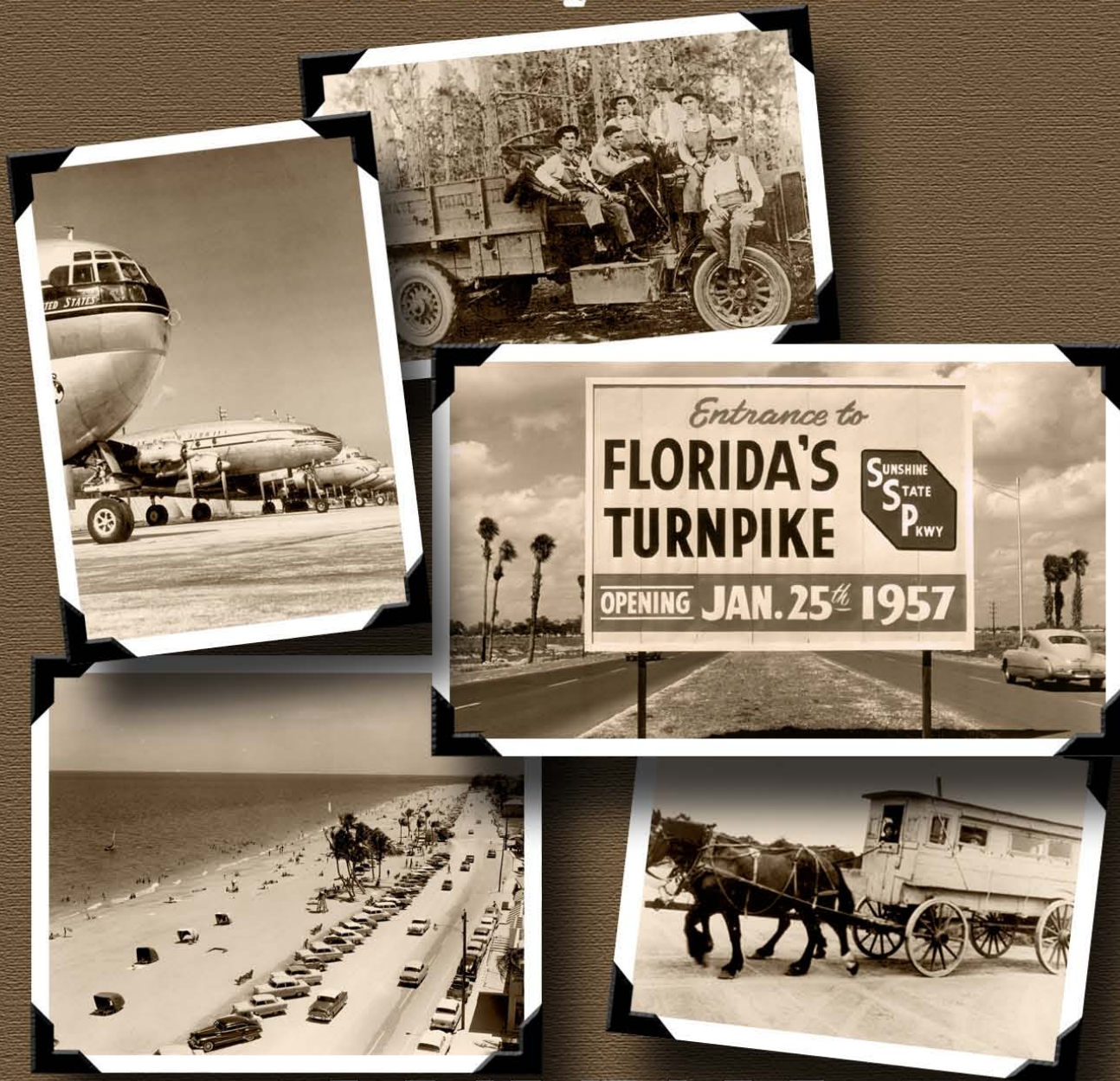


# Office of Inspector General Florida Department of Transportation



# ***ANNUAL REPORT 2009-2010***

Stephanie C. Kopelousos, Secretary  
Ron Russo, Inspector General





# Florida Department of Transportation

CHARLIE CRIST  
GOVERNOR

605 Suwannee Street  
Tallahassee, FL 32399-0450

STEPHANIE C. KOPELOUSOS  
SECRETARY

September 21, 2010

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, 2010, 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 \$22.5 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,

A handwritten signature in blue ink, appearing to read "Ron Russo".

Ron Russo  
Inspector General



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Annual Report Workgroup ..... Back Cover

Section 20.055, Florida Statutes (F.S.), 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.





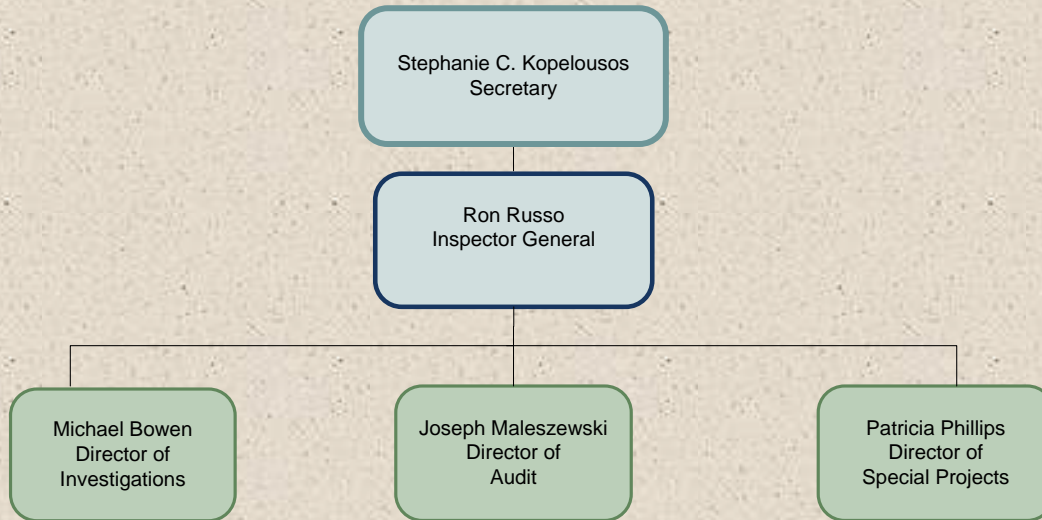
The Office of Inspector General's (OIG) mission is to promote accountability, integrity and efficiency for the people of Florida by providing objective, timely audit and investigative services. The OIG conducts independent and objective audits, investigations as well as reviews of agency issues and programs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

