

FLORIDA DEPARTMENT OF TRANSPORTATION  
**OFFICE OF INSPECTOR GENERAL**



# **ANNUAL REPORT**

**FISCAL YEAR 2016-2017**

Robert E. Clift, Inspector General

# INSPECTOR GENERAL SUMMARY

I am pleased to submit this Annual Report on the operations of the Florida Department of Transportation's (department) Office of Inspector General (OIG), covering the period from July 1, 2016 to June 30, 2017.

During this period, the OIG's audit section worked extensively with the department's districts and program offices to help ensure the efficiency and effectiveness of department programs. We completed 76 audit products examining topics such as the department's compliance with the provisions of the Governor's Executive Order governing ethics, grant management practices in District Two's transit function, the sufficiency of the operating agreement between District Four and the South Florida Regional Transportation Authority, the adequacy of the department's monitoring of a speed control grant by the department's Safety Office, an information technology access control audit, and an engagement to determine if asset maintenance contracts comply with applicable laws, rules, procedures, and guidance, and are consistent from district-to-district.

The OIG's Investigations Section continued to resolve allegations of contract fraud and significant employee misconducts while deterring and detecting activities that jeopardize the department's resources. We received 235 inquires/complaints, made 161 referrals to management, forwarded 42 complaints to other agencies and opened 32 investigations. We pursued five investigations jointly with law enforcement partners based on a reasonable suspicion that a crime had taken place. We issued investigative reports on topics such as prime contractors submitting certifications to the department attesting to payment to sub-contractors when no such payment was made, contractors certifying the use of compliant materials when cheaper or inferior products were used, employees accepting gifts or gratuities from entities doing business with the department, and allegations of a variety of thefts of department property. Key to the fraud and misconduct deterrence aspect of our mission, we also conducted 19 fraud awareness briefings statewide, attended by 840 department employees and partners in industry.

We look forward to continued and close coordination with the Secretary, agency leadership, members of the Department of Transportation team, and our statewide partners in industry to help the department meet challenges and opportunities they face in keeping the transportation infrastructure in Florida efficient, effective and safe.

Respectfully submitted,



Robert E. Clift  
Inspector General  
September 28, 2017

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# INTRODUCTION

The Office of Inspector General's (OIG) role is to provide a central point for coordination and responsibility of activities that promote accountability, integrity, and efficiency in the department.

In summary, the OIG's duties and responsibilities are to:

- Provide direction for, supervise, and coordinate audits, investigations, and management reviews relating to the department's programs and operations;
- Conduct, supervise, or coordinate other activities funded by the department for promoting economy and efficiency, preventing and detecting fraud and abuse in programs and operations;
- Keep the department Secretary and Chief Inspector General informed of fraud, abuse, and deficiencies related to programs and operations funded by the department and recommend corrective actions as well as report on the corrective actions progress;
- Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies to avoid duplication;
- Ensure an appropriate balance between audit, investigative, and other activities; and
- Comply with the *Principles and Standards for Offices of Inspector General*, published by the Association of Inspectors General.

Florida Statute (F.S.) requires an annual report be submitted by September 30 each year describing activities conducted in the prior 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 department programs and operations disclosed by investigations, audits, reviews, or other activities during the reporting period;
- A description of recommendations for corrective action made by the OIG during the reporting period;
- The identification of each significant recommendation described in previous annual reports on which corrective action has not been completed; and
- A summary of each audit and investigation completed during the reporting period.



# OIG MISSION

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 Department of Transportation team.

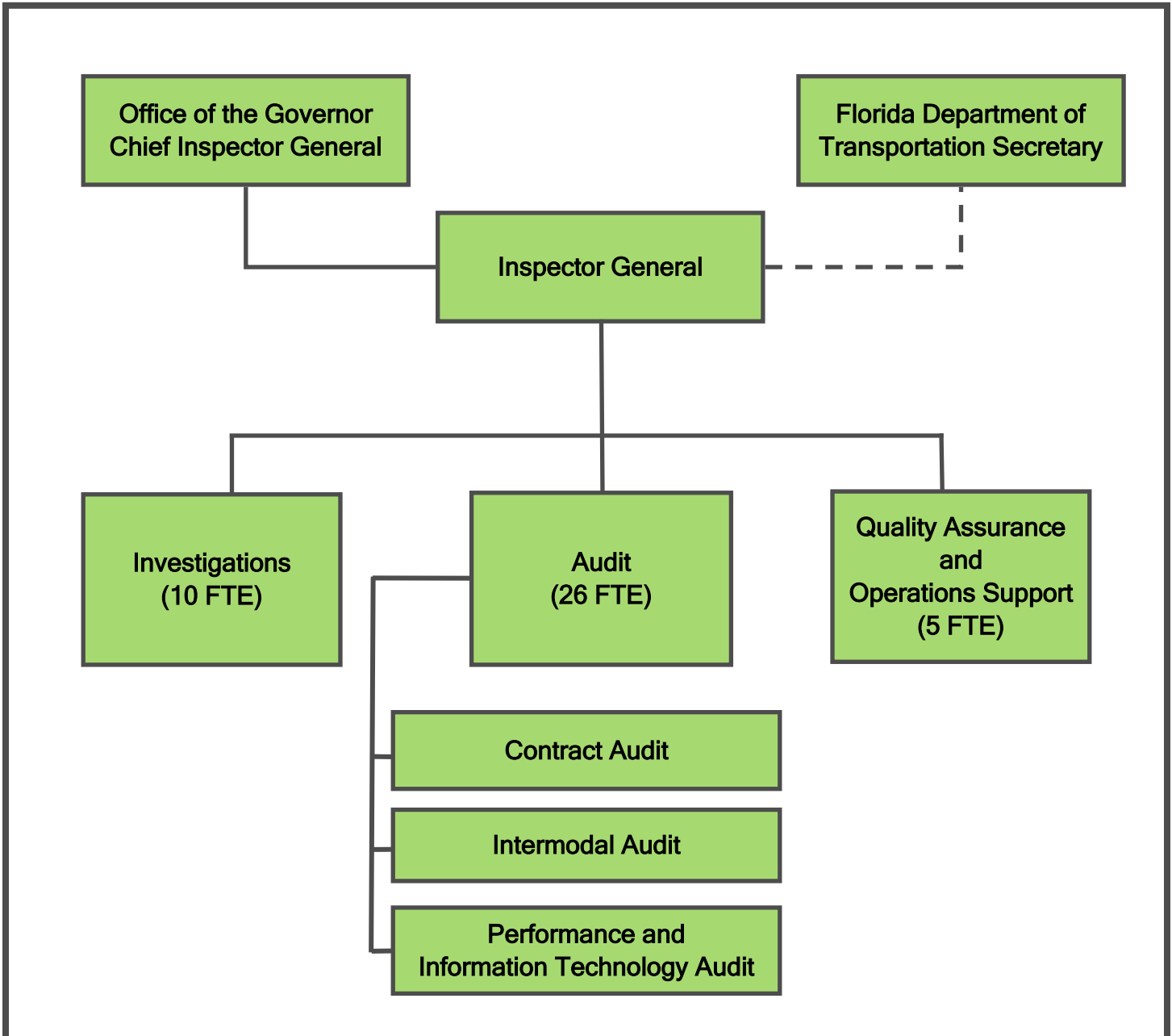
# OIG VISION

Our vision is to be championed by our customers; benchmarked by our counterparts; and dedicated to quality in our products.

# OIG VALUES

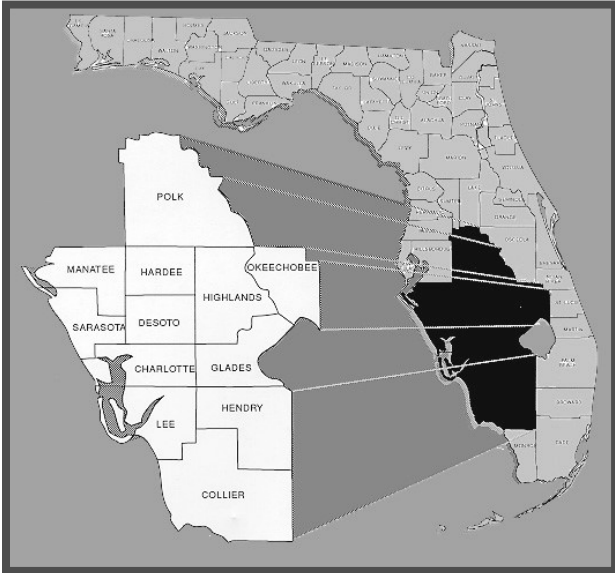
Our values are Integrity, Respect, Commitment, One FDOT, Trust, and Customer Driven.

