated. These services supported department management and OIG audit and investigative projects.

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Intermodal Audit

Intermodal Audit performs audits and reviews to determine the allowability of costs associated with various activities including agreements between the department and railroads, authorities, public transportation entities, and utility companies. Engagements pertain to railroad labor additive rates and invoices; transportation, expressway, and bridge authorities; seaport, airport, and transit grants; utility relocation costs; indirect cost allocation; and fringe benefit rates. Intermodal Audit also performs various other auditing and accounting services.

Railroad and Transit Grants

Transit grants are funds provided for transportation services under Sections 5303, 5310, and 5311, the Federal Transit Administration's Programs, and District Discretionary Funds. Rail grants are provided by various federal and state resources. Rail and transit grants must typically adhere to federal and state single audit requirements. Engagements are performed on a sample basis to evaluate compliance with the grant provisions.

13I-1002: Florida East Coast Railway – Joint Participation Agreement ANO51

We examined the Joint Participation Agreement (JPA) ANO51 between the department and Florida East Coast Railway. The purpose of the JPA was to provide financial assistance for two phases of a railroad improvement project: the Medley Lead Rehabilitation phase and the Port of Miami Lead Upgrade phase. Our examination concluded costs charged to JPA ANO51 were reasonable, allowable, and adequately supported. District Six carried out the tested administrative requirements specified in the JPA and department procedures with two exceptions.

Photo courtesy of Florida East Coast Railway

14I-9002: Suwannee Valley Transit Authority (SVTA)

This engagement was initiated at the request of the Florida Commission for Transportation Disadvantaged. We determined:

- SVTA's chart of accounts and general ledger were not maintained in accordance with accounting principles contained in or referenced by the contract terms and conditions;

- SVTA failed to properly manage administrative personnel timesheets, leave, overtime, and compensatory time resulting in inaccurate labor and fringe benefit reporting, unsupported accruals of leave, and unallowed leave payments; and

- the SVTA Administrator employed practices, without obtaining Board authorization, which resulted in her personal benefit and the benefit of the Director of Operations. The Administrator and Director of Operations received $190,340 ($125,036 and $65,304 respectively) in unallowed payouts beyond their salaries between June 2012 and March 2014. To further ensure SVTA's readiness to properly support its serviced population and to achieve greater transparency and fiscal accountability, we recommend the SVTA Board of Directors obtain a thorough analysis of SVTA's job cost accounting system and compensation structure for management employees.

Utility Relocation Agreements

14I-5002: Utility Overhead Certification

The purpose of this advisory was to monitor compliance with Title 23, Part 645.117(d)(2), Code of Federal Regulations (C.F.R.). Written assurance stating that utility relocation projects included only allowable costs was requested from five utility entities that received $500,000 or more during fiscal year end June 30, 2013, from the department. As a result of the request for certification, on February 27, 2014, a $22,516.76 refund was issued to the department.

15I-5001: Utility Overhead Certification

As part of the Office of Inspector General's efforts to monitor compliance with Title 23, Part 645.117(d)(2), Code of Federal Regulations (C.F.R.), written assurance stating that utility relocation projects included only allowable costs was requested from six utility entities that received $100,000 or more in federal pass-through funds during fiscal year end June 30, 2014, from the department. As a result of the request for certification, all six entities provided letters assuring compliance for federal pass-through funds with 23 C.F.R. 645.117(d)(2).

13I-5002: Utility Relocation Reimbursement Process

This engagement centered on a review of the department's utility relocation reimbursement process, which included evaluating the departments statewide adherence to the consistent, predictable, repeatable concept. As a result of this engagement, we identified opportunities for statewide efficiencies and effectiveness of the utility relocation reimbursement process and recommended the implementation of process changes to help ensure CPR outcomes.

Rate Reviews

The OIG annually examines the proposed Fringe Benefit and Employee Leave Rates, and Indirect Cost Allocation Rates prepared by the Office of Comptroller in accordance with the department's Indirect Cost Allocation Plan. Additionally, we perform other rate reviews to determine if the rates are allowable, allocable, and reasonable for use in billing federal-aid projects.

15I-6001: Fringe Benefit and Employee Leave Rates for FY 2014-2015

The purpose of this examination was to determine whether the fringe benefit and employee leave rates were developed in accordance with Title 2, Part 225, Code of Federal Regulations; developed using the methodology established in the Office of Comptroller's (OOC) Fringe Rate Development Desktop Handbook; based on actual amounts; and correctly calculated. The purpose also included determining if the control process for calculating the rate was adequate and reliable.

Based on our examination of the fringe benefit and employee leave rate schedules, we determined the rates are based on actual amounts and correctly calculated. We recommended the OOC submit the rates to the Federal Highway Administration for approval.

15I-6002: Indirect Cost Rates for FY 2014-2015

We conducted an examination of the department's proposed indirect cost allocation rates for fiscal year 2014-2015. Our examination found the indirect cost allocation rates were: developed in accordance with Title 2, Part 225, Code of Federal Regulations (C.F.R.); the department's procedures (Indirect Cost Allocation Plan (ICAP) and ICAP Handbook); based on actual costs incurred during fiscal year 2013-2014 along with forecasted expenditures for fiscal year 2014-2015. The rates were calculated using an adequate and reliable process for entering costs and statistical data into the indirect cost allocation system. We determined the rates are developed in accordance with the ICAP, are based on actual and forecasted costs, and calculated correctly. We recommended the OOC submit the rates to the Federal Highway Administration for approval.