# Organization and 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.



## Contacts

Inspector General	Ron Russo	850-410-5800
Director of Audit	Joseph Maleszewski	850-410-5506
Director of Investigations	Michael Bowen	850-410-5803
Director of Special Projects	Patricia Phillips	850-410-5829
Telephone		850-410-5800
Fax		850-410-5851
Fraud Hotline		1-800-255-8099 (within Florida)

Address: 605 Suwannee Street, MS 44, Tallahassee, FL 32399-0450

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

Report Fraud website: <http://www.dot.state.fl.us/inspectorgeneral/reportfraud.shtm>





## 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	8 Certified Internal Auditors
Association of Certified Fraud Examiners	7 Certified Government Auditing Professionals
Association of Government Accountants	4 Certified Inspector General Investigators
Association of Inspectors General	4 Certified Public Accountants
Criminal Justice Standards & Training Commission	1 Certified Government Financial Manager
Florida Association of Computer Crimes Investigators	3 Certified Fraud Examiners
Florida Audit Forum	3 Certified Information Systems Auditors
Florida Chapter – Association of Inspectors General	2 Certified Law Enforcement Officers
Florida Commission for LE Accreditation	2 Certified Inspectors General
Information Systems Audit and Control Association	1 Certified Information Systems Security Professional
Institute of Internal Auditors	1 Certified Professional Manager
International Government Benchmarking Association	1 Certified Business Manager
Southeast Security and Audit Professionals	
Tallahassee Chapter - ISACA	

## 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 continues to use the *OIG newsletter* – *Inside the OIG* – to provide opportunities 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
- ✓ **Audit Efforts** – updates from the Audit Section
- ✓ **Investigations—Agency Impact** – updates from the Investigations Section
- ✓ **Beyond Audits & Investigations** – Special Projects and everything in between
- ✓ **OIG Bulletin Board News** – news and pictures featuring OIG staff

**Inside the OIG**  
January 2010

A message from the Inspector General  
Ron Russo

**IG's Corner**

Another fiscal year has passed and by the OIG team continues to be very busy monitoring the department's federal stimulus projects, conducting numerous special reviews and providing our standard audit and investigative services. During the past fiscal year, we conducted over 240 investigations and completed over 214 audits, as well as multiple special projects and department-wide reviews – and there's still much to accomplish.

In spite of our economic challenges, our department has found innovative ways to conserve funds and continue being good candidates of tax payers' dollars. Many agree fiscal challenges may still be ahead. We must all continue to be frugal with our resources and efficient in the way we do business. As such, we requested each of you to provide cost-saving ideas during our most recent Annual Risk Assessment Survey. We have studied your responses and have shared them with management, who has evaluated them for cost savings potential and feasibility of implementation. Numerous cost savings initiatives have already been implemented and management continues to evaluate all ideas for further action. Examples of cost-saving initiatives employed by the department include:

- Purchasing restrictions
- Travel restrictions
- Decrease use of video conferences/technology
- Alternative contract methods
- Contract investigations
- Adjustment of building temperatures
- Reduction of printing cost.

As the Inspector General, I am charged with promoting efficiency in government. But I rely on each of you to find ways to be more resourceful in your individual areas. Creative thinking and being cost-conscious requires a team effort – "One TOOT."

Thanks for all you do!

**Special Projects Section, A New Beginning in 2010**

**Moving on up:** The New Year traditionally brings resolutions, fresh ideas and change for a brighter future for many of us. The same is true in the Special Projects Section as we see growth in low employment and new employees.

**Mellen Traft** a management analyst recently moved from the Special Projects Section to the Audit Section. Mellen is looking forward to the Quarter awards. Mellen is looking forward to bringing her many talents to the ERAC team and will be assisting them in their continuous monitoring of stimulus projects.

**Annette Kallie** our travel and training coordinator has moved to the Investigations Section where she will be serving as an investigative analyst. Annette is looking forward to the upcoming events.

**Upcoming Events:** The Special Projects Section is looking forward to its many challenges in the New Year. Shortly we will be performing an annual risk assessment and we intend to improve the response rate to the annual risk survey. Last year we surpassed our 60% department managers with a 70% response rate. Although we are pleased with this response rate, we feel it is vital that the department managers get involved and understand the business of risk management. You'll be hearing more details regarding the annual risk assessment in the upcoming weeks.

**Audit Efforts**

**Joe Maleszewski**

For the Office of Inspector General, 2009 was a year of change and re-evaluation. These changes have better prepared us to serve the Department. Changes in the OIG continue for the New Year. Two of our audit managers have moved on to other opportunities – Jeffrey Owens, Transportation Audit Manager, accepted a position in the Procurement Office (see related article on page four) and Steven Adams, Contract Audit Manager, was promoted to the position of Contract Audit Director. What has not changed is the OIG's commitment to "heightened" levels of fraud awareness, monitoring and oversight. As we near the one year anniversary since Congress enacted the American Recovery and Reinvestment Act of 2009 (February 17, 2009) we should all reflect on our shared commitment to full transparency and accountability for the use of ARRA funds. I look forward to working with you all in the coming year. We all play a vital role in the overall health of the department's system of management controls. Together, we can ensure a level of accountability appropriate for a public institution. In closing, I will leave you with this thought from Governor Charlie Crist's Chief of Staff, David Roy – "Remember we are working for the people of Florida, and treat your agency budget like you would be paying out of your own checkbook."

What has not changed is the OIG's commitment to heightened levels of fraud awareness, monitoring and oversight.

Audit Manager, was appointed the Audit Director for the Department of Highway Safety and Motor Vehicles. He will both of them will be in their new positions. We are fortunate to have two talented senior auditors fill these vacant manager positions. Karen Taylor and Tom Alvey have been selected to fill the Contract Audit Manager position and Transportation Audit Manager position, respectively. Please join me in congratulating them on their promotion. I have included personal information about our new managers in following pages.

