



Florida Department of Transportation

CHARLIE CRIST
GOVERNOR

605 Suwannee Street
Tallahassee, FL 32399-0450

STEPHANIE C. KOPELOUSOS
SECRETARY

September 23, 2009

Stephanie Kopelousos
Secretary of Transportation
Florida Department of Transportation
605 Suwannee Street, MS 57
Tallahassee, FL 32399-0450

Dear Secretary Kopelousos:

I am pleased to submit our Annual Report on the activities of the Office of Inspector General (OIG) for the fiscal year ended June 30, 2009, as required by Section 20.055(7), Florida Statutes. I am also pleased to report that we accomplished our goals for the year. Particularly noteworthy was the identification of over \$9.4 million in questioned costs, recoveries and cost avoidance.

The value and services of the OIG can never be fully reflected in an annual report. The tangible results such as cost covered, dollar impact, recoveries made, employees disciplined or individuals convicted can be readily reported. However, our intangible services and deterrent effect are not evident in an annual report. As you read this report, I hope you will recall the broad spectrum of services we provided the department and the professionalism of the OIG team.

We look forward to working with you and our fellow employees in meeting the challenges and opportunities that face the department. Thank you for your continued support.

Sincerely,

Ron Russo
Inspector General

Approved

Stephanie C. Kopelousos
Secretary of Transportation

**Department of Transportation
Office of Inspector General**

ANNUAL REPORT Fiscal Year 2008-2009

Stephanie C. Kopelousos, Secretary
Ron Russo, Inspector General



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Section 20.055, Florida Statutes, established the Office of Inspector General within each state agency to provide a central point for coordination of, and responsibility for activities that promote accountability, integrity and efficiency in government.

This Annual Report is presented to the Secretary to comply with statutory requirements and to provide departmental staff and interested parties with information on the Office of Inspector General’s progress in accomplishing its mission as defined by Florida law.

INTRODUCTION



The Office of Inspector General's (OIG) mission is to promote accountability, integrity and efficiency for the people of Florida by providing objective, timely audit and investigative services. The OIG conducts independent and objective audits, investigations and reviews of agency issues and programs in order to assist the department in accomplishing its mission.

OIG Duties & Responsibilities

- Providing direction for and coordinating audits, investigations and management reviews relating to the programs and operations of the agency.
- Promoting economy and efficiency in the administration of programs and operations and preventing and/or detecting fraud and abuse.
- Recommending corrective action concerning fraud, abuses, weaknesses and deficiencies and reporting on the progress made in implementing corrective action.
- Reporting expeditiously to the Department of Law Enforcement, or other law enforcement agencies, whenever the Inspector General has reasonable grounds to believe there has been a violation of criminal law.
- Advising in the development of performance measures, standards and procedures for evaluating agency programs; reviewing actions taken by the agency to improve performance to meet program standards.
- Ensuring an appropriate balance is maintained between audit, investigative and other accountability activities.

FDOT Values

Integrity

We always do what is right

Respect

We value diversity, talent and ideas

Commitment

We do what we say we are going to do

One FDOT

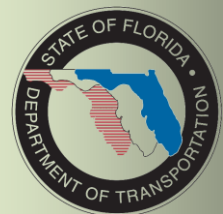
We are one agency, one team

Trust

We are open and fair

Customer Driven

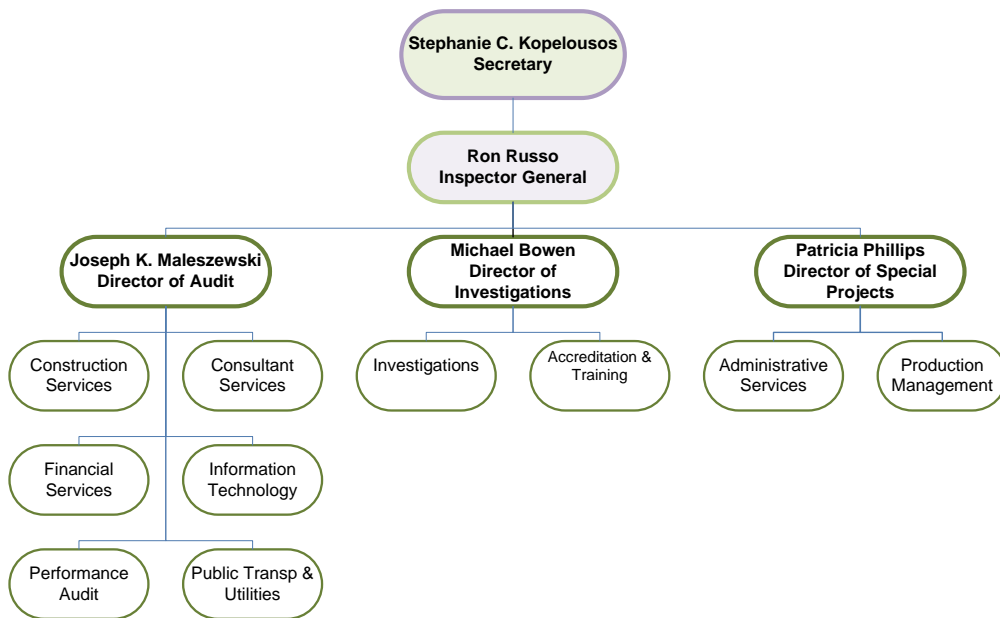
We listen to our customers



ORGANIZATION & STAFF



The inspector general is statutorily required to and does report directly to the Secretary. The OIG has three main operating functions: Audit, Investigations and Special Projects.



AUDIT SECTION REORGANIZATION

In FY 2009-2010 the Audit Section will reorganize. This reorganization defines the Inspector General's continued commitment to enhance staff efficiency and effectiveness and demonstrates the office's willingness to change by keeping in step with the current needs of the department.

The reorganization:

1. Narrows the span of control for the audit director allowing more effectiveness in this role;
2. Challenges staff with personal growth which will broaden their skill sets for potential career opportunities; and
3. Considers succession planning needs including cross-training and developing a strong "second tier" in each audit unit.

The reorganization will consolidate previous audit units and create a more vertical structure with two Senior Audit Managers reporting to the Director of Audit.

The two new sections will be: Policy and Operations and Acquisition and Procurement.

Contacts

Inspector General Ron Russo	850 410-5800	Florida Department of Transportation 605 Suwannee St., MS 44 Tallahassee, FL 32399-0450
Director of Audit Joseph Maleszewski	850 410-5506	Telephone 850 410-5800 Fax 850 410-5851
Director of Investigations Michael Bowen	850 410-5503	
Director of Special Projects Patricia Phillips	850 410-5829	

OIG website: <http://www.dot.state.fl.us/inspectorgeneral>

Accreditation

On November 16, 2007, Governor Charlie Crist and Commissioner Gerald Bailey, Florida Department of Law Enforcement announced that the Commission for Florida Law Enforcement Accreditation, Inc. (CFA) had voted favorably to initiate an accreditation program for the investigative function for Inspectors General offices in Florida. Governor Crist pointed out that this program is the first in the nation for Inspectors General and said “Implementing this program will raise the bar for excellence in Inspector General Investigations and take their work to higher levels of professionalism. I am proud that Florida is leading the way in ensuring the transparency and accountability of state government.”



The Florida Department of Transportation, Office of Inspector General, in cooperation with the Governor’s Chief Inspector General, led the way in establishing a clear path to successful implementation of the standards for the entire Florida Inspector General community. Under the direction of Inspector General Ron Russo, the office conducted a complete review and reorganization of the procedures manual to incorporate the 39 accreditation standards required for compliance with CFA standards for Inspectors General.