# OFFICE OF INSPECTOR GENERAL



## ORGANIZATIONAL STRUCTURE

# AUDIT AND INVESTIGATIVE ACTIVITIES COMPLETED

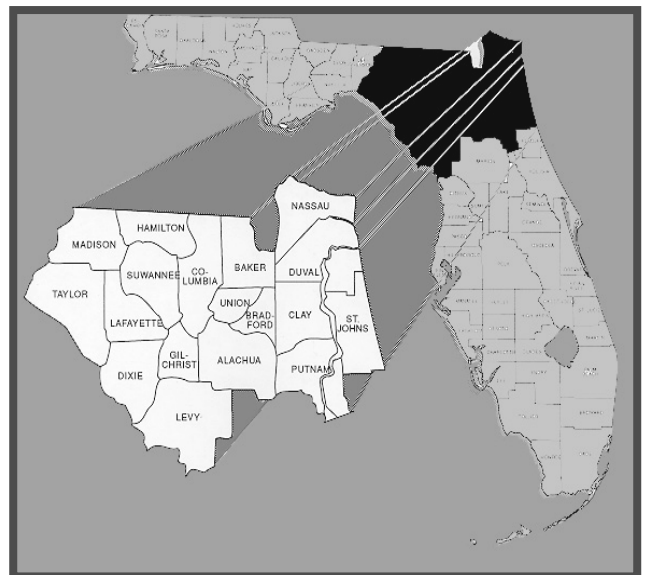


## District 1

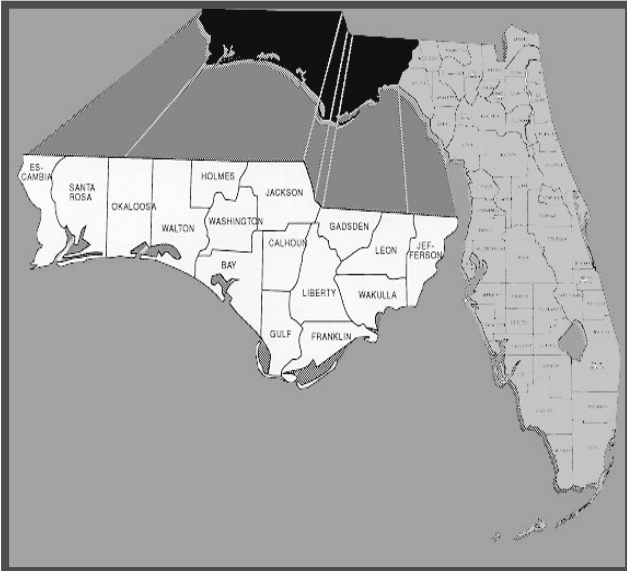
- 1 Audit Product
- 1 Fraud Awareness Briefing
- 6 Complaints Referred to Management

## District 2

- 2 Audit Products
- 2 Investigation Products
- 12 Fraud Awareness Briefings
- 7 Complaints Referred to Management



# AUDIT AND INVESTIGATIVE ACTIVITIES COMPLETED

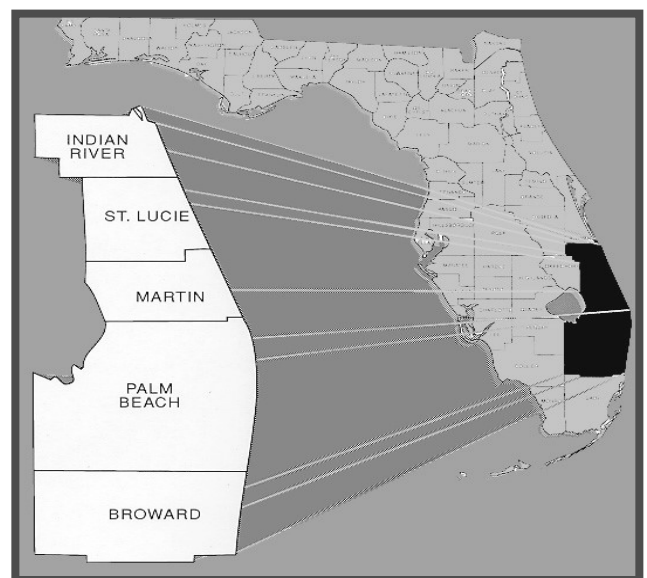


## District 3

- 1 Investigation Product
- 3 Fraud Awareness Briefings
- 7 Complaints Referred to Management

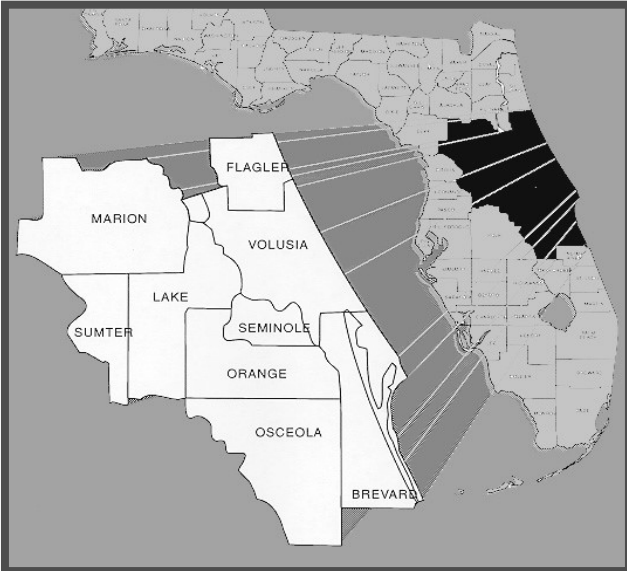
## District 4

- 2 Audit Products
- 11 Complaints Referred to Management





# AUDIT AND INVESTIGATIVE ACTIVITIES COMPLETED

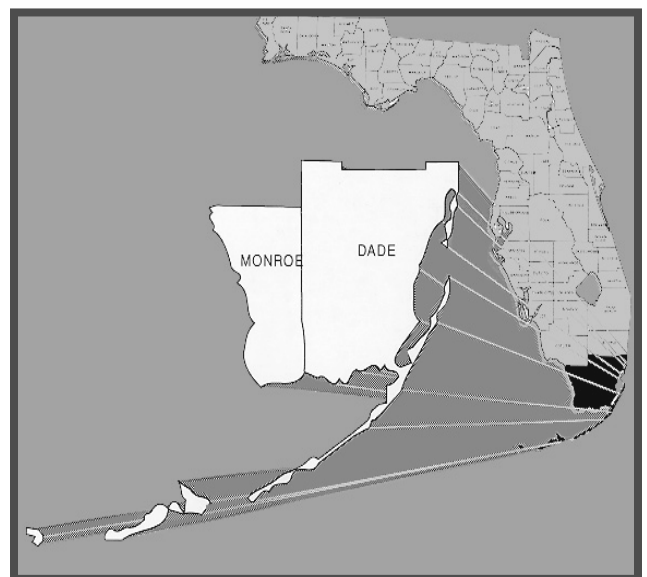


## District 5

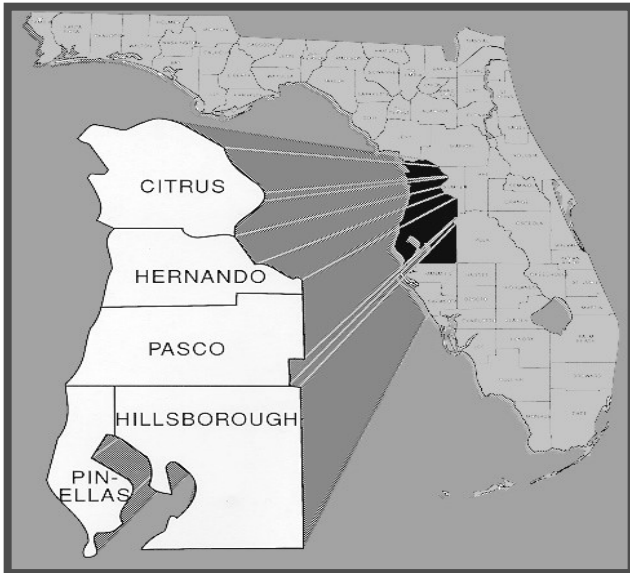
- 1 Audit Product
- 5 Investigation Products
- 1 Awareness Briefing
- 10 Complaints Referred to Management

## District 6

- 1 Audit Product
- 1 Investigation Product
- 5 Complaints Referred to Management



# AUDIT AND INVESTIGATIVE ACTIVITIES COMPLETED



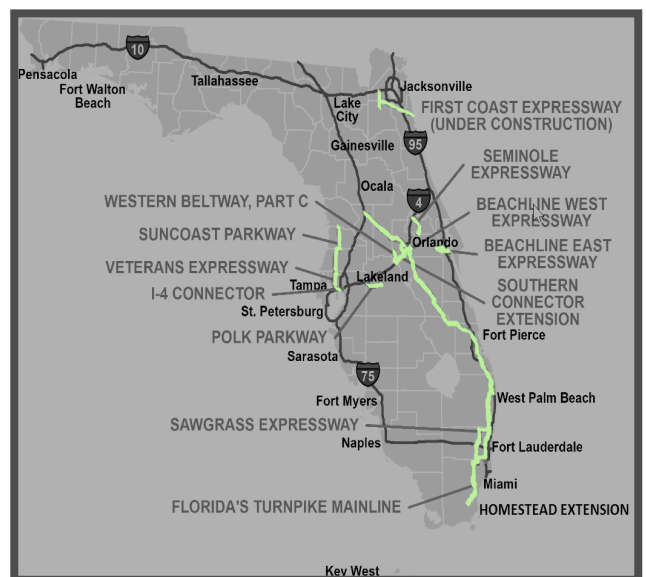
## District 7

- 1 Audit Product
- 2 Investigation Products
- 11 Complaints Referred to Management

## Turnpike

- 2 Audit Products
- 1 Investigation Product
- 94 Complaints Referred to Management\*

\* These complaints were predominantly related to contested SunPass charges.