Patrol management is our collective responsibility and key to maintaining the public trust.

**Investigations Agency Impact**

PROMOTING SUCCESS BY ENHANCING AWARENESS

**Mike Bowen**

**Being a Leader**

In the Office of Inspector General, our business, by its very nature requires meaningful coordination with department employees and industry partners at all levels. Often this coordination occurs during times of adversity. One of the difficulties associated with these situations is the uncertainty and worry by everyone involved, especially in the beginning of our involvement when no one knows how things will turn out. This uncertainty and worry may be present during our investigation or monitoring, however, we strive to perform our work in a manner that minimizes disruption. Trust is an important aspect of our work, and we endeavor to perform in a manner that will minimize uncertainties and worries you may have regarding our presence or process. As we all know, adversity and stress are an inescapable part of life. Whatever we do, we are susceptible to these elements and challenges. It is important to remember not to respond in a way that exacerbates the circumstances that caused the adversity in the first place. Remember, adversity enhances our opportunity to demonstrate our ability to bring what is right. When faced with an investigation, leaders and managers should stay calm and not overreact. No matter how difficult an adverse situation, we should project calm and an attitude of resolve, but we ensure everyone else involved. In addition, it is important to keep things in perspective. Things are rarely as bad, or as good, as they first appear. Often we forget that there are at least two sides to every problem. Our ability to consider all aspects may keep

**Beyond Audits & Investigations**

**Patricia Phillips**

**Special Projects Section, A New Beginning in 2010**

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**OIG Bulletin Board NEWS**

**Florida Department of Transportation Key "Bring Your Child to Work Day"**

**ACCOMPLISHMENTS**

**OIG Staff in the community**







*Audit*





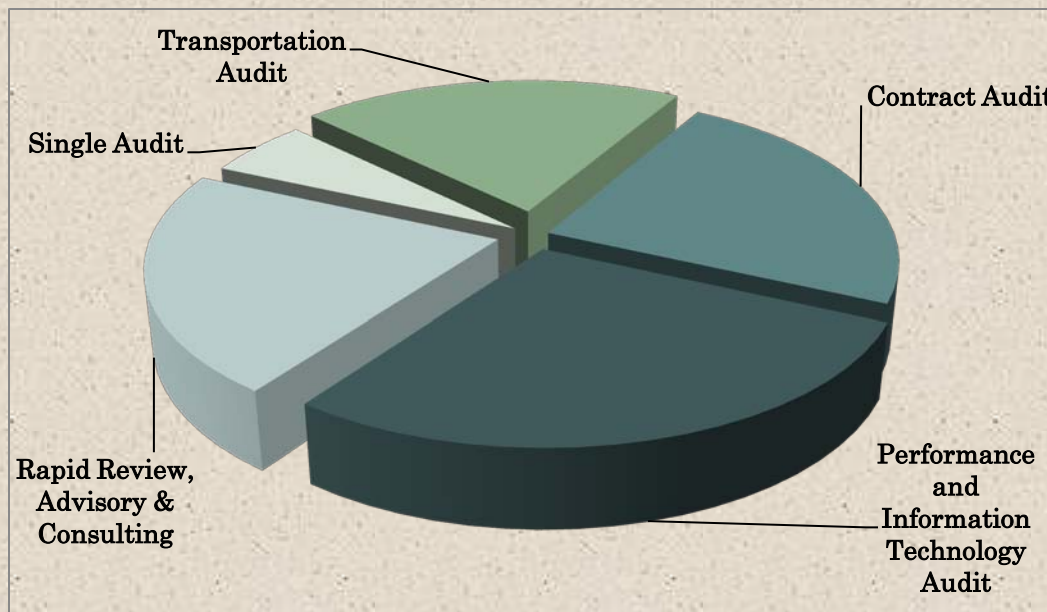


# AUDIT

## Summary of Audit Activities

Section	Reports Issued	Dollar Impact
Rapid Review, Advisory & Consulting	9	\$0
Performance Audit & Information Technology	17	\$0
Transportation Audit	29	\$6,233,798
Single Audit	2	\$14,825,714
Contract Audit	25	\$214,623
Consultant Rate Reviews	139	\$423,794
<b>TOTAL</b>	<b>221</b>	<b>\$21,697,929</b>

## Usage of Staff Resources





## Policy and Operations

The Policy and Operations section provides independent appraisals of how department programs and processes perform, including management's performance in meeting the department's needs while safeguarding its resources. This section consists of two units: Rapid Review, Advisory and Consulting as well as Performance and Information Technology Audit.

### **Rapid Review, Advisory and Consulting**

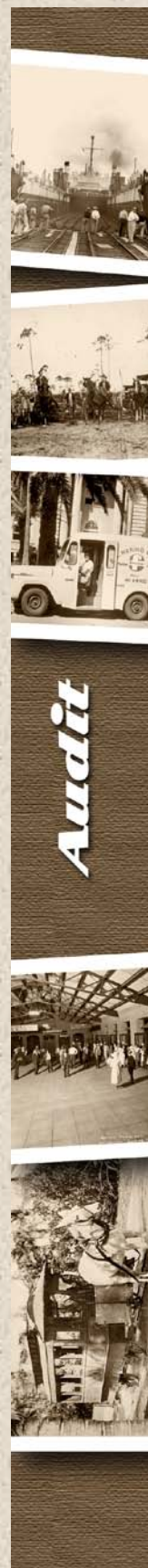
The Rapid Review, Advisory and Consulting Unit (RRAC) is responsible for performing independent, objective consulting activities designed to add value and improve the department's operations. Audit services add value when applied earlier in the management process, to allow management to be proactive instead of reactive. Our expertise and knowledge of operations help us fulfill an advisory role for management.

Advisory service activities occur prior to or concurrent with department activities to ensure timely management information. With timely information, management can make more informed decisions and avoid costly mistakes, which may expose the department to additional risks (financial, legal, reputation, public perception, etc.).

Advisory services are consultative and related client service activities, the nature and scope of which are agreed upon with the client, are intended to add value and improve the department's operations. Examples include counsel, advice, facilitation, process design and training.