On August 21, 2009 the CFA review team completed their accreditation assessment of the Investigative Section. The CFA review team found the section met all the requirements and was in full compliance. The Office of Inspector General looks forward to accreditation by the CFA in October 2009. We anticipate being one of the first Office of Inspectors General accredited in this country. Accreditation will ensure that we continue to provide the highest quality investigative services to benefit the people of Florida, thus meeting the Governor’s expectation of raising the bar for excellence.

OIG Staff Qualifications

Expertise within the OIG covers a variety of disciplines. Employees are technically 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.

Additionally, staff members participate in a number of professional organizations to maintain proficiency in their areas of expertise and certification. The accomplishments of staff members obtaining certifications represent significant time and effort, reflecting positively on the individual as well as the department. The table below summarizes the most recognized professional certifications maintained by OIG staff.

Affiliations	Certifications
American Institute of Certified Public Accountants	9 Certified Internal Auditors
Association of Certified Fraud Examiners	8 Certified Government Auditing Professionals
Association of Government Accountants	5 Certified Inspector General Investigators
Association of Inspectors General	6 Certified Public Accountants
Florida Association of Computer Crimes Investigators	3 Certified Fraud Examiners
Florida Audit Forum	3 Certified Information Systems Auditors
Information Systems Audit and Control Association	2 Certified Inspectors General
Institute of Internal Auditors	1 Certified Business Manager
International Government Benchmarking Association	1 Certified Management Accountant
Southeast Security and Audit Professionals	1 Certified Professional Manager
Criminal Justice Standards & Training Commission	1 Certified Government Financial Manager
	1 Certified Law Enforcement Officer
	1 Certified Information Systems Security Professional



TRAINING

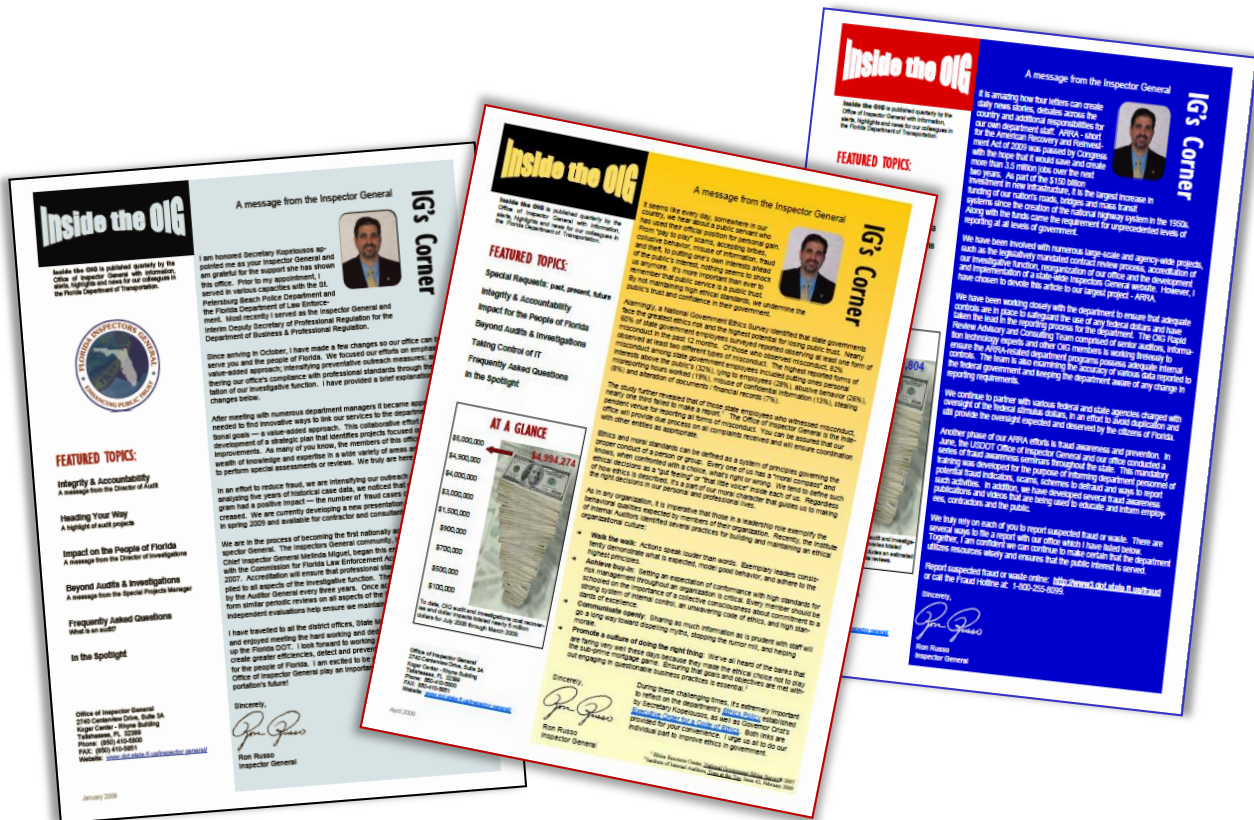
The OIG Staff receives advanced training to increase knowledge and skills that will aid staff in conducting audits and investigations, and to train new employees in proper procedures and standards. Staff utilizes training resources from various professional organizations and associations, agencies and individuals to fulfill training needs.

OIG Newsletter

The Office of Inspector General's first quarterly newsletter – *Inside the OIG* – was released the beginning of 2009 and covered events from October through December 2008. *Inside the OIG* provides an opportunity to share information, alerts and latest developments with management, staff and district personnel.

Recurring sections include:

- ✓ **IG's Corner** – a message from Inspector General, Ron Russo
- ✓ **Integrity & Accountability** – happenings within the Audit Section
- ✓ **Impact for the People of Florida** – updates from the Investigations Section
- ✓ **Beyond Audits & Investigations** – Special Projects and everything in between
- ✓ **Frequently Asked Questions** – insight, answers and curiosities revealed
- ✓ **In the Spotlight** – tidbits and pictures featuring OIG staff



MAJOR ACTIVITIES SUMMARY

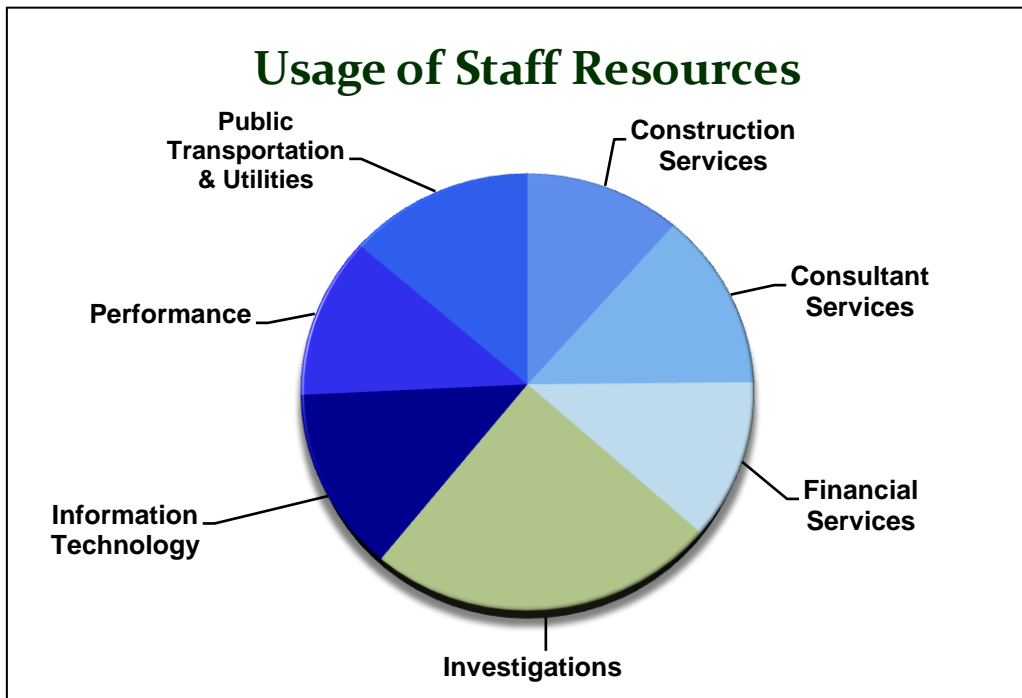


During Fiscal Year (FY) 2008-2009, the OIG issued the following reports:

