

**Office of Inspector General
Robert E. Clift, Inspector General**

OIG Risk Assessment and Fiscal Year 14/15 Audit Plan

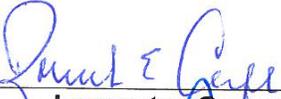
June 23, 2014

EXECUTIVE SUMMARY

We are pleased to present the results of the Office of Inspector General (OIG) annual risk assessment and Audit Plan development efforts. Our Audit Plan is risk-based to provide the most effective coverage of the department's programs, systems and contracts with outside entities. Our risk analysis is based on input from department senior management and OIG staff. The activities outlined in our Audit Plan address the major operations of the department and optimize the use of our resources.

Additionally, we allocated twenty percent of our audit resources to enterprise projects at the request of the Governor's Chief Inspector General. We also retained approximately twenty percent of our time for projects that you or the leadership team may request during the year.

Respectfully Submitted by:


Inspector General

Date: June 23, 2014

Approved by:


Secretary

Date: 6/26/14

Office of Inspector General
Florida Department of Transportation

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RISK ASSESSMENT PROCESS

Both Florida Statutes¹ and professional audit standards² require the OIG to develop risk-based annual and long-term audit plans which consider resource requirements and input from senior management. We developed our Audit Plan by following the Institute of Internal Auditors eight-step risk assessment process.

Step 1: We defined our audit universe by using the following 22 key functions as defined in the department business plan.

- | | |
|-----------------------------------|---------------------------------------|
| 1. Intermodal Systems Development | 12. Human Resources |
| 2. Design | 13. Equal Employment Opportunity |
| 3. Right Of Way | 14. Support Services |
| 4. Work Program and Budget | 15. Inspector General |
| 5. Construction | 16. General Counsel |
| 6. Materials | 17. Public Information |
| 7. Maintenance | 18. Procurement Services |
| 8. Safety | 19. Contracts Administration |
| 9. Turnpike Enterprise/Tolls | 20. Disadvantaged Business Enterprise |
| 10. Traffic Operations | 21. Information Systems |
| 11. Performance Management | 22. Comptroller/Financial Services |

Step 2: We conducted 31 interviews with senior management, including Assistant Secretaries and District Secretaries. Those interviewed were asked to identify their major risks, areas of concern and possible audit topics.

Steps 3 through 6: 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 and Assistant Secretary priority ranking to the potential audit topics.

Step 7: We sorted the potential audit topics based on the final average. As a result of this process, the potential audit topics were identified and presented to the Secretary who listed them in priority order.

Step 8: We placed the auditable topics into our annual Audit Plan based on available number of audit staff hours.

¹ Subsection 20.055(5)(i), Florida Statutes

² The Institute of Internal Auditor's International Professional Practices Framework Standard 2010.A1

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FY 14/15: Risk Assessment Topics	
Topic	Description
South Florida Regional Transit Authority (SFRTA)	This topic was identified as a priority project based on changes to the contractual relationship with SFRTA and the \$30 million of operating funds provided annually. We would review SFRTA's budgeted expenses with actual expenditures associated with funding provided by the department.
Time to acquire Right-of-Way (ROW)	This topic concerns the amount of time required for order of taking hearings to be finalized. We would analyze the process and determine where among the 67 counties the process takes the longest and the contributing factors.
SunRail	This topic was identified as an on-going high value project with significant public interest. We would review SunRail operations with a focus on the contracted preventative maintenance program.
Port of Miami	This topic was identified because of the complex intergovernmental relationships, the amount of debt incurred and recent changes in port management. We would review a state funded port project to determine if funds have been expended appropriately and the district has monitored the project.
Master Agreements Review	The topic of reviewing master agreements was identified due to recent audit projects. We would determine the population of master agreements and identify any potential issues.
Emergency Management Office	The topic of an operational audit of the Emergency Management Office was identified. We would conduct a readiness review both in the Central and District offices.
IT Security	Information loss was identified as a significant security risk. We would conduct a review of the department's IT security, including physical and logical controls, to ensure confidential information is properly protected.
JaxPort	This topic was identified because of the emerging significance of the port and the private dollars being expended because of expansion. We would review a state funded port project to determine if funds have been expended appropriately and the district has adequately monitored the project.
Asset Maintenance Contracts	The following concerns were identified for Asset Maintenance contracts: terms and conditions vary from district to district (not CPR); normal contract length is three years; however, some contracts may be longer; are these contracts renewed or competitively bid; does the contract mitigate cradle-to-grave responsibility for environmental hazards; potential billing issues between the asset maintenance contractor and the department