During FY 2009-2010, the RRAC team's primary focus was the American Recovery and Reinvestment Act (ARRA) of 2009.

Since the enactment of ARRA on February 17, 2009, the department has obligated approximately \$1.31 billion in ARRA funds and identified over 600 eligible highway and bridge projects. ARRA calls for unprecedented levels of federal funding designed to energize our economy. In return ARRA requires fund recipients to heighten the level of accountability and transparency.



Below are some activities the OIG performed related to ARRA.

- Conducted 611 reviews of ARRA projects, including post authorization (493), completed project (70) reviews and construction file review (48);
- Partnered with the Federal Highway Administration (FHWA) and conducted town hall meetings in all district offices to communicate the levels of oversight and monitoring that would occur. The town hall meetings were also used to demonstrate the department’s automated ARRA Employment Reporting System and computer-based training modules for local agencies, contractors and consultants;
- Developed and disseminated a weekly “dashboard” of ARRA project information to executive management and ARRA administrators;
- Analyzed and quality reviewed the department’s ARRA 1512 project data for submission to the Florida and Federal Reporting Systems;
- Provided an ARRA newsletter article to the Florida League of Cities and the Florida Association of Counties for publication on their respective websites;
- Assisted external oversight entities including Government Accountability Office (GAO) and U.S. Department of Transportation–Office of Inspector General (USDOT-OIG) with district site visits, department surveys and review questionnaires.

Of the project reviews conducted thus far, we are pleased to report no findings have been identified that would jeopardize federal funding. This table summarizes all reviews conducted through June 2010:

<b>American Recovery and Reinvestment Act (ARRA) of 2009</b>						
<b>Highway Projects Completed and Number of Reviews Conducted by Oversight Group</b>						
<b>DISTRICT</b>	<b>ARRA HIGHWAY PROJECTS COMPLETED</b>	<b>FDOT - OIG</b>	<b>FHWA</b>	<b>GAO</b>	<b>USDOT - OIG</b>	<b>TOTAL REVIEWS COMPLETED</b>
<b>1</b>	<b>36</b>	<b>70</b>	<b>29</b>	<b>0</b>	<b>2</b>	<b>101</b>
<b>2</b>	<b>33</b>	<b>72</b>	<b>21</b>	<b>6</b>	<b>3</b>	<b>102</b>
<b>3</b>	<b>35</b>	<b>84</b>	<b>31</b>	<b>1</b>	<b>0</b>	<b>116</b>
<b>4</b>	<b>3</b>	<b>36</b>	<b>6</b>	<b>0</b>	<b>2</b>	<b>44</b>
<b>5</b>	<b>21</b>	<b>111</b>	<b>48</b>	<b>0</b>	<b>1</b>	<b>160</b>
<b>6</b>	<b>3</b>	<b>204</b>	<b>15</b>	<b>0</b>	<b>1</b>	<b>220</b>
<b>7</b>	<b>21</b>	<b>34</b>	<b>8</b>	<b>0</b>	<b>2</b>	<b>44</b>
<b>Totals</b>	<b>152</b>	<b>611</b>	<b>158</b>	<b>7</b>	<b>11</b>	<b>787</b>

\*Numbers for FHWA, GAO and USDOT-OIG represent only known projects.

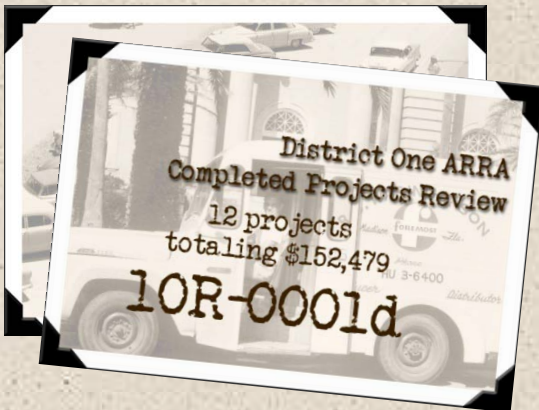




## ARRA Reviews

### Completed Project Reviews


We published four completed project review reports covering 38 ARRA projects and \$8,503,714 of ARRA funds. The purpose of these reviews was to evaluate compliance with federal laws, rules and regulations related to completed ARRA-funded transportation projects. While there were some administrative findings, there were no findings that would jeopardize federal funding.






## Federal Post Authorization Reviews

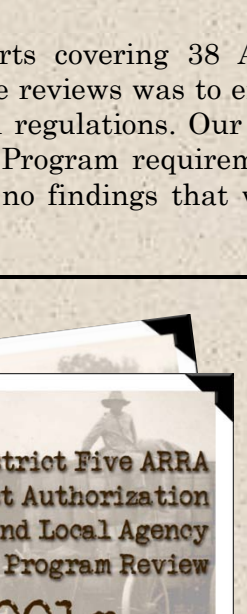
We published four federal post authorization review reports covering 38 ARRA projects and \$8,503,714 of ARRA funds. The purpose of these reviews was to ensure compliance with applicable state and federal laws, rules and regulations. Our focus was limited to federal post authorization and Local Agency Program requirements. While there were some administrative findings, there were no findings that would jeopardize federal funding.




District Three ARRA  
Federal Post Authorization  
and Local Agency  
Program Review  
**10R-0001f**  
75 projects



District Five ARRA  
Federal Post Authorization  
and Local Agency  
Program Review  
**10R-0001g**  
90 projects



District Two ARRA  
Federal Post Authorization  
and Local Agency  
Program Review  
**10R-0001h**  
45 projects



District Four ARRA  
Federal Post Authorization  
and Local Agency  
Program Review  
**10R-0001j**  
36 projects





## Performance and Information Technology Audit

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

### Performance Audits

Performance audits contribute to governments' accountability for the use of public resources and the delivery of services. Performance audits provide an independent assessment of the performance and management of department programs against objective criteria or an assessment of best practices and other information.

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 recommends improvements as appropriate; and
- Evaluate internal controls and recommends improvements as appropriate.

We published three performance audits this year.





## Performance Audits



The purpose of this audit was to provide an assessment of the department's Single Source and Limited Competition contracting processes.