Additional Reviews

14I-1001: Archer Western-RailWorks

We conducted an examination of contract E5L71 (contract), a $163,288,700 lump sum Design-Build-Maintain agreement between the department and Archer Western-RailWorks Contractors, a Joint Venture (contractor). We determined District Five conducted adequate monitoring and oversight of the contract requirements with one exception. District Five did not conduct an adequate review and approval process for verifying stockpiled material invoices, which resulted in a net overpayment of $195,075.60. Although the contractor's over-billing did not result in overpayment of the lump sum contract, it did result in overpayment of actual stockpiled material costs for pay requests 9 and 16. We also determined the 21 Supplemental Agreements and Contingency Supplemental Agreements tested were reasonable, necessary, and included required documentation.

Photo courtesy of Archer Western - RailWorks Sunrail

14I-4001: Tampa Bay Area Regional Transportation Authority (TBARTA)

The purpose of this engagement was to determine if funding was provided to TBARTA in accordance with the General Appropriations Act and to determine if funding has been provided to TBARTA in compliance with the department's Disbursement Operations Office Handbook, applicable agreement terms, laws, rules, and regulations. We determined:

- between fiscal years 2010-11 and 2012-13, the Commuter Assistance Program provided 57 percent of TBARTA's funding, which was used for commuter services and to fulfill their legislatively created responsibilities as a regional transportation authority; and

- minimum levels of service to be performed and criteria for evaluating completion of each deliverable were not included in TBARTA's agreements as required by the Commuter Assistance/Rideshare Grant (CSFA 55.007) Compliance Supplement and section 215.971, F.S.

Contract Audit

Contract Audit performs audits, examinations, and reviews to include agreed upon procedures and special analyses of contracts and agreements between the department and external entities. The analysis ensures costs proposed and charged to the department by consultants, contractors, and other external groups are accurate, reasonable, and comply with applicable federal and state regulations.

Construction Contracts

Our annual risk assessment and review of contract modifications identifies those modifications exceeding five percent of the total construction dollars and/or total contract time. We select and examine contract modifications meeting these and other criteria. Construction Contract Modification engagements evaluate contract modifications to ensure proper documentation to support the change, including justification, value determination, and appropriate managerial review and approval.

14C-1004: Contract T1330, District One

The purpose of this examination was to determine whether there was sufficient documentation to support the proposed costs associated with the project and to assess compliance with applicable regulations, as well as department policies and procedures.

Our examination indicated the costs associated and all changes resulting from Supplemental Agreement 6 were adequately supported and sufficiently monitored by the District One Construction Office to ensure compliance with department policies and state regulations.

14C-2001: Contract E4J69, District Four

The purpose of this examination was to determine whether there was sufficient documentation to support the costs associated with the project and to assess compliance with applicable regulations, as well as department Public Private Partnership (P3) policies and procedures.

Photo courtesy of Office of Inspector General

Our examination indicated the costs associated with Supplemental Agreements (SAs) 1 and 15 were adequately supported. In addition, the contract and the associated contract changes resulting from SAs 1 and 15 were adequately monitored by the District Four Construction Office to ensure compliance with department P3 policies and state regulations.

14C-1003: Contract E5R39, District Five

The purpose of this examination was to determine whether there was sufficient documentation to support the proposed costs associated with the project and to assess compliance with applicable regulations, as well as department policies and procedures.

Our examination indicated the costs associated with SA 17 were adequately supported. In addition, the contract and the associated contract changes resulting from SA 17 were sufficiently monitored by the District Five Construction Office to ensure compliance with department policies and state regulations.

15C-1001: Construction Contract Review T3375, District Three

We conducted a construction contract review of Contract T3375, Supplemental Agreement (SA) 11, between the department and Scott Bridge Company (Scott) of Opelika, Alabama. The contract was awarded to Scott for replacing the SR 10 bridges, which span the White River and Bass Hole Cove in Santa Rosa County. We determined District Three Construction Office adequately monitored contract T3375 and the associated contract changes resulting from SA 11.

CPA Work Paper Reviews

Certified Public Accountant (CPA) work paper reviews ensure professional standards are followed and adequate testing and support is maintained for the CPA's opinions. We issued the following four CPA work paper reviews.

13C-4001: Audit Documentation Review, Garcia & Ortiz, P.A.

We conducted a review of workpapers prepared by Garcia & Ortiz, P.A. for the audit of the Statement of Direct Labor, Fringe Benefits and General Overhead of Faller, Davis & Associates, Inc. (FDA) for the year ended December 31, 2011. We identified certain instances of noncompliance with the Generally Accepted Government Auditing Standards (GAGAS) and other requirements of AASHTO, which could have a material effect on the audited rates. Our review disclosed evidence of departures from Part 31 of Federal Acquisition Regulations (FAR) and accounting practices prescribed in AASHTO Uniform Auditing and Accounting Guide (AASHTO Guide) in addition to other department requirements.

Our review concluded adjustments to the accepted rates may be required. We were unable to determine the effect of the misstatement on the rates and the required adjustment due to our inability to verify the accuracy and allowability of the audited costs. To ascertain whether the accepted rates are allowable would require additional assurance by the Consultant.

14C-4002: Audit Documentation Review, James Moore & Co., PL

We conducted a review of workpapers prepared by James Moore & Co., PL, the independent Certified Public Accountant (CPA), for the audit of the Statement of Direct Labor, Fringe Benefits and General Overhead of JEA Construction Engineering Services, Inc. for the fifty-two week period ended December 30, 2012. Our review did not identify any material adjustments to the audited rates.