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FY 14/15: Risk Assessment Topics	
Topic	Description
	regarding third party liability. We would conduct a CPR review of maintenance contracts, review procedures and make recommendations for consistency. We would also follow-up on prior Asset Maintenance audit work to ensure Asset Maintenance Contractor Performance Evaluation Report (AMPER) scores properly weigh roadway safety.
Intelligent Traffic System (ITS) follow-up	A follow-up to the ITS Information Systems and Contracts audits was requested. We would determine status of corrective actions for previous reports issued.
Intelligent Traffic System inventory	This is a prior year audit plan topic carried forward based on the audit work conducted in FY 13/14. We would conduct a review of the ITS inventory to determine if districts have complied with new procedures.
Errors and Omissions (E&O) process	The topic of the department's errors and omissions process was identified. Are errors and omissions CPR throughout the districts? We would review the entry-level threshold in each district and analyze the variance for management and recommend a consistent dollar threshold.
Department IT Disaster Recovery Plan (DRP)	The topic of the department's disaster recovery plan was identified. We would review the DRP to ensure it is adequate, up-to-date and complies with standards.
Port Everglades	This topic was identified because of its complexity and amount of debt incurred. FDOT has funded 75% of the dredging project with the local government funding the remainder. We would review a state funded port project to determine if funds have been expended appropriately and the district has monitored the project.
Winter Event Preparedness	The topic of reviewing the winter event recovery capability in Northwest Florida was identified. Concerns exist for preparedness of contractors for severe winter weather conditions. We would conduct a review to determine if appropriate procedures exist and equipment is ready to address various types of severe winter weather.
Port of Tampa	This topic was identified because of its complexity and amount of debt incurred. We would review a state funded port project to determine if funds have been expended appropriately and the district has monitored the project.
Reengineering of the Financial Management (FM) system	The topic of the development of a new FM system, which will take 3-5 years, was identified. Currently this project is in the scoping phase. Once implementation begins, we would monitor to ensure the system is developed using an appropriate system development methodology.

FISCAL YEAR 14/15 AUDIT PLAN

The Audit Plan provides broad audit coverage while focusing audit resources on areas with the greatest known risks. We have dedicated resources to provide audit coverage of department contracts with contractors and consultants, as well as agreements associated with seaports, airports, railroads, utility companies, expressway authorities, transit providers, local governments and others.

The Audit Section has 26 positions with the ability to expend a total of 37,925 hours. Two positions, the External Liaison and Computer Forensic positions, conduct non-audit plan services reducing the staff hours available for audit plan engagements to 34,665. Twenty percent of the total hours (7,590 hours) are dedicated in support of Chief Inspector General enterprise project requests. Another 3,435 hours are allocated to complete ongoing projects initiated during the current fiscal year.

The remaining 22,175 hours are programmed to new projects as outlined below:

- projects which are required by statute (e.g., performance measure assessment);
- recurring management requests (e.g., department and railroad billing rate audits);
- audit topics identified through our risk assessment meetings; and
- 20% is reserved for management requests.³

Sixty-three (63) projects, comprising the Fiscal Year 14/15 Audit Plan, are listed by department program and functional area on the following pages. The 21 long-range audit topics, as required to be identified by statute, are listed on page 9.⁴

³ The Audit Plan is flexible and is designed to change in response to evolving management priorities and risks.

⁴ Although a long-term audit plan is required by statute, the risk assessment process is conducted annually; therefore, the items listed may not be included in future audit plans.

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Engineering and Operations			
Functional Area	Topic	Type	
Construction	District 1 - Contract T1330 Conalvias USA LLC	New	
	District 3 - Contract T3375 Scott Bridge Co, Inc.	New	
	District 4 - Contract T4255 Astaldi Construction Corp.	New	
	District 5 - Contract E5R39 The Lane Construction Corp.	Carry Forward	
	District 7 - T7213 Hubbard Construction, Inc.	New	
	Turnpike - Contract E8M63 Sema Construction, Inc.	New	
	Design	Errors And Omissions Process	New
		Master Agreements Review	New
		Utility Certification 13/14	Carry Forward
		Utility Certification 14/15	New
		Utility Reimbursement Rates – Florida Power & Light	Carry Forward
		Utility Relocation Reimbursement Process Review	Carry Forward
	Districts	Winter Event Preparedness	New
		Emergency Management	New
	Maintenance	Asset Maintenance Contracts	New
Maintenance Task Work Orders		Carry Forward	
Right of Way	Motor Carrier Size and Weight Overdue Citations	Carry Forward	
	Overweight and Over Dimensional Permits Process	Carry Forward	
	Right of Way Relocation	Carry Forward	
Safety	Time to Acquire Right-of-Way	New	
	Highway Safety Improvement Program	New	
State Traffic Engineering	Intelligent Transportation System Follow-Up - Contracts	New	
	Intelligent Transportation System Follow-Up - IT	New	
	Intelligent Transportation System Inventory	New	