The Single Source and Limited Competition contracting processes appear to be performing adequately and in accordance with department policies and procedures. We made the following recommendations related to minor issues identified by the audit:

- We recommended the Procurement Office review entries in the MyFlorida MarketPlace to ensure proper coding of contracts.
- We recommended the Estimates Office promptly update procedures and supporting documentation when changes occur.



The purpose of this engagement was to review the Professional Engineer Training Program for efficiency and effectiveness.

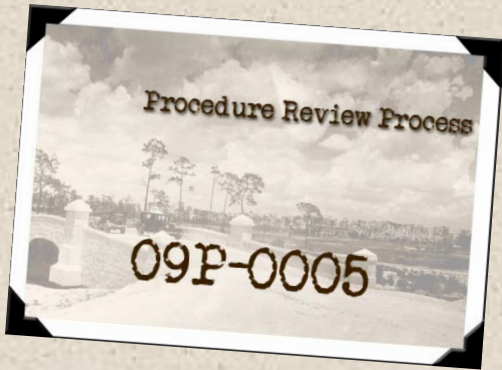
The program was designed to prepare engineers to manage department projects and other functions, develop the future leaders of the department and provide college graduate civil engineers with broad, practical experience leading to registration as licensed Professional Engineers (PE) in the State of Florida.

We were unable to make an accurate assessment of the cost efficiency or effectiveness of the PE Training Program because information and data necessary to determine the cost of the PE Training Program have not been maintained.

- We recommended the department develop a method to capture time and other expenditures related to the program, evaluate the number of Engineer Trainee positions in each district based upon their needs, produce retention reports to evaluate Engineer Trainee needs, monitor salary differentials to determine if the department is competitive with the private sector and continue to implement revised draft procedure requirements.







The purpose of this engagement was to evaluate the effectiveness of the department's procedure review process.

Based on our audit work, the process for reviewing and updating procedural documents appears to be effective; however, our review noted opportunities for improvement in the process for ensuring procedural documents are posted and reviewed as scheduled.

## Financial Audits

Financial audits promote government accountability for the use of public resources. Specifically, financial audits:

- Assess the reliability of information and provide an independent report on whether the department's financial information is fairly presented;
- Provide information about internal control and compliance related to financial transactions, systems and processes; and
- Review major parts of the department's accounting system and central office monitoring functions.

## Financial Audits



The purpose of this audit was to determine whether there was adequate and uniform compliance with applicable regulations and if the department received accurate financial information for the Fuel and Maintenance Card Program.

We determined there was not adequate and uniform compliance with regulations and the department did not receive accurate financial information. Several errors occurred due to the pricing processes defined in contractual requirements. Overall, the process for developing and validating fuel prices may be too complicated, particularly since there are multiple variables which must be updated each week.





## Performance Measures Assessment

Performance measures assessments are designed to assess the reliability and validity of information on performance measures and standards, and recommend improvements, if necessary. Section 216.013, F.S., requires state agencies develop long-range plans to achieve goals, provide the framework for development of budget requests and identify and update program outcomes and standards to measure progress toward program objectives. Section 20.055(2), F.S., requires each state agency's Office of Inspector General to perform a validity and reliability assessment of their agency's performance measures and, if needed, make recommendations for improvements.

### Performance Measures Assessment



The purpose of this advisory was to assess the validity, reliability and appropriateness of six legislatively approved performance measures.

We completed a review of the department's 2008 Performance Measures, as required by Section 20.055(2)(b), F.S. We determined:

- Opportunities for improvement exist regarding the total budget for intrastate highway construction and arterial highway construction divided by the number of miles let to contract performance measure. There are no written policies/procedures for calculating this measure, and several manual adjustments are necessary to the electronic data used to calculate the measure. Also, the methodology and data source descriptions contained in the department's Long Range Program Plan, Exhibit IV, should match the actual performance measure reporting processes performed by measure owners;
- The number of toll transactions, operational cost per toll transaction and the operational cost per dollar collected were valid, reliable and appropriate. However, we determined the Florida's Turnpike Enterprise (FTE) includes non-FTE 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 measures were valid, reliable and appropriate.





## Risk Assessment

Risk assessments aid management in determining the appropriate balance between control and risks. The Performance and Information Technology Audit Unit conducts risk assessments and facilitates control self assessments. Control self assessments are a class of techniques used in an audit or in place of an audit to assess risk and control strength and weaknesses against a control framework. The self assessment refers to the involvement of management and staff in the assessment process, often facilitated by auditors.

Risk assessments ensure that risk exposures are understood and managed appropriately. Risk assessment activities also identify the need for and scheduling of assurance services (audits) through the development of the Annual Work Plan.

## Risk Assessment



The purpose of this memorandum is three-fold; to share the results of our annual risk assessment survey, to share potential cost savings ideas provided by risk survey respondents and to provide our proposed 2010/2011 Annual Work Plan.





## Information Technology Audits

Information Technology Audits are intended to evaluate the confidentiality, 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;
- Evaluate internal controls and recommend improvements as appropriate; and
- Perform limited-scope reviews to assist management in identifying and resolving problematic issues.

## Information Technology Audits



This audit report may contain sensitive or confidential information related to information technology and/or security. Release of this information (in response to a public information request) must be coordinated with the Florida Department of Transportation, Office of General Counsel to ensure that appropriate steps are taken to ensure compliance with the requirements of state law.





## Data Mining

Data mining is the process of extracting knowledge hidden in large volumes of data. It can be used to evaluate or demonstrate successful business practices. Data mining is used to support OIG staff with data acquisition and analysis. It is also utilized to perform targeted reviews of the department's data to determine trends and potential irregularities (including fraud indicators).

During the past year the office data mining services have been heavily dedicated to meeting the needs of ARRA reporting. These reporting requirements included compiling and analyzing data for monthly and quarterly reports submitted to FHWA, Executive Office of the Governor, Congress and the Federal Office of Management and Budget (OMB). Additionally, the office's data mining activities have supported department management and OIG audit and investigative projects. The scope of these multiple projects varied and included purchasing card, Florida Accounting Information Resource (FLAIR) and contract data analysis.