14C-4003: Audit Documentation Review for Squar, Milner, Peterson, Miranda & Williamson, LLP (Squar Milner)

We conducted a review of workpapers prepared by Squar, Milner, Peterson, Miranda & Williamson, LLP, the independent Certified Public Accountant (SquarMilner), for the audit of the Statement of Direct Labor, Fringe Benefits and General Overhead, as revised, (the "Statement") of Atkins North America, Inc. (Atkins) for the fiscal year ended March 31, 2013. The Consultant requested this review in order to establish cognizant approved indirect cost rates.

Our responsibility was to determine whether the indirect cost rate audit was conducted in accordance with applicable standards and provides reasonable assurance the overhead rates are reasonable, allocable, and in compliance with laws, rules, and regulations. We concluded adjustments to the Florida overhead, direct expense, and Facilities Capital Cost of Money rates on the Statement and in the notes to the Statement will be required.

In connection with our review, we issued a cognizant letter for the 2013 indirect cost rate audit of Atkins accepting the rates consistent with those in the audit report separately issued by SquarMilner for the audit designed to test compliance with the cost principles of Federal Acquisition Regulation (FAR). The cognizant letter also provides a reconciliation of the adjusted Florida general overhead rates to the cognizant approved indirect cost rates.

15C-4001: Audit Documentation Review for Carr, Riggs & Ingram, LLC

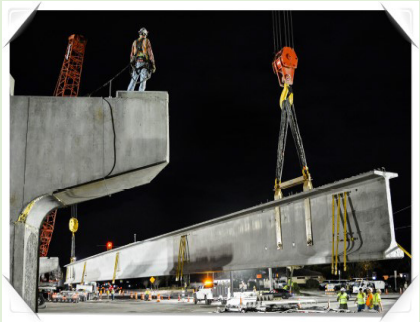
We conducted a review of workpapers prepared by Carr, Riggs & Ingram, LLC, the independent Certified Public Accountant (CPA), for the audit of the Statement of Direct Labor, Fringe Benefits and General Overhead of GAI Consultants, Inc. (Consultant) for the year ended December 31, 2013. This review was requested by the Consultant in order to establish cognizant approved indirect cost rates.

Our review did not identify any material adjustments to the audited rates. In connection with our review, we issued a cognizant letter of concurrence with the independent auditor's report.

Additional Reviews

14C-6004: Reynolds, Smith and Hills, Inc.

At the request of the State Highway Engineer's Office, we conducted a review to determine whether overtime hours billed to the department for an employee of Traffic Engineering Data Solutions, Inc., a sub-consultant of Reynolds, Smith and Hills, Inc., on Contract C8S79 were allowable in accordance with the terms of the contract. Later, at the request of the Procurement Office, we expanded our review to include other sub-consultants assigned to Contract C8S79.



Based on our review, the overtime billed to the department was in accordance with contract terms. In connection with our review, we issued a separate memorandum to the Procurement Office on January 5, 2015, to address matters warranting the attention of department management.

14C-6001: Jacobs Engineering Group, Inc.

Based on the concerns expressed by the department's Procurement Office, we reviewed direct costs billed to the department for District One contract C9242 to determine whether Jacobs Engineering Group, Inc. overbilled the department for mileage costs. As part of our engagement, we reviewed the direct costs and assessed the consultant's compliance with applicable state and federal regulations, department procedures, and contract terms related to the billings of direct costs.

We concluded the invoiced direct costs for the contract were allowable in accordance with the terms of the contract and applicable laws, rules, and regulations. During our review, we identified certain instances of noncompliance with the department requirements. These matters did not result in overbillings but were of significant importance to warrant the attention of the Procurement Office.

14C-6006: Motor Carrier Size and Weight Citations and Collections

We conducted a review of the impact on collection rates for motor carrier size and weight violations resulting from the 2011 transfer of the Motor Carrier Compliance Office (MCCO) from the department to the Department of Highway Safety and Motor Vehicles (DHSMV).

As part of our review, we mapped the penalty citation and collection process, interviewed DHSMV and department staff, and obtained and analyzed citation and penalty data for the six-year period ending fiscal year 2014.

Photo courtesy of Office of Maintenance

Our analysis of the data showed the number of citations and collections began to decline after fiscal year ended (FYE) 2010, continuing through FYE 2013. We believe the data indicates the primary reason for declining collections was the 2010 increase in the allowable Commercial Vehicle weight limit and that the transfer of MCCO from the department to DSHMV appears to have had minimal impact on collections.

External Audits

Section 20.055(2)(g), Florida Statutes (F.S.), provides that the Inspector General's role in external audits is to "Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication." We coordinated five external audits in Fiscal Year 2014-15.

Florida Auditor General

2015-002: FDOT - Contract and Grant Management Processes

2015-039: Project Cost Management Subsystem (PCM)

2015-058: 2014 Auditor General Operational Audit

2015-166: Compliance and Internal Controls Over Financial Reporting

Federal Transit Administration (FTA)

Financial Management Oversight Program - Systems Review of FDOT

Section 20.055(6)(h), F.S., requires that "The inspector general shall monitor the implementation of the state agency's response to any report on the state agency issued by the Auditor General or by the Office of Program Policy Analysis and Government Accountability." We provided six updates that were filed with the Secretary and the Joint Legislative Auditing Committee, per statute, for the following Auditor General audits in Fiscal Year 2014-2015.