Intermodal Systems Development		
Functional Area	Topic	Type
FLP: Rail	CSXT Rate - 2011	Carry Forward
	CSXT Rate - 2013	New
FLP: Aviation	Florida East Coast Railroad - District Six	Carry Forward
	Spaceport Grant - District Five	Carry Forward
FLP: Seaport	JaxPort	New
	Port Everglades	New
	Port of Miami	New
	Port of Tampa	New
FLP: Transit	South Florida Regional Transportation Authority	New
	SunRail - Design Build	Carry Forward
	SunRail - Maintenance	New
	Suwannee Valley Transit Authority - District 2	Carry Forward
	Tampa Bay Area Transit Authority	Carry Forward
State Transportation Development	Performance Measures Assessment 12/13	Carry Forward
	Performance Measures Assessment 13/14	New

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Finance and Administration		
Functional Area	Topic	Type
Comptroller	FDOT Fringe Benefit Rate	New
	FDOT Indirect Rate Monitoring	New
Information Systems	Department IT Disaster Recovery Plan	New
	Follow-up to ICS Reports on FDOT IT	Carry Forward
	IT Security	New
	Reengineering of the Financial Management System	New
	Southwood Shared Resource Center Service Level Agreement	Carry Forward
Procurement	Carr Riggs & Ingram (GAI Consultants-Cognizant Review)	New
	CEI Lump Sum Contracts: Operating Margins	New
	Chuck Ikeji, CPA (JBS Engineering Technical Services)	New
	Comprehensive Engineering Services, Inc.	New
	Faller, Davis & Assoc. (Garcia & Ortiz, PA)	New
	Garcia & Ortiz, PA (Faller, Davis & Assoc.)	Carry Forward
	HLB Gavier, LLP (Tamayo Engineering, LLC)	New
	J.E. Owens & Company (Mehta & Associates, Inc.)	New
	James Moore & Co. (JEA Construction Engineering)	Carry Forward
	Reynolds, Smith and Hill	Carry Forward
	Squar, Milner, Peterson, Miranda, & Williamson, LLP (Atkins - Cognizant Review - FY14)	Carry Forward
	Squar, Milner, Peterson, Miranda, & Williamson, LLP (Atkins - Cognizant Review - FY15)	New
	Stantec (acquired: Corzo Castella Carballo & WilsonMiller)	Carry Forward
	Target Engineering Group, Inc.	New
	Warren Averett, LLC (Figg Bridge Engineers, Inc.)	New
Transportation Support	Department Procedures Review Process	Carry Forward

Other		
Functional Area	Topic	Type
Commission for Transportation Disadvantaged	Suwannee Valley Transit Authority	Carry Forward

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FY 2014-2015 Long-Term Audit Plan
Buy America Process
Continuity of Operation Planning
Copper Wire Theft
District Developed Applications (Non-OIS Maintained)
Electronic Records Long-Term Retention
Estimates Review
Express Lane Tolling - Variable Pricing
Fuel Card
GEC Contracts for Seaports
Intermodal Logistics Centers
Local Agency Program
Local Agency Program Oversight of Projects
Maintenance Inventory Process
Miami Dade Expressway Authority
Orlando Airport/Greater Orlando Aviation Authority
Selmon Expressway Connector
Share the Road Program
Toll-by-Plate
Traffic Engineering Research Lab
Transit Office
Transportation System Management and Operation

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DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE

Action Official Distribution:

Approved by: Ananth Prasad, P.E., Secretary

Information Distribution:

Brian Blanchard, P.E., Assistant Secretary for Engineering and Operations
Brian Peters, Assistant Secretary for Finance and Administration
Richard Biter, Assistant Secretary for Intermodal Systems Development
Jim Boxold, Chief of Staff
Melinda M. Miguel, Chief Inspector General, Executive Office of the Governor

Project Team:

Project was conducted by Amy Furney and Charles McCool
Under the supervision of:
Kristofer B. Sullivan, Director of Audit
Approved by: Robert E. Clift, Inspector General

Statement of Accordance

*The mission of the department is
to provide a safe transportation system that ensures the mobility of people and goods,
enhances economic prosperity, and preserves the quality of our environment and communities.*

*The mission of the Office of Inspector General is
to promote integrity, accountability and process improvement in the Department of
Transportation by providing objective fact-based assessments to the DOT team.*

This work product was prepared pursuant to Section 20.055, Florida Statutes, in accordance with the applicable Principles and Standards for Offices of Inspectors General as published by the Association of Inspectors General and the International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors, Inc.

Please address inquiries regarding this report to the department's Office of Inspector General at (850) 410-5800.