Section	Reports Issued	Dollar Impact
Construction Audit	3	\$1,056,644
Consultant Audit	35	\$1,426,711
Consultant Rate Reviews	421	\$3,200,000
Financial Audit	6	\$171,544
Information Technology Audit	24	\$0
Performance Audit	11	\$1,502,290
Public Transportation & Utilities Audit	10	\$783,750
Investigations	145	\$1,349,865
TOTAL		\$9,490,804

For fiscal year 2008-2009, the Office of Inspector General audit and investigations dollar impact and cost recoveries totaled **over \$9 million**. This amount includes an estimated dollar impact from consultant rate reviews.

\$9,490,804



AUDIT



The OIG audit function is divided into six functional units in accordance with the various audit services they provide. Each unit and the audit services they provide are described below:

- **Construction Audit Unit** performs compliance, operational and financial-related audits, attestations and reviews of the department's construction program, contracts, supplemental agreements and claims.
- **Consultant Audit Unit** performs compliance and financial-related audits, attestations and management reviews of professional services consultants. Project types include the consultant contracting process, consultant accounting systems, professional services contracts, other department contracts and agreements, rate audits and Certified Public Accountant (CPA) work paper reviews.
- **Financial Audit Unit** performs compliance, operational and financial-related audits and reviews of the department's financial systems and related processes.
- **Information Technology Audit Unit** performs information technology, compliance, operational audits and reviews of the department's systems and related processes. This unit also performs computer forensic and data mining services supporting both the completion of the unit's assignments and other OIG assignments.
- **Performance Audit Unit** performs compliance, operational and financial-related audits and reviews of all department programs, performance measures and related processes.
- **Public Transportation & Utilities Audit Unit** performs compliance, operational and financial-related audits, attestations and reviews of the department's public transportation programs, railroads, expressway authorities, seaports, airports and utilities. This unit is also responsible for coordinating, reviewing and assessing the department's compliance with the Federal and Florida Single Audit Acts.

CONSTRUCTION AUDIT

During FY 2008-2009 this unit issued three reports with audit coverage totaling \$8.3 million and a dollar impact of \$1.1 million.

District Contract Modification Reviews

The Construction Audit Section completed two Contract Modification Reviews this fiscal year. The purpose was to examine if there was sufficient documentation to support the fair and equitable value of contract changes and assess compliance with applicable policies, procedures and regulations.



District Contract Modification Reviews			
Engagement No.	District	Contract No.	Results
08S-3007	2	T2208	The contract modifications were processed in general compliance with department procedures. Fair and equitable value was supported for the modifications reviewed.
08S-3005	Turnpike Enterprise	E8F16	<p>Fair and equitable value was supported for the work performed and the contract modifications were processed in general compliance with department procedures.</p> <p>While the work performed under the contract modifications reviewed improved services at mainline toll plazas, documentation issues were noted that did not fully comply with department procedures:</p> <ul style="list-style-type: none"> • Documentation of lump sum costs; • Excess markup of subcontractor costs; • Costs in excess of the justified 120 percent of statewide averages; and • Documentation of the Engineer's Estimate.
Total Audit Coverage \$8,275,232			
Total Dollar Impact \$1,056,644			

CONSULTANT AUDIT

During FY 2008-2009 this unit issued 456 reports with a dollar impact of \$4.6 million. Summaries for some of the Consultant Audit activities are below.

Consultant Contract Examinations

The purpose of the Consultant Contract Examinations was to determine whether costs billed to the department were accurate, reasonable, in accordance with contract provisions and in compliance with federal and state procurement requirements. Results were provided to district and central office management to recover questioned costs and improve future contract negotiations.

Results

- Performed consultant contract examinations with a total contract amount of \$74.9 million.
- Recommendations were implemented to improve job cost accounting systems, which are vital for the accountability of incurred costs.
- In excess of \$205 thousand dollars was questioned:
 - Engagement Number 09C-3004 - the consultant overbilled the department for excess sub-consultant costs of \$12,100.
 - Engagement Number 08C-3001 - errors in billing labor resulted in overbillings to the department totaling \$193,897.
- Reimbursement to the department in the amount of \$585,558 from fraud-related issues reported in previous years, related to lump-sum contracts and subcontracts.

Consultant Qualification Reviews

The purpose of the Consultant Qualification Reviews was to determine whether a consultant's accounting system is adequate to accumulate and record costs using a job cost method that allows for accurate department billings. Other reviews evaluate rate audit reports, CPA work papers and consulting firm self-certifications.

Results

- Reviewed, approved and issued reports on consultant accounting systems. These accounting system reviews ensure that engineering and architect firms establish and maintain accounting systems in compliance with Rule Chapter 14-17, Florida Administrative Code (F.A.C.).
- Reviewed CPA work papers to assure professional standards are followed and that adequate testing and support is maintained for the CPA's opinions.
- Conducted consultant self-certifications reviews. These consist of reviewing and accepting self-certified overhead reports and statements describing the firms accounting system for firms that meet certain criteria outlined in Rule Chapter 14-75, F.A.C.
- Established provisional rates for consulting firms meeting certain criteria outlined in Rule Chapter 14-75, F.A.C.
- Reviewed and processed consultant rate audit reports. These reviews resulted in a total of \$98.8 million in reported costs being reduced. The adjustments will result in significant savings to the department in future contracting. The annual savings from these adjustments is estimated to be in excess of \$3.2 million. Adjustments for bonuses and other costs on rate audits resulted in a reduction of \$14.5 million to the overhead costs and \$19 million to direct expenses.

421 rate audits reviewed and processed
\$98.8 million reported cost reductions

Questioned costs resulted in a reduction of the audited rates that will be used on future contracts leading to significant savings – estimated to be in excess of \$3.2 million annually.



FINANCIAL AUDIT

During FY 2008-2009 this unit issued six reports with audit coverage totaling \$13.9 million and a dollar impact of \$172 thousand. Summaries for some of the Financial Audit reports are below.

Research Center Contracts (07F-0010)

The purpose of this audit was to provide an assessment of the department's research contracting. We reviewed the Research Center's contracting activities to evaluate the adequacy of research contracting processes and to assess performance of selected contracts.



Results

The Research Center's contracting processes and contracts appear to be performing adequately and in accordance with department policies and procedures. The Research Center has developed a well-respected research program and continues to improve processes to meet department and researchers' needs. The Research Center staff should be recognized for their efforts and accomplishments achieved.

We recommended the Research Center:

- Use the noncompetitive Request for Proposal process, where appropriate;
- Use cost reimbursement contracts for research projects where reliable cost estimates are unavailable and scopes are not well defined;
- Coordinate with the Office of Information Systems to develop and implement a web-based project management system; and
- Evaluate staffing needs with appropriate management.