# AUDIT AND INVESTIGATIVE ACTIVITIES COMPLETED

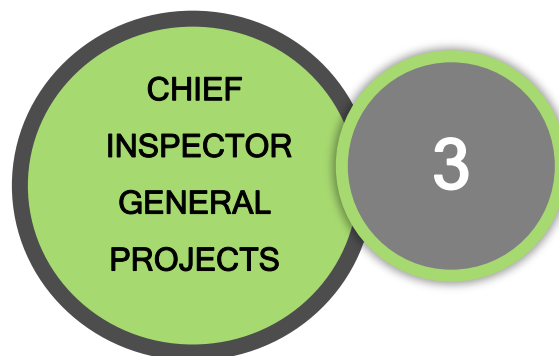
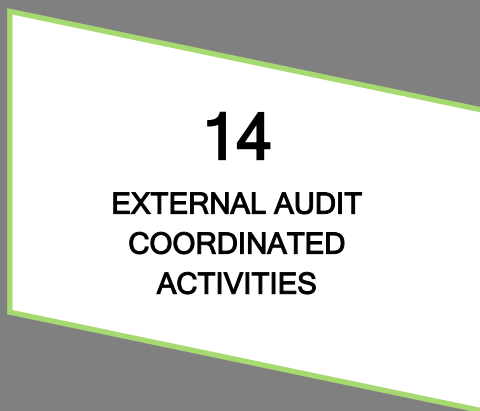
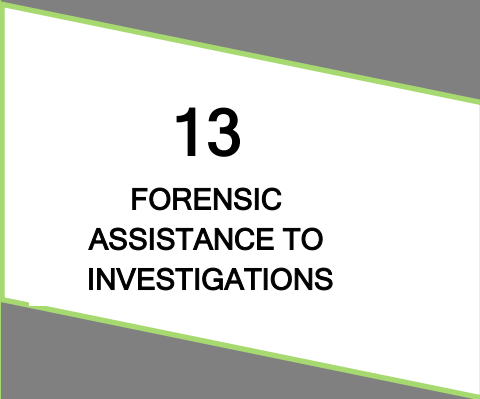
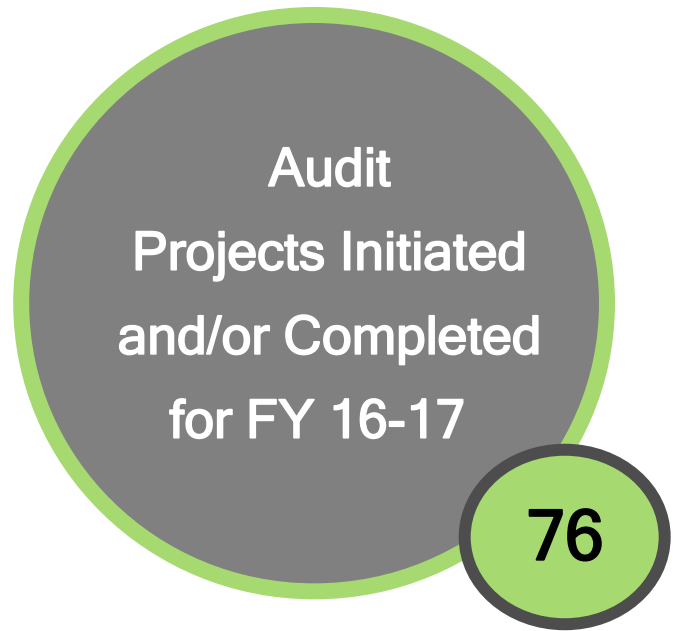
## Central Office

- 30 Audit Products
- 1 Investigation Product
- 2 Fraud Awareness Briefings
- 8 Complaints Referred to Management

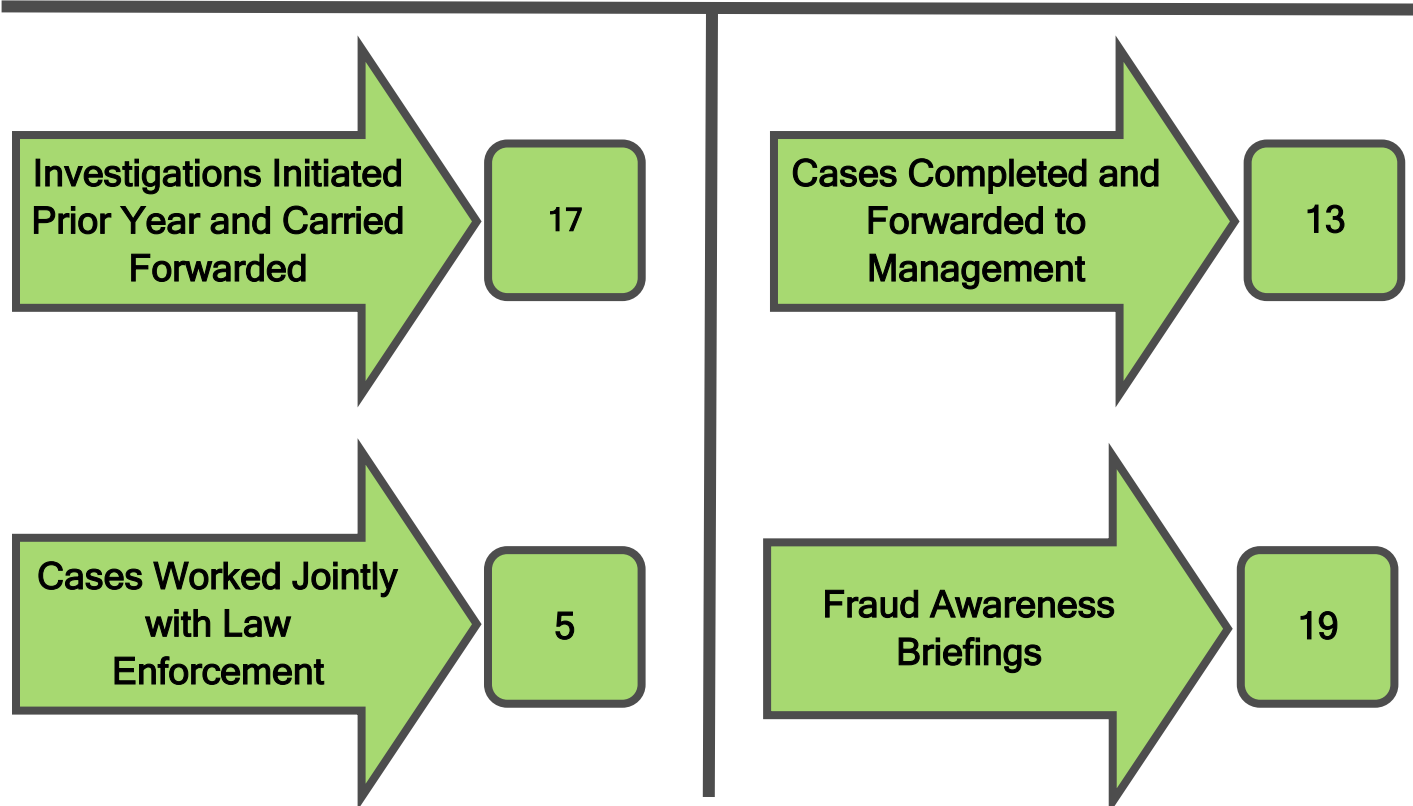
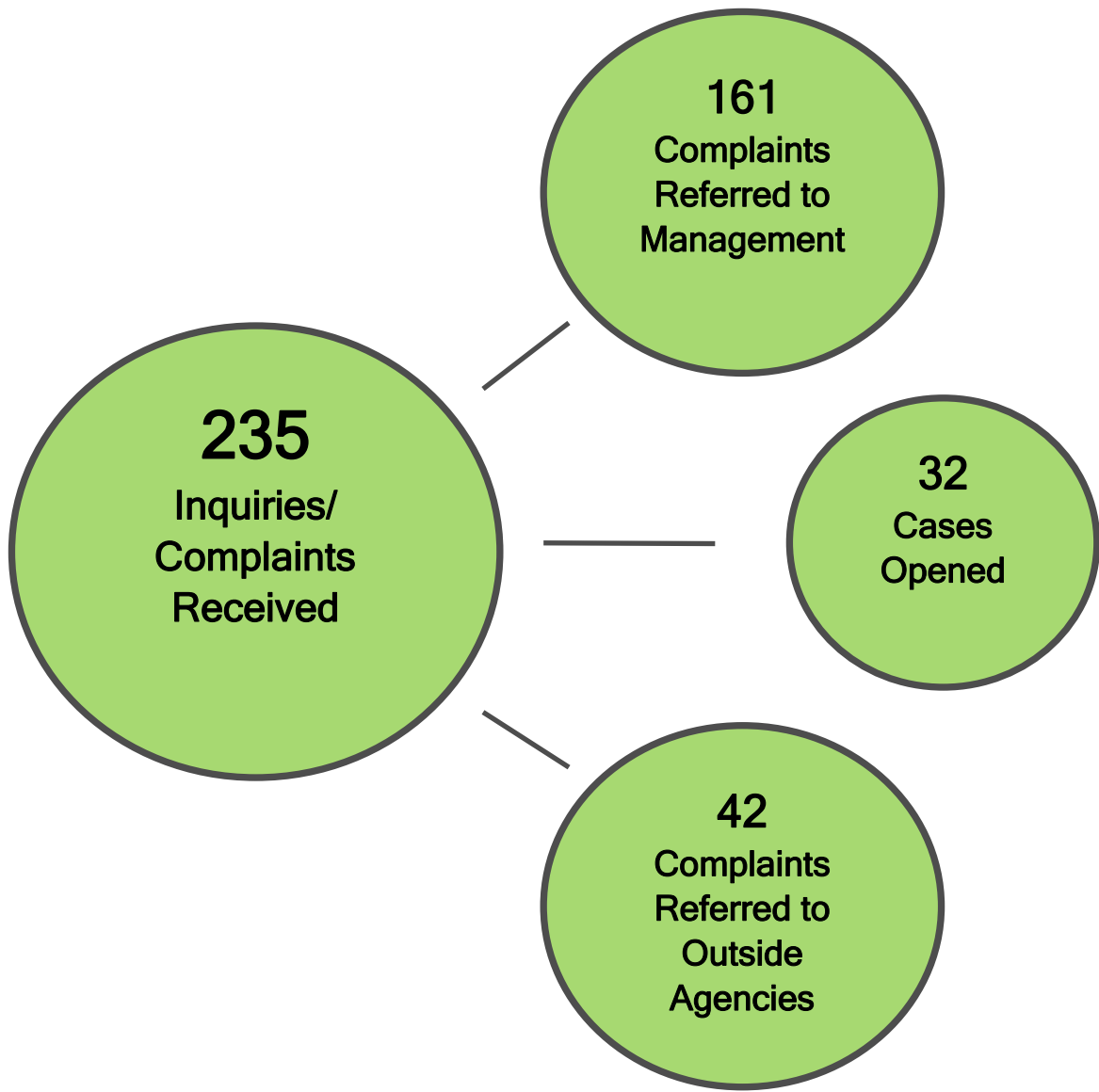