Joint Legislative Auditing Committee

2014-088: Electronic Estimates Disbursement System

2014-184: Payroll and Personnel Processes

2014-173: Compliance and Internal Controls Over Financial Reporting

2015-002: Contract and Grant Management Processes

2015-058: Commission for Transportation Disadvantaged; Road Rangers; and, other Administrative Activities

2015-039: Project Cost Management Subsystem

Audit Risk Assessment and Annual Audit Plan

Florida Department of TRANSPORTATION

Office of Inspector General

Robert E. Clift, Inspector General

CEO Risk Assessment and Annual Audit Plan

July 1, 2015

EXECUTIVE SUMMARY

We are pleased to present the results of the Office of Inspector General (OIG) annual risk assessment and Audit Plan development efforts. The Audit Plan is risk-based to provide the most effective coverage of the operations of Florida's transportation contracts with comprehensive coverage of department contracts, services, and human operations of the department staff. The analysis is based on Florida Statutes, Assistant Secretaries, and District Secretaries. Our OIG analysis is based on Florida Statutes, Assistant Secretaries, and District Secretaries asking them to identify major risks, areas of concern, and possible audit topics. We identified seven risk factors: full-time equivalent positions, budget materiality, confidential/exempt information, degree of change or stability, complexity of operations, performance measures, and procedures. Information was obtained from department systems and management. All risk factors were scored on a scale of 1-10 (1=low risk and 10=high risk). We then applied the average of the seven risk factors, prior audit coverage, Assistant Secretary and Chief of Staff rankings to the potential audit topics. We presented the potential audit topics to the Secretary who identified his priority audit topics. We applied the Secretary's ranking to the audit topic listing to determine a final risk ranking.

Respectfully Submitted by: Robert E. Clift, Inspector General Date: 7/1/2015

Approved by: Jim Boxold, Secretary Date: 7/1/15

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Section 20.055, F.S., requires the Inspector General to conduct and analyze a periodic risk assessment to assist in the development of an Annual Audit Plan. This year's risk assessment was developed following the Institute of Internal Auditors eight-step risk assessment process.

First, we defined our audit universe using the 22 key functions defined in the department business plan. Next, we conducted 31 interviews with senior management, Assistant Secretaries, and District Secretaries asking them to identify major risks, areas of concern, and possible audit topics.

We identified seven risk factors: full-time equivalent positions, budget materiality, confidential/exempt information, degree of change or stability, complexity of operations, performance measures, and procedures. Information was obtained from department systems and management. All risk factors were scored on a scale of 1-10 (1=low risk and 10=high risk). We then applied the average of the seven risk factors, prior audit coverage, Assistant Secretary and Chief of Staff rankings to the potential audit topics. We presented the potential audit topics to the Secretary who identified his priority audit topics. We applied the Secretary's ranking to the audit topic listing to determine a final risk ranking.

The Audit Plan was developed using the risks identified by the risk assessment process. The plan dedicates resources to provide audit coverage of department contracts with contractors and consultants; agreements associated with seaports, airports, railroads, utility companies, expressway authorities, transit providers, local governments, and others; and to provide broad audit coverage, while focusing our resources on areas with the greatest known risks. In addition, approximately 20% of the audit resources were allocated to Chief Inspector General requests.

Significant Audit Recommendations

Section 20.055, F.S., requires the identification of any significant recommendations described in previous annual reports for which corrective action has not been completed.

Audit 13P-5002B: Highway Operations – ITS Contracts was identified as having incomplete recommendations.

Finding 13P-5002b-01: Office of Inspector General finds the average cost per managed mile was $22,945 statewide for Fiscal Year 2012/2013. Furthermore, it was determined that the Information Technology System (ITS) program methodology for projecting funds for costs does not reflect actual expenditures for ITS services.

Recommendation 13P-5002b-01A: The Office of Inspector General recommends the State Traffic Operations Engineer determine executive board's perspectives on the appropriate level of ITS service, revise ITS program funding methodology to reflect these priorities, and develop a centralized approval process to justify additional proposed district expenditures to ensure consistent service to the traveling public statewide.

Status: The Central Office and districts are developing and evaluating new methods to fund maintenance and operations and predict future maintenance and operation needs. Preliminary results were presented in summer 2015. The new funding mechanism being proposed will need additional adjustment.

The Audit Section uses the Recommendations & Action Management System (RAMS) tool to ensure the accurate management of all audit findings and recommendations. Managers' use RAMS to provide a quarterly status update for all actions taken. The Office of Inspector General (OIG) reviews the responses and then reports the status of all recommendations and findings to senior management.

INVESTIGATIONS

MISSION STATEMENT

The mission of the Investigations Section is to deter, detect, and investigate crimes or misconduct impacting the department.

SUMMARY OF INVESTIGATION ACTIVITIES

The Investigations Section pursues any attempt by department employees, contractors, vendors, or the public to gain a benefit to which they are not entitled. Completing investigations, along with presenting Fraud and Misconduct Awareness Briefings, are how we accomplish these objectives.

The Investigations Section follows the Principles and Standards for Offices of Inspector General established by the Association of Inspectors General as required by Section 20.055, F.S.

The Section is accredited by the Florida Commission for Law Enforcement Accreditation and complies with established accreditation standards. The OIG has been designated by the Federal Bureau of Investigation as a Criminal Justice Agency and works closely with other agencies, including law enforcement partners, to perform its mission.

The investigative duties and responsibilities of the Inspector General (Section 20.055, F.S.) include:

- Receiving complaints and coordinating activities of the department in accordance with the Whistle-blower's Act pursuant to sections 112.3187 - 112.31895, F.S.
- Receiving and considering complaints that do not meet the criteria for an investigation under the Whistle-blower's Act and conducting, supervising, or coordinating inquiries, investigations, or reviews, as the Inspector General deems appropriate.
- Reporting expeditiously and appropriately to the Department of Law Enforcement or other law enforcement agencies when the Inspector General has reasonable grounds to believe there has been a violation of criminal law.