In addition, we recommended the Research Center:

- Clearly document the rationale for project funding decisions with an emphasis on ensuring the department's needs remain a priority; and
- Task appropriate department staff to quantify the cost and/or benefits of implementing research project recommendations.

The Research Center management agreed with all the findings and recommendations and is taking or will take action to address the issues identified.

Motor Carrier Compliance Office Penalty Collection Process (07F-0008)

The purpose of this audit was to evaluate the internal controls for the Motor Carrier Compliance Office's (MCCO) penalty collections process. This audit was performed as part of the Office of Inspector General's annual risk-based work plan.

Results

We determined that the MCCO's accounts receivable balances were accurate. Payments received were properly safeguarded and timely deposited. Procedures for collection of overdue accounts receivable were adequate and in accordance with the Florida Administrative Code. No significant deficiencies or material weaknesses in internal controls over the collection process were noted.

Overall the MCCO penalty collections process appears to be operating effectively and controls are adequate.



INFORMATION TECHNOLOGY AUDIT

During FY 2008-2009 this unit issued 24 reports with audit coverage of \$14.6 million. Summaries for some of the Information Technology Audit activities are below.

COMPUTER FORENSIC SERVICES

The purpose of the Information Technology Resource (ITR) compliance reviews are to determine if Florida Statutes, department rules and procedures concerning the use of ITR are followed. Management uses these reports to take personnel actions ranging from counseling sessions to terminations.

Report No.	ITR Misuse	Outcome
08I-3018	ITR – non-business related	Proved
09I-3001	ITR – inappropriate sites	Proved
09I-3002	ITR – non-business related	Investigations Support
09I-3003	ITR – non-business related	Investigations Support
09I-3004	ITR – non-business related	Investigations Support
09I-3007	ITR – non-business related	Investigations Support
09I-3009	ITR – non-business related	Investigations Support
09I-3010	ITR – security concern	Reported Findings
09I-3011	ITR – inappropriate sites	Proved
09I-3012	ITR – inappropriate sites	Proved
09I-3013	ITR – inappropriate e-mail	Proved
09I-3014	ITR – non-business related	Investigations Support
09I-3015	ITR – non-business related	No Conclusion – Information Provided to Management
09I-3016	ITR – non-business related	No Conclusion – Information Provided to Management
09I-3017	ITR – non-business related	Proved
09I-3019	ITR – inappropriate e-mail	Multiple Subjects: 3 – Proved; 2 – Disproved
09I-3022	ITR – inappropriate e-mail	Proved
09I-3024	ITR – inappropriate e-mail	Proved
09I-3025	ITR – non-business related	Investigations Support

AUDITS AND DATA MINING

Electronic Bidding (08I-1003)

The purpose of this engagement was to review the department's electronic bidding process to ensure controls for bid confidentiality, integrity and availability are in place and operating as intended. We determined that existing controls provide management adequate assurance that bid information is confidential, has integrity and is available when needed. This engagement was initiated as part of our Annual Work Plan.

The results of this audit are confidential information per Section 282.318, Florida Statutes.

Payment Card Industry (08I-1004)

The purpose of this engagement was to review the department's compliance with the Payment Card Industry (PCI) Data Security Standard (DSS). PCI security standards are technical and operational requirements established by the PCI Security Standards Council to protect cardholder data. Department offices that process, store or transmit payment card information completed a self-assessment questionnaire to evaluate their compliance with these standards. We identified administrative controls that could be improved to ensure continued PCI DSS compliance. This engagement was initiated as part of our Annual Work Plan.

The results of this audit are confidential information per Section 282.318, Florida Statutes.

Agency for Enterprise Information Technology Risk Assessment (09I-1003)

The purpose of this engagement was to review the department's risk assessment required by Section 282.318, Florida Statutes. The statute requires all state agencies to:

Conduct, and update every 3 years, a comprehensive risk analysis to determine the security threats to the data, information, and information technology resources of the agency.

Agency for Enterprise Information Technology (AEIT) developed the 2008 Florida Risk Assessment Survey to assist agencies to conduct the 2008 information security risk analysis. The survey provided a method to evaluate the department's information security standards for the following:

- Information security program;
- Information security policies and procedures;
- Information resource management to include system development, production data, configuration management and vulnerability management; and
- Disaster recovery and security incident response.

We determined improvements to the department's information security program, strategic plan, policies and procedures are required to meet the security standards identified in the 2008 Florida Risk Assessment Survey. This engagement was initiated as part of our Annual Work Plan.

The results of this audit are confidential information per Section 282.318, Florida Statutes.

Electronic Review Comment System Cost Analysis (09I-1002)

This engagement was established to evaluate costs, analysis and results from the virus incident affecting the Electronic Review Comment System. The business areas involved were the Project Management Office, Office of Information Systems, Computer Security Administration and the affected District Information Systems Administrators.

The results of this audit are confidential information per Section 282.318, Florida Statutes.

PERFORMANCE AUDIT

During FY 2008-2009 this unit issued 11 reports with an audit coverage totaling \$267.7 million and a dollar impact of \$1.5 million. Four Emergency Response Reviews were completed resulting in an audit coverage totaling \$66.1 million and a dollar impact of \$1.5 million. Summaries for some of the Performance Audit activities are below.

2008 Performance Measures Assessment (09P-0001)

The purpose of this engagement was to assess the validity, reliability and appropriateness for six performance measures, as reported in the department's Long Range Program Plan (LRPP). The six measures were:

- Total budget for intrastate highway construction and arterial highway construction divided by the number of lane miles let to contract;
- Number of toll transactions;
- Operational cost per toll transaction;
- Operational cost per dollar collected;
- Number of right of way parcels acquired (Turnpike not included); and
- Number of projects certified ready for construction (Turnpike not included).

Results

We determined opportunities for improvement exist regarding the calculation of the total budget for intrastate highway construction and arterial highway construction divided by the number of miles let to contract. There are no written policies/procedures for calculating this measure, and several manual adjustments are necessary for the electronic data used to calculate the measure. Also, the methodology and data source descriptions contained in the department's LRPP, Exhibit IV, should match the actual performance measure reporting processes performed by measure owners; the number of toll transactions, operational costs per toll transaction and the operational costs per dollar collected were valid, reliable and appropriate. However, we determined the Florida's Turnpike Enterprise (FTE) includes non-SunPass toll transactions in reported performance measure data, which impacts the reported performance results; and the number of right of way parcels acquired and the number of projects certified ready for construction were valid, reliable and appropriate.

Ethics Program (09P-0008)

The purpose of this engagement was to evaluate the implementation and effectiveness of the department's ethics program.

Results

We determined the department has many essential elements of an effective ethics program. Some districts have supplemented the current program with in-depth training, reference materials and development of a computer-based training course. The department's program can be improved by helping to ensure all employees are trained and familiar with ethics requirements and contacts.

Outdoor Advertising Operational Review (08P-0005)

The OIG conducted an operational review of the Outdoor Advertising Program (ODA). We reviewed areas such as compliance with state and federal regulations, data reliability, technology, planning, revenue processes, records management, quality assurance reviews, consultant services and regional inspector activities.

Results

Overall, management has appropriately managed the functions of the ODA program and is commended for taking actions to improve the program. Areas needing management's attention relate to compliance with regulations, capabilities of current technology, long-range staffing, financial reconciliations and consultant services.