Photo courtesy of Florida Memory.com

As part of our Annual Audit Work Plan, the OIG normally allocates a small percent of our resources for the Chief Inspector General's enterprise-wide project requests. This year we responded to three such requests.



# INVESTIGATIONS ACTIVITY





# AUDIT

*The Audit Section's mission is to promote integrity, accountability, and process improvement by providing objective, timely, and value-added audit services.*

## Performance and Information Technology Audit Unit

### 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 recommend improvements as appropriate; and evaluate internal controls and recommend improvements as appropriate.

### Intelligent Transportation System (ITS) Inventory Audits

The purpose of the district inventory audits was to determine if district ITS operations have appropriate controls in place to comply with department standards for inventory accountability and reporting by testing four provisions from department Procedure No. 350-090-310, Tangible Personal Property.

#### **17P-1001: District One ITS Inventory Audit**

We determined the District One ITS office fully complied with two of the four provisions tested. We recommended the District One ITS Manager ensure the corrective actions have been completed. Management concurred with the findings, recommendations, and initiated corrective actions.

#### **16P-1002: District Two ITS Inventory Audit**

We determined the District Two ITS office fully complied with three of the four provisions tested. We recommended the District Two ITS Manager monitor to ensure the corrective actions have been completed. We also recommended the District Two ITS Manager complete a Notification of Missing Property form No. 350-010-63 for property that could not be located. Management concurred with the findings, recommendations, and initiated corrective actions.

#### **16P-1004: District Five ITS Inventory Audit**

We determined the District Five ITS office fully complied with three of the four provisions tested. We did not have any recommendations, as the inaccuracies were corrected prior to completion of this engagement.

#### **16P-1003: District Six ITS Inventory Audit**

We determined the District Six ITS office fully complied with three of the four provisions tested. We did not have any recommendations, as the inaccuracies were corrected prior to completion of this engagement.

# AUDIT

## Intelligent Transportation System (ITS) Inventory Audits (Continued)

### 16P-1001: District Seven ITS Inventory Audit

We determined the District Seven ITS office fully complied with three of the four provisions tested. We did not have any recommendations, as the inaccuracies were corrected prior to completion of this engagement.

### 16P-1006: Turnpike Enterprise ITS Inventory Audit

We determined the Turnpike ITS office fully complied with three of the four provisions tested. We recommended the District Traffic Operations Engineer ensure all corrective actions are completed. Management concurred with the findings, recommendations, and initiated corrective actions.

### 17P-8002: Statewide Intelligent Transportation Systems Inventory Summary Audit Report

The purpose of the Statewide ITS Inventory report was to compile all of the audit reports from each of the districts statewide regarding ITS operations compliance of department standards for inventory accountability and reporting. We reported that Districts Two, Four, Five, Six, Seven, and Turnpike ITS fully complied with three of the four provisions tested in Procedure No. 350-090-310, Tangible Personal Property and District One ITS fully complied with two of the four provisions tested. Four of the seven districts completed corrective actions prior to the release of the final audit report. For Districts One, Two, and Turnpike with corrective actions remaining, we recommended that District ITS Management monitor the progress of completion.



# AUDIT

## Performance and Information Technology Audit Unit (Continued)

### Performance Audits (Continued)

#### **15P-1003: District Maintenance Contracts - Pipe Desilting and Video Inspection Monitoring Audit**

The purpose of this engagement was to perform a review of the department's district maintenance contracts to evaluate the procedures, processes, and controls for video inspection, pipe desilting, cleaning, debris removal, and repair. We determined video inspection footage did not reconcile back to the invoices and work documents, payments were made prior to receipt of the deliverables, and actual quantity exceeded the estimated quantity on maintenance work documents by more than 5% and approval was not documented. We also noted three observations regarding inconsistent monitoring processes for inspection and storage of video files, overestimated quantities, tracking of payment packets, and segregation of duties.

#### **16P-1007: Ethics Governance Audit**

The purpose of this engagement was to evaluate four specific areas to determine adequacy and compliance with the Governors' Code of Ethics and the department's Ethics Policy. We determined: the department's Ethics Policy, No. 001-010-020 met the requirements of the Governor's Code of Ethics; the department's Ethics Computer Based Training (CBT) was aligned with the requirements of the department's Ethics Policy; there was a 91% compliance rate for the completion of the Ethics Policy CBT by department staff employed at least 1 year during Fiscal Year (FY) 2015-16; and the department needed to strengthen controls to ensure employees understand the department's ethics environment and have access to ethics related information. We recommended the Ethics Officer coordinate with the Organizational Development Manager to ensure: all employees complete the Ethics Policy CBT annually; and periodic monitoring of employee completion of required ethics training is conducted. Management concurred with the findings, recommendations, and initiated corrective actions.

#### **17P-8001: DAVID Attestation Review**

The Office of Inspector General performed an evaluation of the Department of Transportation's Human Resource Office use of the Driver and Vehicle Information Database (DAVID). We concluded the internal controls over personal data have been evaluated and are adequate to protect the personal data from unauthorized access, distribution, use, modification, or disclosure.



#### **16P-3001: Performance Measures FY 14-15 Assessment**

The purpose of this engagement was to conduct an assessment of performance measures pursuant to Section 20.055(2)(b), F.S. We assessed the validity and reliability of two performance measures reported in the FY 2016-2017 Department of Transportation's Long Range Program Plan (LRPP) for the FY 2014-2015. We also assessed the validity and reliability of the supporting data for five performance measures reported in the FY 2014-2015 Performance and Production Review of the Florida Department of Transportation by the Florida Transportation Commission (FTC). We determined both the two LRPP measures and five FTC measures were valid and reliable. We did not have any recommendations.

# AUDIT

## Information Technology (IT) 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.

### **15P-5001: Information Technology Access Controls Audit**

The purpose of this engagement was to determine whether the department is removing system access from user accounts appropriately and timely. The results of this audit are confidential.

### **16P-5003: Department Hardware and Servers Audit**

The purpose of this engagement was to determine the department's compliance with the consolidation requirement of Chapter 282, Florida Statutes requiring the migration of all data center and data computing resources in the Central Office to the Agency for State Technology's State Data Center (SDC). We determined the department substantially complied with the statutory requirement to consolidate its data servers to the SDC. Management concurred with the findings, recommendations, and initiated corrective actions.

### **16P-5006: Information Technology Resource Expenditures Audit**

The purpose of this engagement was to identify budget sources and resource allocations of Information Technology (IT) expenditures originating outside of the Office of Information Technology (OIT), and analyze the approval and acquisition processes for Information Technology Resources (ITR) in the department. The scope of the audit was limited to Central Office, District Two, and District Three. We concluded there were shadow IT expenditures (Shadow IT is the industry term used to describe ITR managed and used within an enterprise without the knowledge of its IT department) of \$6.36 million dollars in the department's general expense category (excluding OIT's general expenses) during Fiscal Years 2014-2015 and 2015-2016.