## Acquisition and Procurement

The Acquisition and Procurement section helps ensure costs proposed and charged to the department through contracts and agreements with external entities are accurate, reasonable and comply with applicable federal and state procurement regulations. This section consists of three units: Transportation Audit, Single Audit and Contract Audit.

### Transportation Audit

The Transportation Audit Unit performs audits and reviews to determine the allowability of costs associated with various activities including contracts between the department and railroads, authorities, public transportation entities and utilities companies.

The Transportation Audit Unit conducts engagements related to rail labor additive rates and invoices; transportation, expressway and bridge authorities; seaport, airport and transit grants; utility relocation costs; indirect cost allocation and fringe benefit rates and various accounting services.

### Rail Labor Additive Rates and Invoices

Federal regulations require railroad companies to periodically submit to the department and the FHWA their rates for labor, overhead and indirect costs. Rail Labor Additive Rate engagements determine if elements of rail company labor additive rates are reasonable and allowable. FHWA regulations state that railroads will be reimbursed at actual costs or rates that represent actual costs as submitted by the railroad and approved by the State Highway Agency (SHA) and the FHWA.

The primary purpose of rail invoice reviews is to determine whether the railroad companies were paid only for allowable expenses and to determine if adequate support was provided with the invoices to allow the department to reasonably verify the allowable costs incurred.





## Rail Rates



Part 23, Section 140.906, Code of Federal Regulations (CFR) requires railroads to annually submit labor charge rates to the SHA and FHWA for approval. The Office of Inspector General audits and approves these rates for the department and forwards this audit to the FHWA for their approval. This audit report may contain cost and rate information subject to certain disclosure requirements. Release of this information (in response to a public information request) must be coordinated with the Florida Department of Transportation, Office of General Counsel to ensure that appropriate steps are taken to ensure compliance with the requirements of law.

## Expressway and Bridge Authorities

Various expressway and bridge authorities utilize Toll Facilities Revolving Trust fund dollars. The purpose of these financial related audits is to assess the performance of the authorities relating to the provisions of memorandums of agreement with the department and to determine compliance with contractual requirements, procedures, rules and statutes. Agreements between the department and expressway and bridge authorities provide for the department to bear part of the operating and capital costs. The reasonableness and allowability of costs reimbursed to authorities are subject to evaluation by the department.

## Seaport and Airport Grants

Seaport projects that receive funds pursuant to Florida Seaport Transportation and Economic Development Funding are subject to a final audit. The department's aviation funding helps airports build and maintain runways and taxiways, eliminate airport hazards, protect the air space and build terminals and other facilities. Seaport and airport grants typically fall under federal and state Single Audit requirements. Engagements are performed, on a sample basis, to evaluate compliance with the grant provisions.





## Seaport Grants



The purpose of the examination was to determine compliance with the provisions of Joint Participation Agreement (JPA) No. AOX84 and assess the reasonableness and allowability of claimed and reimbursed costs.

Jacksonville Port Authority and the department entered into JPA No. AOX84 on October 5, 2007. The purpose of the JPA was to provide financial assistance for the construction of a terminal at the Port of Jacksonville. The total cost of the project was \$35,200,000.

- Our examination identified the Jacksonville Port Authority complied, in most material respects, with JPA No. AOX84 and applicable governing authorities. However, the Jacksonville Port Authority did not establish separate accounts within its accounting system for this JPA. In addition, the Jacksonville Port Authority did not obtain the attorney's certification that the consultant selection was in compliance with the Consultant's Competitive Negotiation Act.



The purpose of the examination was to assess compliance with provisions of JPA No. AOX63 and assess the reasonableness and allowability of the claimed and reimbursed costs.

The Canaveral Port Authority and the department entered into JPA No. AOX63 on October 4, 2007. The purpose was to provide financial assistance for cargo pier improvements which includes: widening of South Cargo Pier 1 Decking, extension of South Cargo Pier 4, cruise terminal capacity improvements, dredging and vehicle parking and access.

- Our examination identified the Canaveral Port Authority complied, in all material respects, with the JPA No. AOX63 and applicable governing authorities. Additionally, based upon examination of the sampled invoices and supporting documentation, costs charged to JPA No. AOX63 were presented fairly and costs billed to the department were accurately represented by supporting documentation.





## Airport Grants



The purpose of the examination was to determine the provisions of JPA No. ANQ99 and assess the reasonableness and allowability of the claimed and reimbursed costs.

The Jacksonville Aviation Authority and the department entered into JPA No. ANQ99 on November 4, 2004. The purpose of the JPA was to provide financial assistance for construction/expansion of concourses "A" and "C", and associated apron and taxiways at the Jacksonville International Airport. The total estimated cost of the project was \$40,040,930.

- Our examination identified the Jacksonville Aviation Authority complied, in all material respects, with JPA No. ANQ99 and applicable governing authorities. Additionally, based upon examination of the sampled invoices and supporting documentation, costs charged to the JPA were presented fairly and costs billed to the department were accurately represented by supporting documentation.



The purpose of the examination was to determine compliance with the provisions of JPA No. AM881 and assess the reasonableness and allowability of claimed and reimbursed costs.

Okaloosa County and the department entered into JPA No. AM881 on October 22, 2002. The purpose of the JPA was to provide financial assistance for the construction of a hangar, infrastructure and a fuel farm at the Bob Sikes Airport. The total cost of the project was \$2,040,000.

- Our examination identified that Okaloosa County complied, in all material respects, with JPA No. AM881 and applicable governing authorities. Additionally, based upon examination of the sampled invoices and supporting documentation, costs charged to the JPA were presented fairly and costs billed to the department were accurately represented by supporting documentation.







The purpose of the examination was to assess compliance with the provisions of JPA No. A0128 and reasonableness and allowability of the claimed and reimbursed costs.

St. Augustine-St. Johns County Airport Authority and the department entered into JPA No. A0128 on August 17, 2006. The purpose of the agreement was for the design and construction of infrastructure for the New South Hanger Area at the St. Augustine Airport. The total estimated cost of the project was \$625,000.

We conclude the St. Augustine-St. Johns County Airport Authority materially complied with the terms of JPA No. A0128, applicable laws, rules, regulations, procedures and other guidelines. However, our examination identified the following:

- The Authority did not establish separate accounts within its existing accounting system or independent accounts as required; and
- The costs invoiced to the department were not adequately supported.