Construction Contract – Incentive Payment Analysis (08P-0006)

We reviewed 39 contracts with No Excuse Bonus and Incentive/Disincentive payment provisions in districts one, four and six. The purpose of this review was to determine if the decision to include the incentive provision in the contract was supported, if the amount was calculated properly and if the decision to pay or not pay was appropriate.

Results

We found the decisions regarding payment of the incentive amount for contracts in the sample were appropriate. We also found:

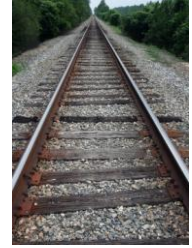
- Districts have not documented the factors considered, or the rationale used, in making decisions on which construction projects would include No Excuse Bonus and/or Incentive/Disincentive provisions;
- Bonus and incentive amounts were not based on factors specific to each project; and
- Methods used to convert the incentive amount established for Incentive/Disincentive projects to an amount per day did not generate results that were relatable to the individual projects.

For planning and budgeting purposes, decisions on incentives are often made before individual project details have been developed. However, after the initial planning phase when the project is fully developed, management should comply with the provisions of the applicable statute and rule regarding incentive payment calculations.



Emergency Response Reviews		
Report #	District	Results
09S-1001	1	Overall, district invoice processing controls are adequate. District management has ensured fair and equitable value was paid for emergency work performed, as only \$488.42 of ineligible costs were noted on one local agency contract. The department has requested and received reimbursement from the local agency and district management has indicated the funds will be credited to the Federal Highway Administration. Issues were noted with the accuracy of Contract Invoice Transmittal forms; however, invoices reviewed were paid at correct amounts. District management has taken corrective action to address these issues.
08S-1005	4	Overall, district invoice processing controls are adequate. District management has generally ensured fair and equitable value was paid for emergency work performed, as 25 of the 37 invoices reviewed had no issues noted. However, our review found \$1,205,310 of costs which were not eligible for reimbursement related to local agency contracts. The majority of the ineligible costs of \$1,179,647 were due to costs paid under verbal agreements. The remaining ineligible amount of \$25,663 was transmitted to the Federal Highway Administration (FHWA) on January 28, 2009, and is pending FHWA's acceptance. Areas needing district management's attention are: <ul style="list-style-type: none"> • Lack of adequate contractual documentation (verbal agreements); in accordance with federal guidance and department procedures; and • Accuracy and completeness of supporting documentation. District management has initiated corrective action to address the noted deficiencies.
08S-1006	5	Overall, district invoice processing controls are adequate. District management has generally ensured fair and equitable value was paid for emergency work performed. However, our review determined \$283,057 or 4.32 percent of ineligible costs were reimbursed by the FHWA for unsupported lump sum items related to bridge repair and an excess amount invoiced on erosion repair work. FHWA will be credited for any ineligible costs. District management has initiated corrective action to address the noted deficiencies.
08S-1004	6	Overall, district invoice processing controls are adequate. District management has generally ensured fair and equitable value was paid for emergency work performed with the exception of a minimal amount on a subcontractor markup. While invoice processing controls are adequate, areas needing the attention of district management include: <ul style="list-style-type: none"> • Accuracy and completeness of Contract Invoice Transmittal (CIT) forms; and • Minimal overcharges on the calculation of an invoice amount by a subcontractor. District management has initiated corrective action to address the noted deficiencies.
Total Audit Coverage \$66,121,945		
Total Dollar Impact \$1,488,866		

PUBLIC TRANSPORTATION & UTILITIES AUDIT



During FY 2008-2009 this unit issued 11 reports. A summary of the Single Audit Compliance Reviews performed by the Public Transportation & Utilities Audit section is below.

Single Audit Compliance Reviews

The Office of Inspector General completed two Single Audit Compliance Reviews resulting in audit coverage of \$28,463,550. These reviews were conducted in districts two and three and focused on compliance with Florida’s Single Audit Act.

District Compliance Review Summary		
Report No.	District	Results
07T-3002	2	Review results for the fiscal year ended 2005 were consistent with the Auditor General’s annual audit of state and federal awards. The review for fiscal year ended 2006 demonstrated significant improvement reflecting the efforts of program managers to correct deficiencies and more fully comply with the single audit procedure.
08T-3003	3	Review results for the fiscal year ended 2005 were consistent with the Auditor General’s annual audit of state and federal awards. The review for fiscal year ended 2006 demonstrated significant improvement reflecting the efforts of program managers to correct deficiencies and more fully comply with the single audit procedure.
Total Audit Coverage \$28,463,550		

Single Audit Activities

The Federal Single Audit Act, OMB Circular A-133 and Section 215.97, Florida Statutes, The Florida Single Audit Act, sets forth standards for achieving consistency and uniformity for audits of entities expending federal awards and state financial assistance. Activities for this function included:

- Single Audit Automated System** - This system automates the process used to collect information and perform work required for compliance with the Federal and Florida Single Audit Acts. In FY 2008-2009, we worked with the Office of Information Systems to complete minor updates and download the FY 2008 financial data.

- **Compliance Reviews** - Recipients of state and federal financial assistance are required to have independent Certified Public Accountant audits conducted to ensure these funds are spent as intended. Department program managers are responsible for reviewing these audits and ensuring compliance with statutory Single Audit requirements.
- **Department Liaison** - Throughout the year, we provided assistance to the Office of Comptroller and approximately 90 department Program Managers responsible for managing state and federal awards to ensure compliance with Single Audit requirements. We provide district personnel and contract recipients assistance on a wide variety of issues relating to the interpretation and application of both state and federal Single Audit requirements. We also coordinated with the Chief Inspector General, the State Chief Financial Officer, the Auditor General and other state agencies to resolve Single Audit issues.
- **Training** - Throughout the year we provided training to central office and district personnel on use of the automated system and federal and state single audit requirements. Additionally, we conducted a training session in District 2 at the Transit Office's annual Blue Pen Workshop where 18 counties were represented.
- **Newsletter** - The final edition of the Single Audit News (SAN) was issued and will be replaced with articles in the OIG newsletter, "Inside the OIG." The OIG newsletter will continue to provide the approximately 90 project managers and central office personnel with up-to-date Single Audit information.
- **Single Audit Procedure** – The current procedure is being updated.

Other Assignments

- Audited the Department's Indirect Cost Allocation Rate.
- Conducted financial statement compilation for the Santa Rosa Bay Bridge Authority.

OTHER AUDIT PROJECTS

During FY 2008-2009 the OIG assisted the department and the Inspectors General community with three significant projects; American Recovery and Reinvestment Act, Contract Review Effort and Proposed Merger of the Office of Motor Carrier Compliance and Florida Department of Law Enforcement as summarized below.

American Recovery and Reinvestment Act (ARRA) of 2009

ARRA - short for the American Recovery and Reinvestment Act of 2009 was passed by Congress with the hope that it would save and create more than 3.5 million jobs over the next two years. As part of the \$150 billion investment in new infrastructure, it is the largest increase in funding of our nation's roads, bridges and mass transit systems since the creation of the national highway system in the 1950s. Along with the funds came the requirement for unprecedented levels of reporting at all levels of government.



The OIG has been working closely with the department to ensure that adequate controls are in place to safeguard the use of any federal dollars and we have taken the lead in the reporting process for the department. The OIG Rapid Review Advisory and Consulting Team comprised of senior auditors, information technology experts and other OIG members is working tirelessly to ensure the ARRA-related department programs possess adequate internal controls. The team is also examining the accuracy of various data reported to the federal government and keeping the department aware of any change in reporting requirements.