We also determined two districts were in full compliance with the Information Resource Request (IRR) process and one substantially complied with department procedures to obtain an approved IRR prior to acquiring ITR, the department lacks clear procedures for ITR acquisition, and the department's IRR process is not fully compliant with Rule 74-2, Florida Administrative Code (F.A.C.). In addition, Office of Information Technology's (OIT) Methods and Practices governing technical reviews for the acquisition of ITR does not provide specific criteria for the review or selection of a technical reviewer based on their qualifications. Management concurred with the findings, recommendations, and initiated corrective actions.

# AUDIT

## Contract Audit Unit

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

### **15C-6005: Kimley-Horn and Associates, Inc. (KHA) Audit**

The purpose of this engagement was to determine compliance with department Audit Process for Professional Services Consultants and Contracts, Procedure Topic No. 375-030-004, requirements of Rule 14-75, Florida Administrative Code, Consultant Qualification Process (procurement process); if claimed and reimbursed costs were reasonable, allowable, and in accordance with the provisions of the Standard Professional Services Agreement C-9063; and compliance with applicable laws and regulations. We determined the department properly procured the services of KHA. We found KHA's timekeeping and payroll functions were adequate to enable us to rely upon the accounting records and transactions related to the amounts invoiced and incurred. We also determined KHA materially complied with applicable laws, rules, and terms of the agreement.

### **15C-3001: Faller, Davis & Associates Audit**

The purpose of this review was to determine if allowable costs reported in the Independent Auditors' Report on the Statement of Direct Labor, Fringe Benefits, and General Overhead of Faller, Davis & Associates, Inc. for the year ended December 31, 2011, was free of material misstatement. We made four observations which Faller, Davis & Associates concurred.

### **15C-6001: Asset Maintenance Contracts Audit**

The purpose of this engagement was to determine if Asset Maintenance (AM) contracts are consistent from district-to-district and comply with applicable laws, rules, and department procedures and guidance; department monitoring ensures consistent satisfactory performance of AM contractors; and department administration and oversight of AM contracts were sufficient. We determined the department was consistently monitoring the performance of AM contractors on a semi-annual basis using the Asset Maintenance Contractor Performance Evaluation Report (AMPER). We also determined AM contractors, overall, were meeting the department's expectations for maintaining a safe transportation system. We further determined: AM contract documents did not clearly state a minimum acceptable AMPER score; the Performance Based Maintenance Contracting procedure did not specify how and when district personnel should take remedial action resulting from unacceptable AM contractor performance; formulas used to calculate AMPER scores were not disclosed and transparent to contractors or district personnel; and consideration of AMPER safety results were minimized by being combined with other results. Management concurred with the findings, recommendations, and initiated corrective actions.



# AUDIT

## Contract Audit Unit (Continued)

### 15C-6002: Errors and Omissions (E&O) Audit

The purpose of this engagement was to determine compliance with the E&O procedure, evaluate E&O data maintenance, review best practices and review the department's follow up to the 2010 Federal Highway Administration (FHWA) and department joint review on Design Errors and Omissions.

We determined the department had variations in E&O processes and practices among the districts in the pursuit of recovery of premium costs. The variations were caused by a lack of centralized oversight and reporting, and technical and administrative factors affecting the decision processes. We also determined the E&O procedure did not address monitoring E&O issues approaching the statute of limitations for recovery; 15 E&O issues totaling \$2,660,576 and classified as "In Review," have reached the 4-year statute of limitations to pursue and recover premium costs; and enhancement of E&O data integrity and the quality assurance review process are needed. Management concurred with the findings, recommendations, and initiated corrective actions.

### Certified Public Accountant (CPA) Work Paper Reviews and Cognizant Letters

CPA work paper reviews are conducted to obtain reasonable assurance that the CPA, which conducted the contractor's indirect cost rate audit: gathered and maintained sufficient evidence in the audit work papers to support audit conclusions; provided an opinion on the indirect cost rate schedule; issued a report on internal controls over financial reporting; and, complied with Generally Accepted Government Auditing Standards (GAGAS). A cognizant letter is issued when Florida is either the home-state or designee.

#### CPA Work Paper Reviews and Cognizant Letters were issued for:

Audit Number	CPA	Contractor	For FY Ending
15C-4003	Squar Milner, LLP	Atkins North America, Inc.	3/31/2014
16C-4002	Squar Milner, LLP	Atkins North America, Inc.	3/31/2015
16C-4003	Carr, Riggs & Ingram (CRI)	GAI Consultants, Inc.	12/31/2015
15C-4002	Warren Averett, LLC	Figg Bridge Engineering, Inc.	12/29/2013
17C-4001	Warren Averett, LLC	Figg Bridge Engineering, Inc.	12/27/2017
17C-4001	Warren Averett, LLC	Figg Bridge Inspection, Inc.	12/27/2017

# AUDIT

## Intermodal Audit Unit

The Intermodal Audit Unit performs audits and reviews to determine if recipients of state financial assistance and sub-recipients of federal pass-through funds are carrying out the program's purpose and associated costs are allowable pursuant to the department's agreements. Engagements consisted of railroad labor additive rates, transportation authorities, airport, seaport, and transit grants, utility relocation costs, indirect cost allocation and fringe benefit rates, as well as other accounting services.

### **14I-4002: South Florida Regional Transportation Authority (SFRTA) Audit**

The purpose of this engagement was to determine South Florida Regional Transportation Authority's compliance with the provisions of the Operating Agreement between the department and SFRTA for the South Florida Rail Corridor and applicable federal and state laws, rules, and regulations. We determined the Operating Agreement between SFRTA and the department did not fully comply with mandatory provisions required by Section 215.971, F.S., and did not contain the procurement provisions outlined in Chapter 287, F.S. We also determined \$153 million of state appropriations was omitted from audit coverage in accordance with the Florida Single Audit Act for Fiscal Years 2010-11 to 2014-15. Department management initiated corrective actions to implement a new Joint Participation Agreement.



### **14I-9003: District Two Grant Management Controls Review**

The purpose of the District Two Grant Management Control review was to evaluate the current status of oversight control noted in relation to a previous Advisory Report No. 14I-9002 concerning Suwanee Valley Transit Authority (SVTA), a local transit agency awarded federal funding by District Two. We performed an extensive root cause analysis regarding SVTA and provided management five recommendations for improvement.

### **15I-3001: Port Everglades, Joint Participation Agreement (JPA) AR858 Audit**

The purpose of this audit was to determine compliance with the terms of the JPA AR858 between the department's District Four and Broward County's Port Everglades Department. We determined District Four conducted adequate monitoring and oversight of JPA AR858.

### **15I-9005: Department Monitoring of Speed Control Grant Audit**

The purpose of this engagement was to ensure monitoring of Contract AQV42, between the department's Safety Office and the Wakulla County Sheriff's Office was adequate. We determined contract monitoring of vehicle use and overtime reimbursements was not sufficient and Contract AQV42 did not include specific and measureable deliverables as required by Section 215.971, F.S. (2010). Management concurred with the findings, recommendations, and initiated corrective actions.

# AUDIT

## Intermodal Audit Unit (Continued)

### **17I-1001: CSX Transportation (CSXT), Inc. 2014 Labor Additive and Indirect Cost Rates Audit**

The purpose of this engagement was to determine whether CSXT's 2014 indirect rates are reasonable, allowable, and adequately supported and if supporting records and procedures are transparent and readily understandable. We observed CSXT has made substantial investments to update its accounting system, streamline its cost allocation procedures, and enhance the documentation supporting its rate calculation process. We determined CSXT's accounting procedures meet the visibility rule set forth in Title 48 Code of Federal Regulations (CFR) Part 9904 - Cost Accounting Standards (CAS) Section 9904.405-50, which requires transparent and readily understandable records and procedures regarding the classification of expenses as allowable or unallowable. We also determined the Ernst & Young (EY), LLP audit team possessed sufficient qualifications, performed sufficient test procedures, and prepared sufficient documentation to support EY's audit opinion regarding CSXT's 2014 indirect cost rates. We determined the rates submitted by CSXT are reasonable, allocable, and allowable for use in billing railroad-highway projects. We recommended the department's Rail Office review and approve CSXT's 2014 indirect cost rates for use in billing costs for railroad-highway project and communicate this decision to the Federal Highway Administration. Management approved the rates.



### **16I-1001: Federal East Coast Railway (FEC) 2014 Labor Additive Rates Audit**

The purpose of this engagement was to determine whether FEC's year-end 2014 labor additive, materials handling and supplies, and equipment rates were developed based on costs which were reasonable, allowable, and adequately supported. We concluded the revised 2014 labor additive surcharge rates proposed by FEC were reasonable and supported by accounting records. Additionally, the costs included in the rate computation were reasonable and allowable for use in billing costs to federal-aid projects. Management approved the rates.