- Conducting investigations and other inquiries free of actual or perceived impairment to the independence of the Inspector General or the Office of Inspector General. This includes freedom from any interference with investigations, timely access to records, and other sources of information.
- Submitting timely final reports on investigations conducted by the Inspector General to the Chief Inspector General and the Secretary, except for whistle-blower's investigations, which are conducted and reported pursuant to section 112.3189, F.S.

Types of Cases

The Investigations Section manages several types of cases: substantive investigations, joint investigations, preliminary inquiries, management referrals, and other agency referrals.

Substantive investigation cases typically stem from complaints involving alleged contractor or employee misconduct, which if proved, would result in significant action against the contractor or employee. The conduct may include alleged violations of applicable laws, rules, policies, and procedures. These may result in criminal convictions or terminations.

Joint investigations develop from substantive investigations where the Office of Inspector General finds reasonable grounds to believe there has been a violation of criminal law. When this occurs, the facts are reported to the Florida Department of Law Enforcement, the U.S. Department of Transportation Office of Inspector General, or other law enforcement agencies, as appropriate. If a criminal investigation is initiated, the Office of Inspector General continues to work the investigation jointly with our law enforcement partners.

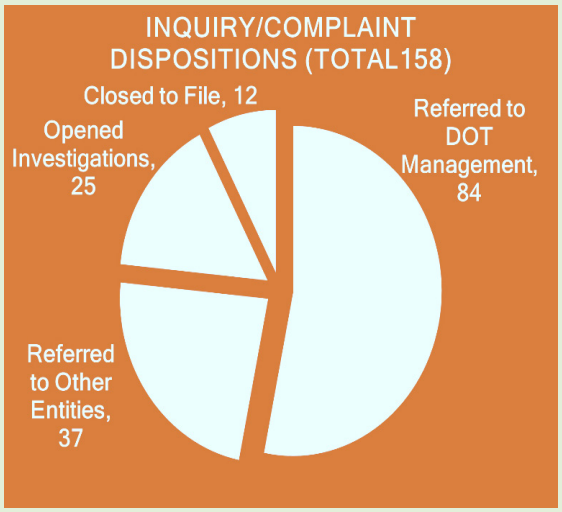
Preliminary inquiry cases are opened when the Office of Inspector General is not certain whether a full investigation is warranted. The office conducts fact gathering for these types of cases to make a determination of whether to proceed with a substantive investigation.

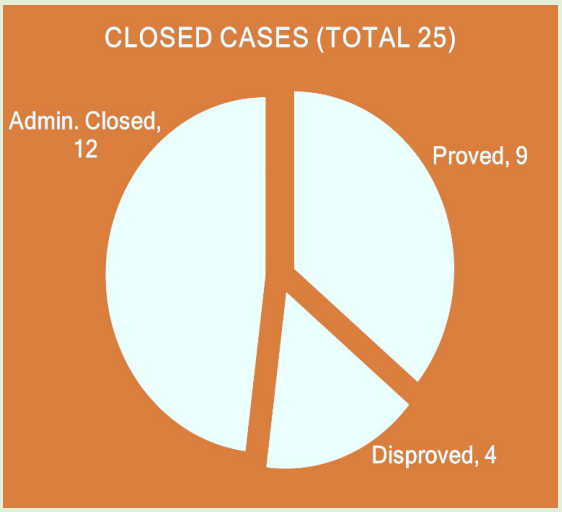
Management referrals are opened when the Office of Inspector General receives complaints, which do not warrant a substantive or preliminary investigation. These complaints are referred to management and monitored until a report of the outcome is received and reviewed by the Office of Inspector General. Complaints originating from operational departments are included in this case type. These complaints are referred to the appropriate department business unit for resolution as deemed appropriate.

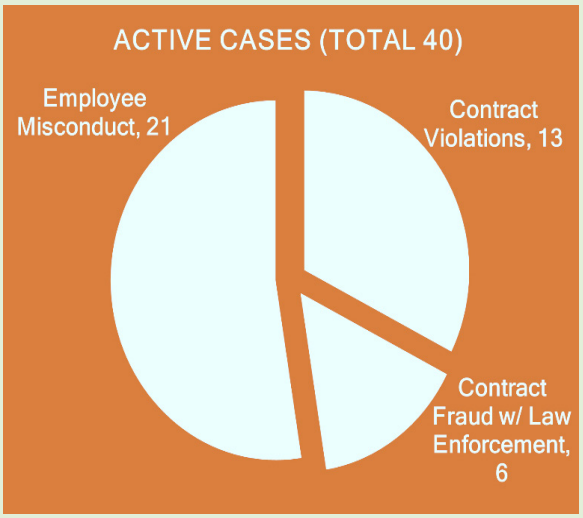
Other agency referrals may stem from complaints received by the Office of Inspector General, determined to be unrelated to an operational department issue or within the jurisdiction of another agency.

Cases are categorized as “Administratively Closed” when inquires disclose the matter reported had already been identified through other department processes and was addressed, or there was no violation identified on initial inquiry.

The charts below depict case activity conducted during the reporting period.







Summary of Cases Completed

Contract Fraud

150-14000: Fraudulent Maintenance of Traffic Certificate - Proved

Accusations that a prime contractor provided the department with a fraudulent Maintenance of Traffic supervisor certificate were categorized as proved. The manager who provided the fraudulent certificate was terminated by the contractor and the Office of Construction stressed compliance with specifications to department employees and partners in industry.