We continue to partner with various federal and state agencies charged with oversight of the federal stimulus dollars, in an effort to avoid duplication and still provide the oversight expected and deserved by the citizens of Florida.

Another phase of our ARRA efforts is fraud awareness and prevention. In June, the USDOT Office of Inspector General and our office conducted a series of fraud awareness seminars throughout the state.

This mandatory training was developed for the purpose of informing department personnel of potential fraud indicators, scams, schemes to defraud and ways to report such activities. In addition, we have developed several fraud awareness publications and a video to educate and inform employees, contractors and the public.

Over the next three years, the OIG, in conjunction with our state and federal partners, will review all ARRA-funded transportation projects to fulfill the transparency and accountability provisions included in the ARRA legislation and will make this information available to department staff.

Contract Review Effort

Chapter 2009-15, Laws of Florida, requires all state agencies to review existing and proposed contracts with public and private providers to reduce contract payments. In an effort to fulfill this requirement, the department assembled a Contract Review Team which included staff from the OIG to review all existing and proposed contracts with public and private providers. Statewide, the goal was to achieve substantial savings without reducing the quality of services to the people of Florida. The goals of the team were to:

- Identify the contract universe;
- Establish the focus of the contract review;
- Develop the methodology for renegotiation; and
- Monitor and report the results.

The team began its initial efforts by reviewing the Five-Year Work Program. Additionally, in January 2009 the Secretary directed each district to examine salary escalation for all professional services contracts. The team prepared a summary and detailed schedule by contract type, which included these elements: Total contract amount, total expenditures and remaining encumbrance balances. Savings categories included:

- Reduced escalation in which current and future private contractor salary cost-of-living adjustments were reduced or eliminated;
- Reduced scope of services, which resulted in lowering the original contract price; and
- Reduced duration in which the contract time period was reduced.

Through diligent efforts of the Contract Review Team and dedication by department staff from around the state, 63% of contracts have been reviewed thus far resulting in interim contract cost savings of \$30.9 million as of June 30, 2009. Efforts will continue until all contracts have been reviewed and a final cost savings calculated.

Proposed Merger: Office of Motor Carrier Compliance and the Florida Highway Patrol



The Florida House of Representatives drafted a bill in the 2009 session to merge the department's Office of Motor Carrier Compliance (OMCC) with the Department of Highway Safety and Motor Vehicles' Florida Highway Patrol (FHP). The OIG conducted an independent fiscal impact analysis of such a merger.

We analyzed possible costs and savings for various components including facilities, equipment, training, personnel and citation revenues. At the request of the House Committee evaluating the merger, we collaborated with both OMCC and FHP to analyze several different business cases and their associated costs/savings. Our completed analysis provided the department and the Legislature with timely information to make informed decisions regarding the merger. We believe that a merger using the most valid business case and fiscal assumptions would result in a significant net cost to the state.

AUDIT RECOMMENDATION AND FOLLOW-UP

The following table lists reports with recommendations open 12 months or more:

Title	Report Number	Issued By
End User Application Development	07I-1003	OIG
2007 Performance Measures Assessment	08P-0001	OIG
Research Center Contracts	07F-0010	OIG
District Two Contract Modification Review	08S-3002	OIG
Local Agency Program (LAP)	07P-0002	OIG
CSXT – Tri-Rail Double Track Project Costs	06T-1201	OIG
Rest Area Security Contracts	07F-0009	OIG
IT Audit – Financial Management System	2007-183	AG
Operational Audit – Central Office Monitoring	2007-056	AG
Selected State Agencies’ Public Web Sites	2006-087	AG
Central Office Anti-Virus (see below)	05I-0002	OIG

Section 20.055, Florida Statutes, requires the identification of each significant recommendation described in previous annual reports on which corrective action has not been completed. We will continue to follow-up on these outstanding items below until all corrective actions have been completed.

Central Office Anti-Virus, Report 05I-0002

Recommendation: We recommend the Chief Information Officer assign a higher priority for completion of the Computer Security Incident Response Team (CSIRT) procedure to the Computer Security Administration. The Department should develop its CSIRT procedure based on the Carnegie Mellon standard.

Most Recent Management Responses: The CSIRT procedure is on hold until the implementation of the Automated Access Request Form (AARF) system. (April 2008)
 AARF implementation is taking longer than anticipated due to system back loading. Districts implementation started first quarter 2009. Central Office implementation starts second quarter 2009 with full implementation completed by end of third quarter 2009. (May 2009)

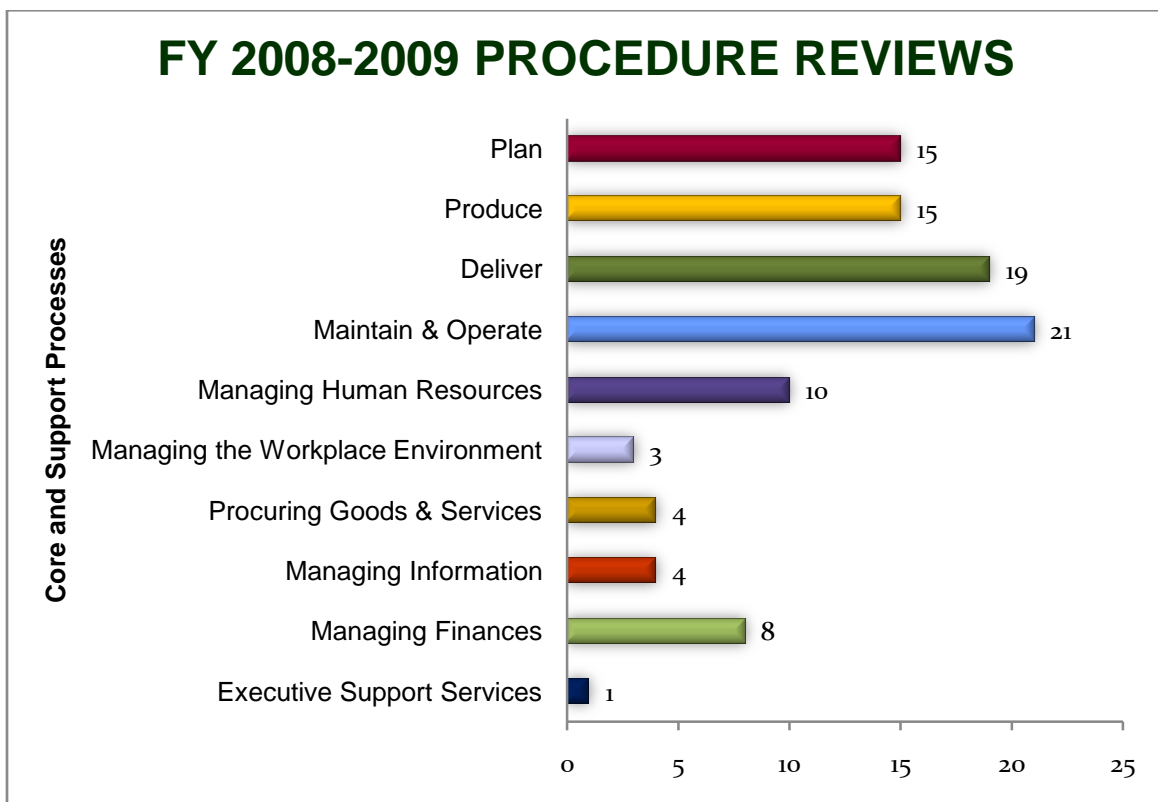
Estimated Completion: December 2010

PROCEDURE REVIEWS

The purpose of procedure reviews is to ensure that accountability and process improvements are addressed in department procedures. A properly conducted review provides management assurance that:

- The intent of the document is clearly identified;
- The procedure is clear, concise, well written and functional;
- The associated documents are appropriately cited and referenced; and
- The procedure identifies, communicates and prioritizes desired outcomes of the process.