The purpose of the examination was to assess compliance with the provisions of JPA No. ANH43 and the reasonableness and allowability of the claimed and reimbursed costs.

The Hillsborough County Aviation Authority and the department entered into JPA No. ANH43 on February 23, 2004. The purpose of the JPA was to provide financial assistance for the rehabilitation of steel in aircraft hangars at the Peter O. Knight Airport. A supplemental agreement executed on April 6, 2004, amended the original JPA amount

funded by the department from \$450,400 to \$558,400. The scope of the project was expanded on November 15, 2006, to include East Side Hangar Development-Phase 1 at the Peter O. Knight Airport. The total cost of the project was \$1,116,800.

- Our examination concluded that Hillsborough County Aviation Authority complied, in all material respects, with JPA No. ANH43 and applicable governing authorities. Additionally, based upon examination of the sampled invoices and supporting documentation, costs charged to the JPA were presented fairly and costs billed to the department were accurately represented by supporting documentation.







The purpose of the examination was to determine compliance with JPA No. ANU47 and determine the reasonableness and allowability of the claimed and reimbursed costs.

Miami-Dade Aviation Department (MDAD) and the department entered into JPA No. ANU47 on June 9, 2005. The purpose of the JPA was to provide financial assistance for the construction, expansion and rehabilitation of concourse "J" and the MIA terminal south/terminal multi-trade improvements and

expansion program. The original total estimated cost of the project was \$13,800,000, with the department providing 50 percent participation in the amount of \$6,900,000 and the remaining \$6,900,000 matched MDAD. The JPA has been modified two times, revising the scope of the project to include construction, construction inspection and other eligible direct rehabilitation costs. The revised estimated total cost of the project was \$658,700,000.

- Our examination identified that MDAD complied, materially, with JPA No. ANU47 and applicable governing authorities; however, MDAD did not establish separate accounts within its existing accounting system, nor establish independent accounts with respect to this JPA; however, MDAD tracks grant-related expenses manually in its accounting system and maintains adequate source documentation. Expenses billed to the department were accurately and adequately represented by supporting documentation. Therefore, there were no questioned costs.





## Railroad and Transit Grants

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

## Utility Relocation Costs

Reviews of the department's utility relocation contracts are performed to evaluate the allowability of charges in accordance with state and federal requirements.

## Utilities



The purpose of the engagement was to determine whether the Jacksonville Electric Authority (JEA) overbilled the department through omission of a five percent rate discount.

Our review related to a complaint alleging the JEA overbilled the department by \$31,738 (over a four-year period) through omission of a five percent rate discount.

In order to be eligible for the JEA's five percent rate discount the department would have to have electric usage in excess of 699 kilowatts (kW) in a billing cycle and a General Service Large Demand Rider Electric Service Agreement with the JEA. District Two personnel and JEA personnel stated the department does not have a General Service Large Demand Rider Electric Service Agreement with the JEA. Additionally, analysis of the six most recent electric bills confirmed the department has not exceeded, in any one billing cycle, the 699 kW usage threshold.

As a result, we have determined the allegation that the JEA overbilled the department to be unsupported.

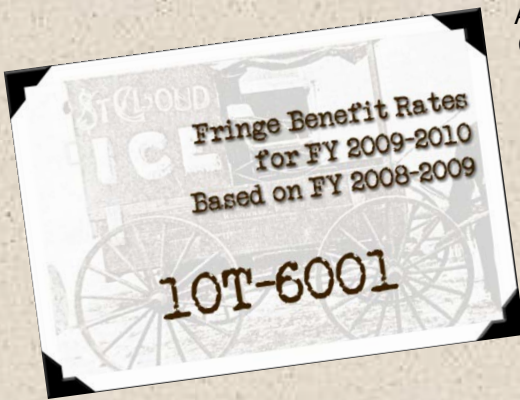




## Indirect Cost Allocation and Fringe Benefit Rates

The FHWA has prescribed policies and procedures for reimbursing allowable administrative and overhead costs for federally funded highway construction projects. The department has an approved Indirect Cost Allocation Plan which conforms to the requirements of OMB Circular A-87 (2 CFR Part 225) and provides a method for calculating future rates for federal projects, other projects and other government agencies. The OIG annually examines the proposed Indirect Cost Allocation and Fringe Benefit Rates prepared by the Office of Comptroller in accordance with the Indirect Cost Allocation Plan.

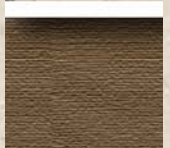
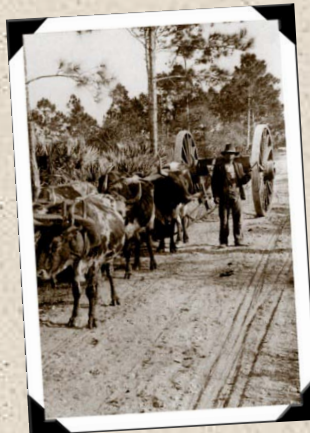
### Rates



At the request of the Financial Management Deputy Comptroller, we examined the department's Fringe Benefit Rates for state FY 2009-2010. These rates, to be applied in FY 2009-2010, were based on costs incurred in FY 2008-2009 and allocated in accordance with Part 2, Section 225, CFR. The rates proposed and examined were:

- Employee Benefit Rate 67.36 percent
- Employee Leave Rate 19.88 percent

We recommended the Office of Comptroller submit these rates to the FHWA for approval.





## Accounting Services

Accounting services are non-audit related services that promote accountability or in other ways add value to the department. An example of an accounting service is a financial statement compilation.

### Compilation



At the request of department management, we compiled the proprietary fund financial statements of Santa Rosa Bay Bridge Authority for the year ended September 30, 2008. This compilation was conducted in accordance with Statements for Accounting and Review Services issued by the American Institute of Certified Public Accountants (CPA).

## Single Audit

The Single Audit Coordinator provides oversight for the department's compliance with state statutes and federal circulars for recipients of federal and state financial assistance.