### **17I-1002: Federal East Coast Railway (FEC) 2016 Labor Additive Rates Memorandum**

The purpose of this engagement was to conduct an initial review of Florida East Coast Railway Company's labor additive, material handling and supplies, and equipment rates for year-end 2016. We determined the underlying risk of miscalculated rates resulting in unallowable charges did not warrant a full examination of FEC's submitted rates. Management approved the rates.

# AUDIT

## Intermodal Audit Unit (Continued)

### **17I-6002: Fringe Benefit and Employee Leave Rates for FY 2016-2017**

We conducted an audit of the department's fringe benefit and employee leave rate schedules for state Fiscal Year 2016-2017. These rates, to be applied in Fiscal Year 2016-2017, are based on actual costs incurred in Fiscal Year 2015-2016, and allocated in accordance with Title 2, Part 200, Code of Federal Regulations (C.F.R.), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. We determined the rates are based on actual amounts and calculated correctly. We recommend the Office of Comptroller (OOC) submit these rates to the Federal Highway Administration (FHWA) for approval. The rates were approved.

### **17I-6001: Indirect Cost Rate Proposal for FY 2016-2017**

On an annual basis our office normally performs an examination of the department's proposed indirect cost allocation rates for each fiscal year. For purposes of supporting accurate cost accounting for both state and federally-funded projects, the department devotes substantial resources to developing rates using a sophisticated methodology. For billing purposes, the department rarely uses the rates. For the past four years, the department has charged less than 1% of allowable indirect costs to federal projects. Based on this information and other support, we consulted with the FHWA and determined that an examination was not required for rate submission. Additionally, we determined the underlying risk of miscalculated rates resulting in unallowable charges to Federal grants did not justify a full examination.

# AUDIT

## External Audits

Section 20.055(2)(g), Florida Statutes, describes the inspector general's role in external audits to "Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication." During the fiscal year, we coordinated, facilitated, and/or monitored 10 external agency audits or reviews. The Auditor General released four reports concerning the department:

Florida Auditor General

2017-004: Comprehensive Risk Assessment at Selected State Agencies

2017-121: DOT- Aviation Grant Program and Prior Audit Follow-Up

2017-180: Compliance and Internal Controls Over Financial Reporting and Federal Awards

2017-206: DOT- Federal Programs Management Sub-system

## Six-Month Updates

Section 20.055(6)(h), Florida Statutes, requires "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 the statutorily mandated six-month updates for the two Auditor General audits, which were filed with the Joint Legislative Auditing Committee, and submitted copies to the Governor's Chief Inspector General and the Department of Transportation's Secretary.

Joint Legislative Auditing Committee

2016-159: Compliance and Internal Controls Over Financial Reporting and Federal Awards

2017-004: Comprehensive Risk Assessment at Selected State Agencies

## Significant Audit Recommendations

Section 20.055(8)(c)4, Florida Statutes, requires the OIG to identify significant recommendations described in prior annual reports where corrective action has not been completed.

Auditor General Report Recommendation 2016-159-02A- Federal Matching (AG Findings 2015-010 and 2016-004).

The Auditor General found the department did not always meet the federal matching requirement for Highway Planning and Construction Cluster funded projects and incorrectly reported matching amounts to the Federal Highway Administration (FHWA). The Auditor General recommended the department revise its procedures to ensure that state and local funds are reconciled and appropriately deobligated before the final project data is reported to the FHWA.

The department is working to resolve system programming errors and diagnostic reporting in order to ensure matching is correct. The anticipated completion date for corrections is October 2017.



# ANNUAL AUDIT RISK ASSESSMENT AND WORK PLAN

Section 20.055(6)(i), Florida Statutes, and professional audit standards requires the OIG to develop risk-based, long-term and annual audit plans, which consider resources and input from the department's senior management.

We used the Institute of Internal Auditors' Research Foundation's 8-step assessing risk process to develop our methodology. We defined 26 key department functions as our auditable units.

Risks were identified through interviews with 35 key stakeholders and the following risk factors:

- **Degree of Change or Stability** - determine if any new information technology was implemented, plans for reorganization or staff turnover, and if any new federal/state programs impact the functional area.
- **Risk Type** - determine the risk type (operational, compliance, financial, legal, and reputational) based on the functional manager's identified topic and area of concern.
- **Performance Measures** - determine if performance measures are in place and if the performance measures are meaningful.
- **Procedures** - determine the number per office and if they are current or out-of-date.
- **Confidential/Exempt Information** - determine if the functional area produces, handles, or stores any confidential and/or exempt information.
- **Full Time Equivalent (FTE)** - identify number of FTEs in each functional area.
- **Budget Materiality** - identify this year's allotments and last year's expenditures in each functional area.

Once the risks were assigned measurable weights, we established scoring mechanisms, such as a 1-10 scale and yes/no questions, then applied averages to potential audit topics identified by the department's senior management.

We presented the potential audit topics to the department's Secretary for consideration and a final risk ranking.

The 2017-18 Work Plan was developed from the risk assessment topics with resources dedicated to auditing department processes, contractor and consultant contracts, intermodal grant programs, and examining federal reimbursement rates. Additionally, we allocate a small percent for the Chief Inspector General's enterprise-wide project requests and 20 percent for department management requests. Our 2017-18 Work Plan is comprised of 63 auditable topics.

# INVESTIGATIONS

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

## Case Types

The Investigations Section manages several case types, such as substantive investigations, joint investigations, preliminary inquiries, management referrals, and other agency referrals.

## Duties and Responsibilities

The Investigations Section pursues department employees, contractors, vendors, and/or the public who attempt to gain a benefit for which they are not entitled. The Investigations Section operates in accordance with the Association of Inspectors General *Principles and Standards for Offices of Inspector General*, accreditation standards established by the Florida Commission for Law Enforcement Accreditation, and works closely with other law enforcement partners to accomplish its mission.

The Investigations Section's duties and responsibilities are to:

- Receive complaints and coordinate activities of the department in accordance with the Whistle-blower's Act pursuant to Sections 112.3187-112.31895, Florida Statutes.
- Receive and consider complaints that do not meet the criteria for an investigation under the Whistle-blower's Act and conduct, supervise, or coordinate such inquiries, investigations, or reviews as the inspector general deems necessary.
- Report expeditiously to the Florida 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.
- Conduct investigations and other inquiries free of actual or perceived impairment to the independence of the inspector general or the Office of Inspector General, including freedom from interference with investigations, timely access to records, and other sources of information.
- Submit final reports of investigations timely to the Governor's Chief Inspector General and Florida Department of Transportation's Secretary.

# INVESTIGATIONS

## Cases Completed: Contract Fraud

### 150-16151: Unapproved Sub-Consultant Performed Testing

Accusations were made that an unapproved third tier sub-consultant performed soil test boring on two department bridge replacement projects. Based on a review of documents and interviews conducted, it was determined that an unapproved third tier sub-consultant performed the tests as alleged; however, the primary sub-consultant did not bill the two prime contractors for the work performed. This inquiry was referred to district management and the department's Office of Construction for informational purposes. This case was proved.

### 150-16049: Prime Contractor Falsely Certified Payments to Sub-contractors

A prime contractor was accused of submitting to the department false Contractor's Affidavit and Surety Consent Form 21-A, that certifies at the completion of a project and that all sub-contractors have been paid. It was alleged the prime contractor received approximately \$82,000 for additional work completed by a sub-contractor, and failed to pay the sub-contractor. The investigation established that the sub-contractor was not paid for the additional work and that the Form 21-A falsely reflected that all subcontractors had been paid. Based on the records reviewed and interviews conducted, the allegation that the prime contractor submitted false 21-A forms was proved.

Rule 14.30-001 F.A.C.  
Rule 14.30-002 F.A.C.

STATE OF FLORIDA DEPARTMENT OF TRANSPORTATION  
CONTRACTOR'S AFFIDAVIT AND SURETY CONSENT  
(FORM 21-A)

10-05-21  
CONSTRUCTION  
02/2011  
Page 1 of 2

STATE OF FLORIDA  
COUNTY OF \_\_\_\_\_

A false statement or omission made in connection with this affidavit is sufficient cause for suspension, revocation, or denial of qualification to bid, and a determination of non-responsibility, and may subject the person and/or entity making the false statement to any and all civil and criminal penalties available pursuant to applicable Federal and State Law.

### 150-14095: Prime Contractor Accused of Non-payment to Sub-contractors

An allegation was made that a prime contractor submitted fraudulent notarized Certifications Disbursement of Previous Periodic Payments to Sub-contractors. The Federal Bureau of Investigations (FBI) was notified of possible criminal violations and declined to initiate an investigation due to the surety fully compensating the unpaid sub-contractors. The investigation proved the contractor violated department standard specifications by falsely submitting notarized certifications that all sub-contractors were paid when the facts proved otherwise. The prime contractor was placed on the department's Contractors Suspension List for a period of five years.

### 150-16210: Contractor Accused of Intentional Work Slow-down to Exceed Contracted Budget

It was alleged that a sub-contractor to the prime providing professional services on a department contract intentionally slowed down their work performance in an effort to deliberately exceed the contracted budget. It was also alleged the sub-contractor did not conduct traffic counts and falsified traffic reports that were provided to the department. The contract was to provide the department with professional services for conducting traffic, operational and safety studies, as well as plans preparation. The OIG completed interviews and reviewed records and found no evidence to support the allegations.