In FY 2008-2009, we reviewed a total of 100 procedural documents including policies, procedures, manuals and specifications. The chart below shows the distribution of the procedural reviews.



PUBLISHED REPORTS			
Audit Section	Report Type	Report Title	Report Number
Construction	Attestation	<u>Turnpike Enterprise Contract Modification Examination – Contract E8F16</u>	08S-3007
Construction	Attestation	<u>District Two Contract Modification Examination – Contract T2208</u>	08S-3007
Financial	Audit	<u>Cell Tower Fees</u>	09F-0003
Financial	Advisory	<u>2008 SASHTO Conference</u>	09F-0007
Financial	Audit	<u>Contract Estimating</u>	08F-0010
Performance	Advisory	<u>2008 Performance Measures Assessment</u>	09P-0001
Performance	Advisory	<u>Ethics Program</u>	09P-0008
Performance	Advisory	<u>District One Emergency Response Review</u>	09S-1001
Performance	Advisory	<u>District Four Emergency Response Review</u>	08S-1005
Performance	Advisory	<u>District Six Emergency Response Review</u>	08S-1004
Performance	Advisory	<u>No Excuse Bonus/Incentive Program Analysis</u>	08P-0006
Performance	Advisory	<u>Outdoor Advertising Program</u>	08P-0005
Performance	Advisory	<u>District Five Emergency Response Review</u>	08S-1006
Public Transportation & Utilities	Review	<u>Indirect Cost Allocation Rates for FY 08-09</u>	08T-2001
Public Transportation & Utilities	Review	<u>Santa Rosa Bay Bridge Authority – F.S. Compilation – Year Ended 09/30/07</u>	08T-8002
Public Transportation & Utilities	Advisory	<u>Single Audit Compliance Review – District Three</u>	08T-3003
Public Transportation & Utilities	Advisory	<u>Single Audit Compliance Review – District Two</u>	07T-3002

INVESTIGATIONS



The mission of the Investigations Section is to deter, detect and investigate internal and external fraud, misconduct or crimes impacting the Florida Department of Transportation.

The focus of the Investigations Section is to pursue aggressively any attempt by department employees, contractors, vendors or the public to gain benefit to which they are not entitled. Investigations, along with Fraud and Misconduct Awareness Briefings are the primary methods used to accomplish this objective. In addition, active tracking of complaints referred to senior management compliments this effort. The Investigations Section follows the *Principles and Standards for Offices of Inspector General* established by the Association of Inspectors General.

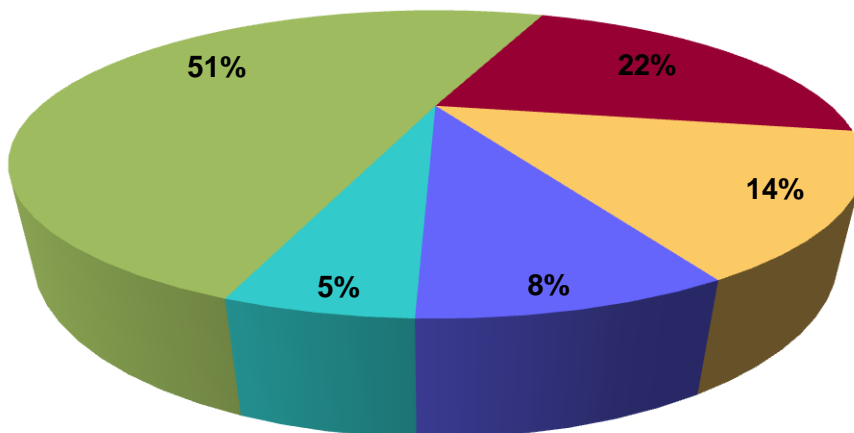
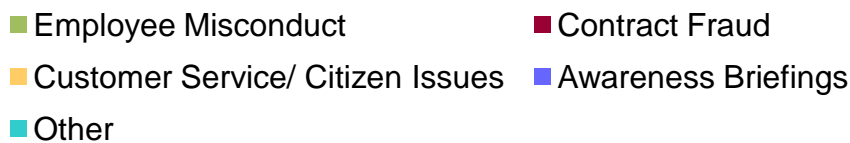
During FY 2008-2009, the Investigations Section conducted 10 Fraud and Misconduct Awareness Briefings to over 1400 district employees and industry partners.

Investigations Activity Summary	
Preliminary Investigations Opened	42
Substantive Investigations Opened	26
Cases Closed	145
Cases with Substantiated Allegations	24
Cases Referred to Agency Management	73
Referred to Other Entities	3
Criminal Convictions Resulting from Cases	2
Terminations or Resignations Resulting from Cases	4
Other Disciplinary Actions Resulting from Cases	13
Recoveries/Restitutions/Other Cost Impact	\$1,349,865

CASE INITIATION

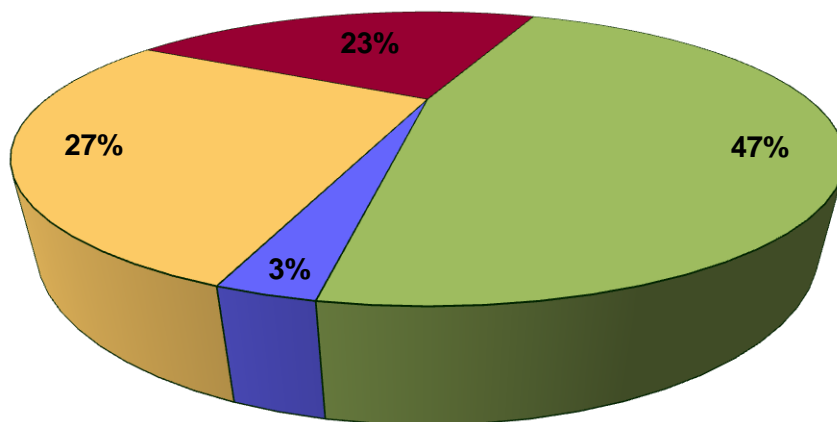
The Office of Inspector General receives complaints from internal and external customers who allege various forms of misconduct and make requests for assistance. Upon receipt of a complaint or request, the Investigations Section analyzes the information and determines an appropriate course of action. Case assignment categories are used to track the types of complaints and requests received. An assessment and determination occurs during intake of the information or upon receipt of a complaint, resulting in case category assignment. The chart below shows the case categories and documents the investigative effort dedicated to the type of complaint or action.

Cases Initiated by Category



The chart below shows the case categories and documents management referrals and memorandums to file dedicated to the type of complaint or action.

Management Referrals and Memorandums to File



- Employee Misconduct
- Contract Fraud
- Customer Service/ Citizen Issue
- Other

CASE CLOSURE

Investigative activity is conducted to identify facts and circumstances around each complaint. The results of investigative activity are documented within Reports of Investigation published by the Inspector General and are disseminated to internal and external customers. The chart below depicts the identification of a case number, a brief summary of allegations and the investigative outcome for cases completed during the FY 2008-2009 time period.