150-13007: Fraudulent Billings – Administratively Closed

Accusations were made that a prime contractor fraudulently billed the department for drainage pipe desilting that was not performed and for pipe repair work required due to intentional damage by the contractor. The Office of Inspector General notified the Florida Department of Law Enforcement who declined to initiate a criminal investigation based on the lack of independent evidence to support the allegation. This investigation was closed and management was briefed on the outcome. In addition, an audit was initiated to examine desiliting and repair contract requirements and practices.

150-13151: Unapproved Traffic Barricades - Proved

Accusations were made that a subcontractor supplied unapproved barricades on department projects, which bore the Qualified Products List number for an approved barricade. The allegation was proved, the unapproved barricades were replaced, and the subcontractor agreed to ensure future compliance with approved specifications.

150-14045: Improper Billing - Proved

Accusations that a contractor, who had multiple department contracts, improperly billed the department by not attributing hours worked to the appropriate corresponding contract were categorized as proved. The contractor acknowledged the incorrect billing and agreed to reimburse the department.

150-14150: Fake Change Orders – Administratively Closed

Accusations were made that a prime contractor and a subcontractor were producing "fake" change orders on department projects and using the proceeds to build a private residence in Orange County, Florida. No evidence of improper change orders on road construction projects was discovered.

150-15025: Contract Non-Compliance - Proved

Accusations were made that a prime contractor was not in compliance with the terms of an asset maintenance contract. It was also alleged employees were allowed to operate regulated vehicles without proper licensure, proper vehicle maintenance was not performed, and proper procedures were not followed regarding an employee's on-the-job injury. Allegations that the contractor did not perform proper vehicle maintenance, allowed unlicensed drivers to operate regulated vehicles, and failed to follow proper procedures regarding an injury were disproved. However, the allegation that the contractor was not in compliance with the terms of the asset maintenance contract was categorized as proved. District management is working with the contractor to address contract non-compliance, and will continue to enforce the terms and conditions of the contract.

164-15026: Misuse of Grant Funds – Administratively Closed

Accusations were made that a not-for-profit management company, which provides general maintenance services to the department by youth work crews, was using state and federal grant money for personal expenditures. Based on a review of records, there was no evidence to indicate the department was not receiving the required services.

150-15055: Non-Complaint Drainage Structure – Proved

Accusations were made that a manufacturer of concrete drainage structures (structures) provided non-compliant structures for department projects and falsely certified the structures as in compliance. The structures were found to be non-compliant and were replaced by the subcontractors.

164-15095: Assistance to Other State Agency – Administratively Closed

The Florida Department of Law Enforcement requested assistance regarding department grant funds awarded to a law enforcement agency for the purchase of a vehicle, overtime, and portable breath testers for enforcement programs. No investigative action was required; however, an audit of the grant was initiated.

MISCONDUCT

152-15001: Theft of Fuel and Other Violations - Proved

Accusations were proved that a department employee was stealing fuel from the department, conducting personal business during work hours, and improperly supervising a Department of Correction's inmate assigned to a roadwork crew. It was also determined the department employee provided his Fuel and Maintenance Card, Driver Personal Identification Number to other individuals and was conducting personal business on department time. The employee was terminated.

152-14112: Failure to Follow Policy and Procedure – Administratively Closed

Accusations were made that a district-level management staff member failed to follow department loss control policy and procedures for mold removal in a district building. Based on the investigative findings, there was no evidence to support the complaint.

152-14116: Harassment in the Workplace - Proved

Accusations were made that a department employee harassed and assaulted another department employee during work hours. Evidence was obtained to indicate the accused department employee was discourteous, disrespectful, and physically accosted the victim in the workplace. The accused department employee received a suspension.

152-14119: Workplace Violence and Insubordination – Proved

Accusations that a department employee was insubordinate, destroyed a time slip, and physically assaulted another employee were proved. Evidence also indicated the employee used profane and abusive language toward a co-worker. The department employee received a suspension.

152-14125: Misuse of Position for Personal Financial Gain - Disproved

Accusations were made that a department employee misused their position to secure a financial benefit. No evidence was found to support the allegation. The preliminary inquiry was categorized as disproved.

152-14126: Acceptance of Gratuities – Disproved

Accusations were made that a department employee accepted services, materials, and/or perks for "easing the permit close out process" on various local projects. Based on interviews conducted and records reviewed, there was no evidence to support the allegations. The preliminary inquiry was categorized as disproved.

152-14137: Misuse of Information Technology Resources - Proved

Accusations were proved that a contracted employee violated the Security and Use of Information Technology Resources policy by attempting to access sexually explicit websites on a department computer.

152-14147: Theft of Personal Property - Proved

Accusations were proved that a department employee, without permission or authority, used another department employee's personal credit card to make unauthorized purchases. During the course of the investigation, it was discovered the accused department employee was charged with a crime while employed with the department and failed to notify her immediate supervisor. The employee resigned in lieu of termination.

152-15007: Theft of Fuel – Administratively Closed

Accusations were made that a department employee may have stolen fuel from a department maintenance yard. Interviews conducted and records reviewed provided insufficient evidence to support further investigation of this allegation.

152-15016: Non-Compliance with Procurement Regulations - Disproved

Accusations were disproved that the department did not competitively bid procurements for a legislatively mandated pilot program for the retrofitting and reinforcement of traffic signalization. It was also reported that the Traffic and Operations Office denied approval of similar devices for inclusion on the department's Approved Product List. The investigation disclosed evidence that the contract was awarded in accordance with policy and procedure.