# INVESTIGATIONS

## Cases Completed: Contract Fraud (Continued)

### 150-16187: Prime Contractor Accused of Fraudulently using a Sub-contractor's Herbicide License



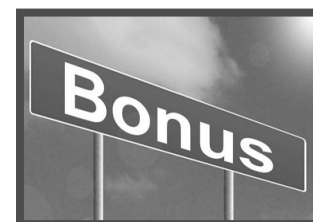
It was reported that a prime contractor misused a second tier sub-contractor's license number on required monthly Herbicide Application Logs (logs) submitted to the department on a maintenance contract. The OIG investigation determined the sub-contractor improperly documented the logs submitted by using an Aquatic Weed Control Herbicide license of another licensed individual without their knowledge or consent. The OIG recommended the department consider requiring a notarized signature by the submitter attesting to the truthfulness and accuracy of the logs so similar cases could be considered for possible criminal violations. This case was proved.

### 150-16154: Omission of Fabrication of Density Tests

An allegation was made that a prime contractor failed to complete "hundreds" of required density tests on a Mechanical Stabilizer Embankment (MSE) Wall project. It was further alleged that the prime contractor then fabricated density test results within the required MSE Wall log books required per department standards. In accordance with the requirements of Section 20.055, Florida Statutes, the OIG notified the United States Department of Transportation (USDOT) OIG of the matter, and a joint investigation with the USDOT OIG was initiated. The USDOT OIG advised the OIG that based on interviews conducted and records reviewed, there was no evidence to support further investigation into the matter by their office.

### 150-11074: Contractor Accused of Authorizing Unearned Bonus Payment

It was reported that a contracted engineering firm with oversight on a department construction contract falsely authorized the department to pay unearned completion bonus payments to the prime contractor. A joint investigation by the OIG and United States Department of Transportation OIG was conducted. The United States Attorney's Office (USAO) accepted the case for consideration of a criminal prosecution. During the course of this investigation, the USAO determined the case appeared as a breach of contract issue and not a false claim and declined prosecution.



The investigation further revealed all contracted landscaping was finished in time to receive the full bonus and landscaping completed after Final Acceptance was uncontracted landscaping being requested and performed for a local municipality. Additional contract deficiencies were found to be minor and covered under the contract warranty.

### 150-16252: Prime Contractor Accused of Overbilling the Department

It was alleged that a prime contractor contracted to construct a fourteen to sixteen million dollar building and actually constructed a building that "cannot be more than 5 to 6 million dollars." It was further alleged the structures being built were "pre-fabricated metal buildings" and the "contract was more than 10 million dollars waist [sic]." The OIG found no credible evidence or substantive information to support that the contract was overvalued in costs.

# INVESTIGATIONS

## Cases Completed: Contract Fraud (Continued)

### 150-15118: Prime Contractor Fraudulently Over Billed the Department

A prime contractor was accused of overbilling the department by overstating the length measurements of desilted pipes on a department maintenance contract. It was further alleged that the assigned inspector for this contract was in a personal relationship with the prime contractor. Based on the records reviewed and interviews conducted, intentional overbilling by the prime contractor was not established; however, poor performance was established. Communication between the prime and the department was not properly documented and the prime did not maintain separate records of work performed. Due to the contractor's overall poor performance, the department placed them in default on this, and other contracts. The assigned inspectors' performance related issues were addressed and corrected to their supervisor's satisfaction. No substantive information was developed to support further investigation of a personal relationship between the company's owner and the assigned inspector.

### 150-13070: Sub-contractor Accused of Falsifying Records

It was alleged that a subcontractor was accused of falsifying Disadvantaged Business Enterprise (DBE) federal credit submittals related to the subcontractor allegedly sharing employees and equipment with a non-DBE company. During this investigation, the Federal Bureau of Investigation (FBI) was notified of possible criminal violations, and a joint investigation with the FBI was initiated. The investigation revealed that the employee issue was resolved administratively and each business maintained their own account with an equipment rental company. Subpoenaed records showed each company had their own account with the company, were billed separately, and each company paid their respective accounts. The FBI investigation was closed when the non-DBE firm was absorbed into the DBE. A DBE compliance review of the expanded firm was conducted and disclosed the firm was in compliance with their DBE status.

### 150-16036: Prime Contractor Accused of Overbilling the Department for Work Hours

It was reported that a prime contractor was fraudulently billing the department for work hours performed on private sector fixed-fee contracts. A review of documents did not reveal any instances in which the prime contractor invoiced the department for more than what was allowed for by the contract. Based on interviews conducted and records reviewed, there was no evidence to support further investigation into this allegation.

### 150-15120: Prime Contractor Accused of Falsifying Records



It was alleged that a prime contractor used non-compliant materials on a department contract. The investigation proved the contractor was not consistently in compliance with the terms and conditions of the contract and found to be using non-compliant materials on two department contracts. The case was referred to the Office of Construction and the district for action. In addition to corrective action taken, the contractor repaid \$390,000 to the department and was barred from bidding on contracts for 60 days.



# INVESTIGATIONS

## Cases Completed: Misconduct

### **152-16238: Employee Accused of Misusing Department Vehicle and Time**

It was alleged that a department employee was misusing a department vehicle and conducting personal business during work hours. The investigation proved the employee misused the department vehicle for activities unrelated to department business, conducted personal business during work hours, and falsified his time as recorded in People First. The employee resigned.



### **152-16190: Acceptance of Gifts by a Department Employee**

A department employee was accused of accepting a trip to the Bahamas from an employee of a local government entity, in violation of the department's Ethics Policy. The department employee was involved in the administration of department Local Area Program (LAP) agreements, to include agreements with this local government entity. Based on a review of records and interviews conducted, the allegation that the department employee accepted a trip to the Bahamas as well as other gifts from the local government entity employee was proved. During the investigation, the employee separated from department employment. This case was proved.

### **152-16277: Employee Accused of Misusing Department Vehicle and Time**

It was alleged that a department employee was misusing a department vehicle and conducting personal business during work hours for activities unrelated to department business, and falsified their time as recorded in People First. The employee resigned.

### **152-16153: Misuse of Official Position by Department Employee**

It was reported that a department employee was using their position with the department to seek permit approvals for clients of their private engineering firm. Based on records reviewed and interviews conducted, the allegation that the employee misused their position with the department was disproved. The OIG recommended that the employee and their supervisor seek guidance from the department's ethics officer regarding the employee's private engineering business and proceed in conformance of their guidance.

### **154-16249: Former Employee Accused of Removing Department Computer**

It was alleged that after a department employee resigned, their assigned laptop computer was discovered missing. The department reported the missing computer to local police and the former employee was interviewed and denied any knowledge of the missing laptop. The laptop was discovered in the street and returned undamaged to the department. The OIG's forensic review of the department laptop yielded no sustentative information.

# INVESTIGATIONS

## Cases Completed: Misconduct (Continued)

### **152-16241: Improperly Licensed Professional Engineer (P.E.)**

Accusations were made that a department employee did not have a Professional Engineering (P.E.) license, only an Engineering Intern (EI) license; however, they are proclaiming on a professional social networking site that they hold a P.E. license. A review of records indicated the employee received a P.E. license from another state, and was eligible to apply for a P.E. license in Florida through reciprocity. Interviews conducted revealed the employee's work was done under the review, guidance, and responsible charge of a licensed P.E. and that the employee had not signed and sealed any documentations or plans. Based on the documents reviewed and the interviews conducted, there was no evidence to support misconduct on the part of the employee.

### **152-17024: Department Employee Obtained and Used a Citizen's Personal Information**

An anonymous complainant alleged that a department employee obtained personal information of a citizen known to them and opened credit in their name, without their knowledge, and forged legal documents with the citizen's name. The OIG conducted a review of the subject employee's email and their department computer access with negative results. The OIG discovered there was a police report taken regarding the incident and review of the closing report revealed the subject employee was provided the personal information with consent by the alleged victim. The OIG found no evidence to support further investigation.

### **152-17013: Department Employees Accused of Failing to Provide Public Records**

Several department employees were accused of failing to comply with a public records request. The OIG conducted a preliminary inquiry and found the department employees fulfilled all public records requested and no evidence was found to support the allegations.

### **152-16191: Improper Completion of Department Form**

It was reported that an Engineer's Maintenance of Traffic (MOT) Evaluation at Crash Site Form 700-010-064 (EMOTECS) prepared for a fatal crash at a department worksite did not properly reflect the MOT conditions at the time of the crash. An investigation revealed that the form called for, and documented the MOT conditions in place at the time the form was prepared. Based on a review of records, there were no investigative findings to support further investigation by the OIG, and the matter was referred to the Office of Construction for review.

# INVESTIGATIONS

## Cases Completed: Misconduct (Continued)

### **154-17086: Theft by Department Employee**

It was alleged that a department employee stole various department property to include an LCD projector, electronic equipment, and supplies. The OIG was advised that district management contacted law enforcement to report the missing property, and that the department employee was terminated for related performance issues. The OIG contacted the law enforcement agencies involved, and confirmed their involvement in the investigation of this matter. A local law enforcement agency advised the OIG that the employee had been arrested and charged with Grand Theft. Based on the records reviewed, the termination of the employee, the criminal investigations by law enforcement agencies, and the arrest of the employee, it determined no further action by the OIG was required.