Case Number	Allegation	Outcome
150-05069	Contract Fraud - Violation of law or department policy, improper sale of salvageable materials	Sustained
150-07089	Contract Fraud - Violation of law or department policy, submitted false invoices	Sustained
150-08005	Contract Fraud - Violation of law or department policy, false contract specifications	Sustained
150-08018	Contract Fraud - Violation of law or department policy, false contract specifications	Sustained
150-08042	Contract Fraud - Violation of law or department policy, false contract specifications	Sustained
150-08052	Contract Fraud - Violation of law or department policy, charged for landscaping not provided	Sustained
150-08067	Contract Fraud - Violation of law or department policy, provided deficient materials	Sustained
150-08070	Contract Fraud - Violation of law or department policy, favoritism in selection of contractors	Unfounded
150-08081	Contract Fraud - Violation of department policy, services provided outside of contracted area	Unfounded
150-08082	Contract Fraud - Violation of law or department policy, falsified contract documents	Not Sustained
150-08087	Contract Fraud - Violation of law or department policy, failure to conduct criminal history checks	Sustained
150-08089	Contract Fraud - Violation of law or department policy, submitted false testing documents	Sustained

150-08092	Contract Fraud - Violation of law or department policy, false contract specifications	Sustained
150-08100	Contract Fraud - Violation of law or department policy, inappropriate influence over contract awards	Not Sustained
150-08102	Contract Fraud - Violation of law or department policy, misuse of grant funds	Not Sustained
150-08114	Contract Fraud - Violation of department policy, terminated SunPass account	Unfounded
150-08116	Contract Fraud - Violation of law or department policy, misuse of grant funds	Unfounded
150-09052	Contract Fraud - Violation of law or department contract specifications, defective materials causing bent light poles	Unfounded
150-09061	Contract Fraud - Violation of law or department rules, conflict of interest	Unfounded
150-09081	Contract Fraud - Violation of department policy, issued false certification	Unfounded
150-09100	Contract Fraud - Violation of law or department policy, selection process for consultants	Unfounded
152-09005	Misconduct - Violation of department policy or rule, nepotism	Unfounded
152-09012	Misconduct - Violation of department policy and conduct standards, behavior during a traffic stop	Unfounded
152-09018	Misconduct - Violation of law or department rules, misuse of department issued purchasing card	Not Sustained
152-09019	Misconduct - Violation of department IT policy and conduct standards	Sustained
152-09021	Misconduct - Violation of department IT policy and conduct standards	Sustained
152-09022	Misconduct - Violation of department IT policy and conduct standards	Sustained
152-09023	Misconduct - Violation of department IT policy and conduct standards	Sustained
152-09024	Misconduct - Violation of department IT policy and conduct standards	Sustained
152-09025	Misconduct - Violation of department IT policy and conduct standards	Sustained
152-09027	Misconduct - Violation of department policy or rule, conduct unbecoming a public employee	Sustained
152-09063	Misconduct - Violation of law or department policy or rules, theft of equipment	Not Sustained

152-09066	Misconduct - Violation of department policy and conduct standards, failure to report criminal history	Not Sustained
152-09075	Misconduct - Violation of law or department policy or rules, solicitation and acceptance of money	Sustained
152-09082	Misconduct - Violation of law or department policy or rules, employee was not qualified for position	Unfounded
152-09133	Misconduct - Violation of department policy or rule, quid pro quo	Unfounded
152-09153	Misconduct - Violation of department IT policy and conduct standards, conducting personal business	Sustained
152-09164	Misconduct - Violation of department policy and conduct standards, improper display of firearm	Not Sustained
152-09169	Misconduct - Violation of law or department policy or rules, improper use of confidential information	Not Sustained
152-09187	Misconduct - Violation of law or department policy or rules, improper use of confidential information	Unfounded
154-09087	Theft of Property - Violation of law or department policy or rules, gasoline	Sustained

CASE EXAMPLES

The following examples highlight some of the investigations conducted during the FY 2008-2009 time period. Examples are distinguished by Contract Fraud cases and Misconduct cases.

Contract Fraud Cases

Rinker Materials Corporation – Falsified Reports and Substandard Material

This investigation was initiated based on allegations that an employee of Rinker Materials Corporation, Plant 87-087, falsified chloride test documents provided to the Florida Department of Transportation (department). Specifically, it was alleged that:

- A Rinker employee, falsified chloride test reports submitted to the department; and
- Rinker Materials Corporation Plant 87-087 provided deficient materials (substandard concrete) to the department, as a subcontractor, in violation of contract specifications.

The investigation disclosed that the Rinker employee did submit false concrete chloride test reports to the department in violation of department contract specifications. Additionally, materials analysis did not substantiate the allegation that Rinker Plant 87-087 provided deficient materials (substandard concrete) as a subcontractor.

Results

The contractor was suspended from bidding on department contracts for one month and voluntarily paid \$31,821 towards the cost of investigation.

Superior Landscaping and Lawn Services, Incorporated

This investigation was initiated based on allegations that Superior Landscaping and Lawn Services, Incorporated (Superior) improperly used the herbicide or pesticide Commercial Applicator License (CAL) issued to the owner of Spray by Fernando, to support their qualification on a department contract.

The investigation disclosed that Superior used the CAL of Spray by Fernando, a subcontractor, to qualify as a bidder for Contract T4118. Superior then gained and used its own CAL to complete the contracted work, which was ultimately determined not to be a contract violation. This allegation was unfounded.

Additionally, the investigation disclosed that Superior applied herbicides and pesticides without the appropriate CAL, or a subcontractor with the appropriate CAL, in violation of the supplemental specifications on other department contracts. This allegation was sustained.

Results

The department took administrative action by issuing a letter of concern to Superior with instructions to solidify the oversight and application of herbicides and pesticides on department projects.

Employee Misconduct Cases

Receipt of Unlawful Compensation

This investigation was initiated based on allegations that a Florida Department of Transportation (department) supervisor, received unlawful compensation from a contractor doing business with the department.

Witnesses alleged that the department employee directed contract work to a specific contractor outside of normal procedure. An analysis of bank records identified that the employee had deposited in his personal accounts, large sums of money from sources that could not be identified. An analysis of the contractor's bank records revealed large cash withdrawals by company officials that appeared unusual. A review of department records and interviews confirmed that during the time of the deposits to the employee's account and the cash withdrawals by company officials, the employee directly or indirectly ensured contract work for the contractor. In addition, the investigation confirmed that the employee facilitated an \$11,000 payment to a female acquaintance, from the contractor, under the guise that the acquaintance had worked for the contractor.

Results

In a jury trial, the department employee was convicted on multiple felony counts associated with the allegations and ultimately **sentenced to prison for six years, seven months and 26 days**. Based on the employee's role as a public official, he forfeited state retirement pay in the amount of an estimated \$1,092,000.

Misuse of Information Technology and Department Resources

The investigation was initiated based on allegations that a Florida Department of Transportation (department) employee, used department Information Technology Resources (ITR) and a department vehicle for non-business related purposes.

The investigation disclosed that the employee used department ITR and a department vehicle for personal reasons which included facilitation of a personal business. His misuse was contrary to department policy and the allegation was sustained.

Results

The employee resigned from the department as a result of this investigation.

Misuse of Department Resources

The investigation was initiated based on allegations that a Florida Department of Transportation (department) employee misused department resources. Specifically, the employee was observed after hours at a government facility filling portable fuel containers located in the back of a department vehicle.

The investigation disclosed that the employee used a department vehicle for personal use and improperly obtained department fuel in support of his misuse.

Results

The employee resigned from the department as a result of this investigation.

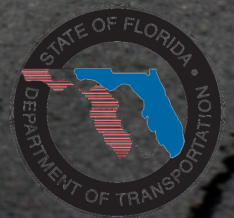


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