152-15017: Use of Department Resource for Personal Gain – Administratively Closed

Accusations were made that a department employee was using department resources during work hours to conduct personal business. No evidence was discovered to support the allegation.

152-15060: Misuse of Information Technology Resources – Administratively Closed

Accusations were made that a computer virus on a department laptop was associated with suspected access to sexually explicit websites by an employee. A forensic analysis of the department laptop revealed no evidence of misuse.

152-15065: Non-Compliance with Procurement Regulations – Administratively Closed

Accusations were made that a research contract was awarded to an individual at Florida State University without allowing other universities or entities to provide a proposal. Based on interviews conducted and records reviewed, we found no evidence to support the allegation that the contract should have been competitively bid.

152-15066: Harassment in the Workplace – Administratively Closed

Accusations were made by a department employee that on three separate occasions, an unknown individual(s) tampered with personal food items and took items from her desk. Interviews conducted and records reviewed provided no evidence to support the allegations. The preliminary inquiry was categorized as administratively closed with briefings to management.

152-15086: Conducting a Personal Business at Work – Administratively Closed

Accusations were made that a department employee who had a personal business was contacting a client during department business hours and possibly using department resources to do so. No evidence supported the accusations. The preliminary inquiry was closed and management was advised.

152-15096: Non-Collection of Commercial Vehicle Citations – Administratively Closed

Accusations were made that the department was not collecting on outstanding Commercial Vehicle Enforcement citations. The investigation determined the authority to collect on the outstanding citations falls under the purview of the Department of Highway Safety and Motor Vehicles (DHSMV). As such, this matter was referred to the DHSMV-OIG.

ACCREDITATION

The Commission for Florida Law Enforcement Accreditation (CFLEA) accredits law enforcement agencies and Office of Inspectors General (OIG) within the State of Florida that attain specific standards for operations, investigations, and other activities.

In October of 2009, an assessment team from the CFLEA arrived to examine all aspects of the Investigations Section's policies, procedures, management, and operations. The OIG Investigations Section met 40 compliance standards to receive the accreditation status.

Being an accredited agency means that the work product of the Florida Department of Transportation OIG meets or exceeds the highest professional standards promulgated for Offices of Inspectors General. The benefits of this designation include improved agency transparency, enhanced consistency and quality of investigations, organizational self-assessment, the identification and elimination of administrative and operational redundancies, clarification and refinement of rules and procedures, and reinforcement of the Offices' ability to maintain its accreditation status.

All of these benefits help in our mission to achieve our vision to be championed by our customers, benchmarked by our counterparts, and dedicated to quality in our products and services.

The OIG attained reaccreditation in February 2013 and is preparing for its second reaccreditation in the fall of 2015. The OIG continues to evaluate processes to ensure continued compliance with CFLEA standards.

Quality Assurance and Operations Support

Mission Statement

Ensure quality audit and investigative products fully comply with all professional and office standards and support the operations of the Office of Inspector General.

The Quality Assurance and Operations Support (QAOS) Section provides quality assurance and operations support to the Office of Inspector General. This section is responsible for the development and publication of the annual report, office media production, and assisting with the Annual Risk Assessment and Audit Plan development.

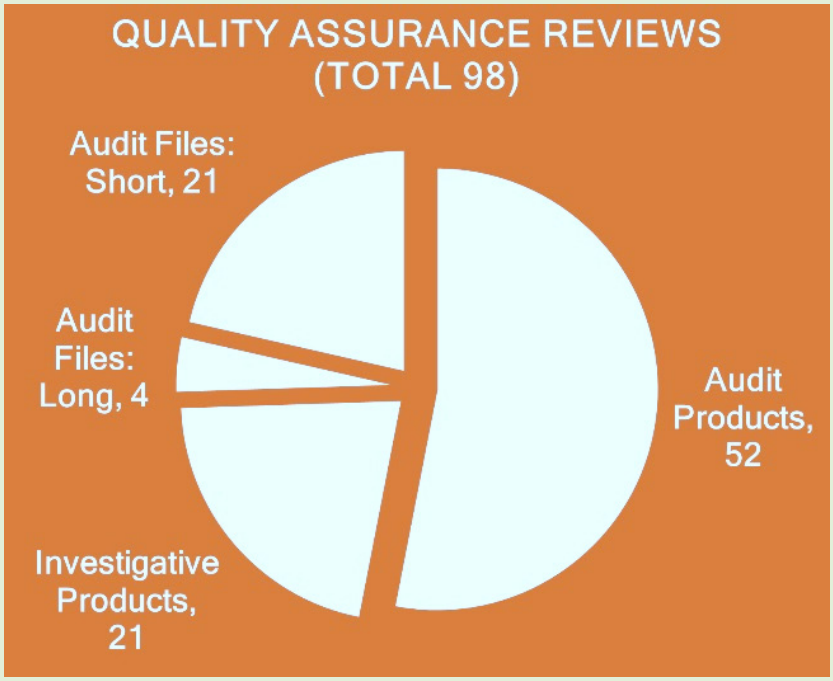
Statutory Activities

Quality Assurance - Florida Statutes require audits to be conducted in accordance with professional standards. The QAOS Section performs periodic assessments to ensure the audit engagement process is performed in compliance with Government Auditing Standards and the International Professional Practices Framework, published by the Institute of Internal Auditors.

Quality assurance activities include completed audit engagement reviews to ensure compliance in all phases with specified professional standards and OIG procedures. These reviews consist of short and long reviews. A long review includes the same requirements as a short review, with a more in-depth assessment of audit working paper documentation, and documented and timely supervisory review.