### **152-16206: Sole Source Procurement of Training Material**

It was alleged that training materials were being improperly procured from a vendor by categorizing the purchase as a “sole source” when it was believed other vendors offered the same product. Based on records reviewed and interviews conducted, the OIG did not identify a specific violation of the department’s procurement process and the preliminary inquiry was categorized as closed. The OIG recommended that the sole source language on the Purchase Request forms be revised to reflect the training material is a Trademarked product only offered through a company who selects which vendor the purchaser should use.

# INVESTIGATIONS

## Fraud Awareness Briefings

**It's Never the Wrong Time to do the Right Thing**

The OIG makes a concerted effort every year to educate department employees and consultants about acting ethical and with integrity in the performance of their job duties.

We do this by presenting Fraud Awareness Briefings at different locations throughout the state. In the statewide briefings, we discuss the department's Ethics Policy, Integrity in Government Policy, the relevant Florida Statutes, and the many Florida Administrative Codes related to the conduct of state employees and their relationships with regulated entities. During these briefings, we also share real case scenarios to bring the information to life.

In 2016-2017, the OIG presented 19 briefings to 840 department employees and partners in the industry.



# QUALITY ASSURANCE & OPERATIONS SUPPORT

*The mission of the Quality Assurance and Operations Support section is to ensure quality audit and investigative products that fully comply with all professional and office standards and support the operations of the Office of Inspector General.*

The Quality Assurance and Operations Support Section's duties and responsibilities are to:

- Ensure OIG policies and procedures are current and designed to conform with professional auditing standards.
- Perform internal assessments in accordance with professional auditing standards and OIG procedures, such as report reviews and quality assurance reviews of audit working papers.
- Conduct an annual risk assessment, develop the annual audit work plan, and prepare the annual report.
- Maintain all daily OIG operational functions including human resources, facilities management, travel, and inventory.
- Plan and maintain the OIG's budget and segregate duties for purchasing card transactions and approval.
- Maintain the OIG's information technology infrastructure, such as SharePoint, and publish reports on the Internet.
- Monitor staffs' training requirements and completion dates in compliance with professional standards. Training reports are reviewed monthly.
- Publish the quarterly newsletter, Office of Inspector General Examiner. The newsletter provides opportunities to share information, alerts, and latest developments.
- Administer and maintain the OIG's workforce management software, Replicon, for audit projects, budget hours, investigative cost recovery on cases, and generate information for quarterly reports to the Chief Inspector General.

## TECHNOLOGY INITIATIVES

During the course of Fiscal Year 2016-2017, we made great strides in our technology initiatives by:

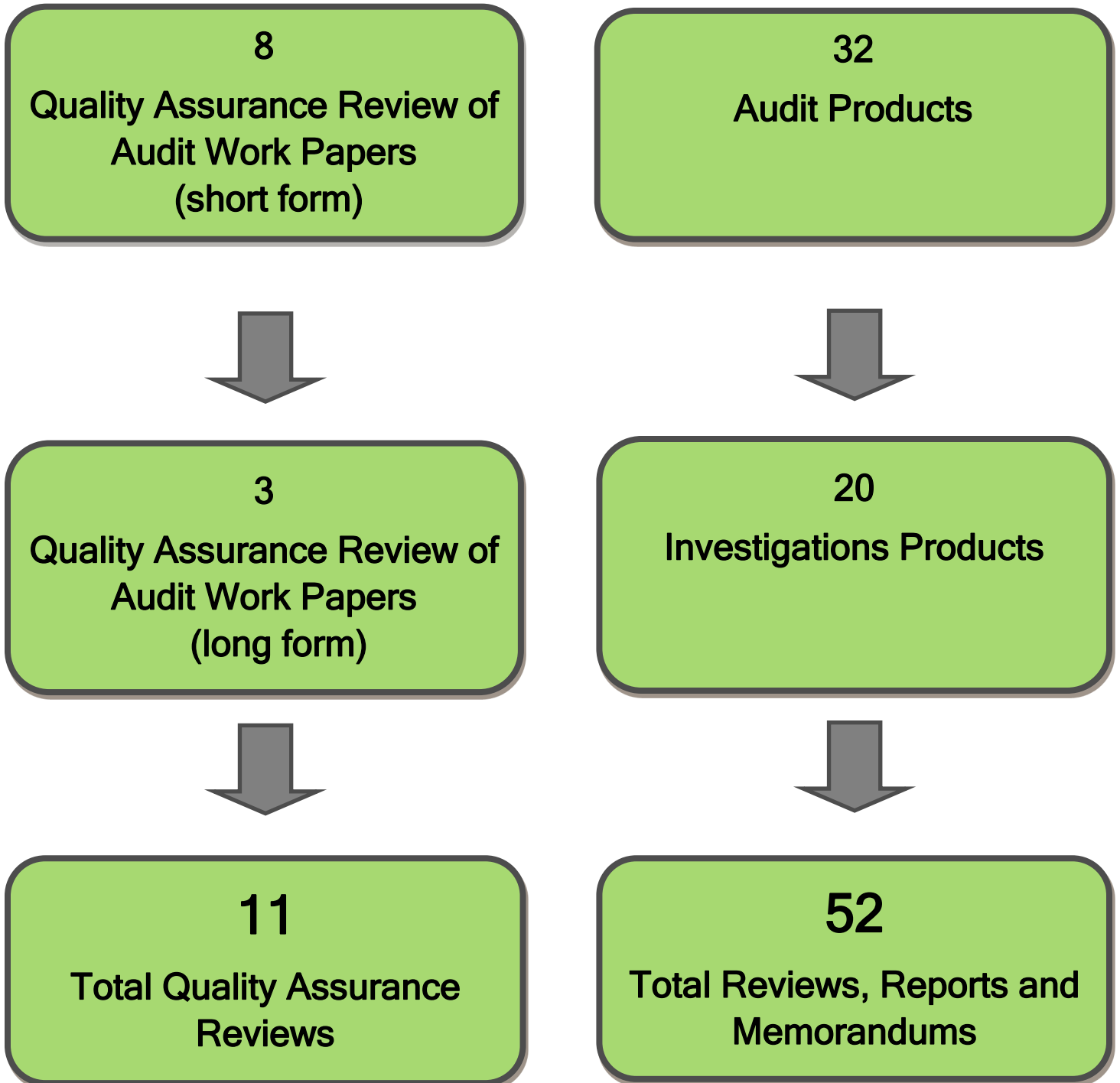
- ◆ Improving our OIG Examiner newsletter with enhanced graphics and formatting;
- ◆ Building out our options for content management on audit products; and
- ◆ Starting our own social media account on Twitter.





# QUALITY ASSURANCE & OPERATIONS SUPPORT

## QUALITY ASSURANCE & OPERATIONS SUPPORT ACTIVITIES



# QUALITY ASSURANCE & OPERATIONS SUPPORT

## TRAINING, CERTIFICATIONS, AND AFFILIATIONS

Professional standards require the OIG's staff to be proficient, competent, and collectively possess and apply knowledge, skills, and experience when performing audit and investigative work. Additionally, auditors and investigators should complete Continuing Professional Education (CPE) courses related to their primary responsibilities.

Our auditors adhere to the *Government Auditing Standards* for completing 80 CPE hours in a 2-year period with 24 of those hours being related to government auditing.

Our investigators adhere to the *Principles and Standards for Offices of Inspector General* for completing 40 CPE hours in a 2-year period with 12 of those hours being related to investigations.

The Quality Assurance and Operations Support Section provides oversight of the training program to ensure staff meet the CPE requirements and completed courses are documented adequately. Our internal Procedure No. 450-a10-008, Training and Professional Development, has guidance to identify levels of expertise for meeting organizational requirements, evaluate the training program regularly to assure staffs' needs are being met and the best training sources are used, and maintain an adequate training fund.

Staff demonstrate their expertise through certifications and affiliation in professional organizations:



Certifications	Count
<b>Certified Inspector General (CIG)</b>	<b>3</b>
<b>Certified Public Accountant (CPA)</b>	<b>3</b>
<b>Certified Inspector General Auditor (CIGA)</b>	<b>8</b>
<b>Certified Inspector General Investigator (CIGI)</b>	<b>10</b>
<b>Certified Fraud Examiner (CFE)</b>	<b>4</b>
<b>Certified Internal Auditor (CIA)</b>	<b>3</b>
<b>Certified Government Auditing Professional (CGAP)</b>	<b>2</b>
<b>Certified Public Manager (CPM)</b>	<b>2</b>
<b>Certified Info. Technology Infrastructure Library (ITIL)</b>	<b>2</b>
<b>Certified Information Systems Auditor (CISA)</b>	<b>1</b>
<b>Certified Government Financial Manager (CGFM)</b>	<b>1</b>
<b>Florida Certified Contract Manager (FCCM)</b>	<b>8</b>