There were 21 short reviews and 4 long reviews conducted on completed audit engagements during this review period.

All draft and final reports, audit and investigations, are reviewed to ensure adherence to standards for report writing, clarity, consistency, use of proper grammar, and style. The QAOS section reviewed 21 completed investigation reports and memorandums, and 52 audit reports and memorandums.



Annual Report

Florida Statutes require each Inspector General to prepare an annual report, no later than September 30 of each year, summarizing the activities of the office during the immediate preceding fiscal year. The QAOS Section is responsible for compiling and producing this report.

Support Activities

Administrative Support

The QAOS Section is responsible for all budget, information technology infrastructure, inventory management, records retention, purchasing, and support activities for the Office of Inspector General.

Training

The QAOS Section is responsible for tracking all staff training. Training is designed to ensure staff are competent to perform the mission of the OIG, and are compliant with applicable professional standards as required by statute. Training reports are produced and reviewed at monthly intervals throughout the year and during the Auditor General's Quality Assessment Review.

Media Production

The QAOS Section compiles and produces the OIG newsletter, *Office of Inspector General Examiner*. The office uses the newsletter to provide opportunities to share information, alerts, and latest developments with management, staff, and district personnel. The section also produces brochures and maintains the SharePoint and internet sites for the office.

Systems Administration

The QAOS Section administers and maintains Replicon, the OIG's project management system. This system tracks project and budget hours for project management and performance measurement purposes. It also provides information for the Chief Inspector General's quarterly reporting and other reporting requirements.

CERTIFICATIONS

Expertise within the OIG covers a variety of disciplines. Employees are qualified in auditing, accounting, investigations, and information technology. Staff members continually seek to augment their credentials, further enhancing their abilities and contributions to the OIG and the department. Staff members' accomplishments obtaining certifications represent significant personal time and effort, reflecting positively on the individual as well as the department.

The list below summarizes the most recognized professional certifications maintained by OIG staff.

- Certified Inspector General
- Certified Internal Auditor
- Certified Public Accountant
- Certified Government Auditing Professional
- Certified Inspector General Investigator
- Certified Fraud Examiner
- Certified Public Manager
- Certified Inspector General Auditor
- Certified Information Systems Auditor
- Certified Law Enforcement Analyst

Affiliations

The Office of Inspector General staff members participate in a number of professional organizations to maintain proficiency in their areas of expertise and certification. These associations allow them to establish and advance professional networks and participate in professional community activities.

Association of Certified Fraud Examiners

Association of Government Accountants

Association of Inspectors General

American Institute of Certified Public Accountants

Florida Institute of Certified Public Accountants

Institute of Internal Auditors

Information Systems Audit and Control Association

Southeast Audit Group - American Association of State Highway and Transportation Officials

TRAINING

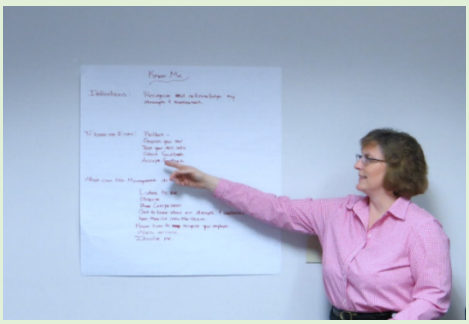
Section 20.055, F.S., requires offices of inspectors general to conduct audits and investigations in accordance with professional standards. Specifically, the statute requires that we "comply with the General Principles and Standards for Offices of Inspector General as published and revised by the Association of Inspectors General." The statute further states, "Audits shall be conducted in accordance with the current International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors, Inc., or, where appropriate, in accordance with generally accepted governmental auditing standards."

The Association of Inspectors General specifies that each staff person who performs audits, investigations, evaluations, or reviews should receive at least 40 hours of continuing professional education every two years that directly enhances the person's professional proficiency.

In addition, the International Standards for the Professional Practice of Internal Auditing and Government Auditing Standards require internal audit unit staff to maintain their professional proficiency through continuing education and training. Each auditor must complete at least 80 hours of continuing education every two years.

OIG Training Program

- Formal classroom instruction
- Web based courses
- On-the-job training
- CPE Credit Requirements
- Certifications
- Local Association Meetings
- Agency Coordinated Training Opportunities



Historical Perspective

The first known Inspector General was designated by King Louis XIV of France in 1668 to review his troops and report to him the condition of the army. The first Inspector General in what would become the United States was appointed by General George Washington during the Revolutionary War, because he was not satisfied with the disparate training or readiness of troops provided by the Colonies.

In 1978, Congress adopted the Inspector General concept and created inspectors general in federal agencies. Their responsibilities included conducting and supervising audits and investigations relating to the programs and operations of the agencies to which they were assigned.

An audit function was established in the Florida Department of Transportation (department) in the 1960s. This function evolved into audits and investigations and in the 1980s was designated the Office of Inspector General (OIG).

In 1994, section 20.0055, Florida Statutes (F.S), was signed into law by Governor Lawton Chiles who had become familiar with the value of the inspector general function while serving as a United States Senator. This law required an Office of Inspector General in each state agency.

In recent years, section 20.055, F.S., has been amended several times including a 2014 change reassigning oversight of Governor's Agency inspectors general from their respective agency heads to the Governor's Chief Inspector General, a move designed to enhance the independence of the inspector general function. This change has been largely transparent within the department because of our continued commitment to help the FDOT Team meet its' broad and complex mission objectives by reducing fraud and waste and increasing efficiencies in department operations.

INNOVATIVE EFFICIENT
EXCEPTIONAL

OUR ROAD AHEAD