Federal and state financial assistance provided by the department, as the "pass through" entity, to local governments, nonprofit organizations and for profit organizations (state only) normally require an annual independent CPA audit. These audits must be performed in accordance with OMB Circular A-133 or Section 215.97, F.S. The audit reports are submitted to district program staff for review and evaluation as to content and timeliness. The district staff also ascertains if there are any reported questioned costs or material findings that need to be resolved by the department's program manager. Quality reviews are then performed to determine each district's compliance with department procedures, Section 215.97, F.S., and OMB Circular A-133.





## Single Audit Reviews



The purpose of this review was to determine if the Florida Commission for the Transportation Disadvantaged (CTD) complied with the requirements of the federal and state regulations related to monitoring and oversight of the state financial assistance provided under the Florida Single Audit Act.

We conducted a single audit compliance review of the CTD for the fiscal years ended 2005 through 2008.

The Florida Single Audit Act System (FSAAS) was not consistently utilized by the CTD. Completion of the automated checklist is required to document contract monitoring. For fiscal years ending 2005 through 2008, the CTD had not completed approximately 580 checklists to document monitoring of over \$103 million dollars in state funding. Of the 17 files reviewed, 6 or 36 percent did not have checklists completed in the FSAAS. This review also identified the following:

- Oversight and monitoring of financial assistance to recipients was not adequately documented;
- Single audit checklists were not properly entered into the FSAAS;
- CTD recipient files were incomplete and contained contracts with outdated language;
- Reporting packages were not timely reviewed and contained no evidence of the date received; and
- Differences between payments in the FLAIR system and recipient expenditures in audit reports were not adequately reconciled.



The purpose of this review was to determine if the Safety Office complied with the requirements of the federal and state regulations related to monitoring and oversight of financial assistance provided under the Florida Single Audit Act.

We conducted a single audit compliance review of the Safety Office for the fiscal years ended 2006 and 2007. We reviewed 20 contract files, ten for each fiscal year under review. These 20 contracts represent a total of \$1,680,727 in financial assistance.

Overall compliance was noted with governing regulations related to the Federal and Florida Single Audit Act. FSAAS was consistently utilized by the Safety Office, documenting contract monitoring. All single audit checklists reviewed were completed in the FSAAS; however, our review identified the





following:

- All contracts reviewed did not contain a required part of the standard single audit contract language;
- Some financial reporting packages were not received timely from recipients;
- Some financial reporting packages did not have evidence of the date of receipt;
- Some financial reporting packages were not reviewed in a timely manner; and
- Some single audit checklists were not completed timely in the FSAAS.

The State Safety Office management has taken steps to address the areas noted in the review.

## Contract Audit

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

The Contract Audit Unit conducts engagements related to professional services consultants, construction contractors and other contractors.

## Professional Services Consultants

Consultant contract final/interim engagements determine whether costs billed to the department are accurate, reasonable, in accordance with contract provisions and in compliance with federal and state procurement requirements.

Consultant rate services include accounting system reviews, CPA audited rate reviews, CPA work paper reviews, establishing provisional reimbursement rates and reviewing self-certified overhead reports.

We published eight consultant contract final/interim reports.





## Professional Services Contracts Examinations and Reviews

These routine examinations and reviews are performed to evaluate professional service consultant contracts to determine compliance with the requirements of Rule Chapter 14-75, Consultant Qualification Process, Florida Administrative Code (Florida Department of Transportation) and to determine if the claimed and reimbursed costs were reasonable and allowable in accordance with Federal Acquisition Regulations (31.2), Section 112.061, F.S., and the contractual terms. These reports may contain cost and rate information subject to certain disclosure requirements contained in 23 U.S.C. s112 (b)(2). Release of this information (in response to a public information request) must be coordinated with the Florida Department of Transportation, Office of General Counsel to ensure that appropriate steps are taken to ensure compliance with these requirements and the requirements of state law.

09C-3009	Calvin, Giordano and Associates, Inc.
09C-3011	PTG Construction Services Company, Inc.
09C-3015	Boyle Engineering Corp.
10C-3006	Wantman Group
10C-3003	Civil Services, Inc.
10C-3007	Ardaman and Associates, Inc.
10C-3005	Jacobs Engineering Group Contract C8988
10C-3002	Corven Engineering





## Accounting System Reviews

As part of the qualification process, engineering and architect firms are required, according to Rule Chapter 14-75, Florida Administrative Code (F.A.C.), to have an accounting system that adequately accumulates and records costs using a job cost method that allows for accurate billings to the department. Accounting system reviews ensure that engineering and architect firms establish and maintain accounting systems in compliance with Rule Chapter 14-17, F.A.C.

We completed ten accounting system reviews.

### Accounting System Reviews

These engagements were performed as part of the administrative qualification process to ensure that company's accounting and estimating systems are adequate for contracting with the department. These reports may contain cost and rate information subject to certain disclosure requirements contained in 23 U.S.C. s112 (b)(2). Release of this information (in response to a public information request) must be coordinated with the Florida Department of Transportation, Office of General Counsel to ensure that appropriate steps are taken to ensure compliance with these requirements and the requirements of state law.

09C-4008	Schwebke-Shiskin and Associates
10C-1003	Dannick Engineering
10C-1004	SKS Engineering, Inc.
10C-1005	Eland Engineering
10C-1007	DCK North America, LLC
10C-1008	CTS Engineering, Inc.
10C-1011	Earth Eye, LLC.
10C-1015	Red Hills Engineering
10C-1012	GM Hill Engineering, Inc.
10C-1017	CivilSurv Design Group, Inc.





## Construction Contracts

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

Construction Contract Claim engagements determine if the dollar value of damages claimed by contractors are adequately documented, appear reasonable, are consistent with project records and justified based on federal and state statutes, rules and regulations, contract provisions and accounting standards.

We conducted eight construction contract engagements, reviewing 32 contract modifications and two contracts totaling \$57,309,393.

## Construction Contracts



The purpose of this examination was to determine whether there was sufficient documentation to support the fair and equitable value of the work performed and to assess compliance with applicable regulations, as well as department policies and procedures.

We conducted an examination of five contract modifications totaling \$4,128,134 for Contract T2091, a District Two contract with Tidewater Skanska, Inc. The contract was an agreement to rehabilitate the Bridge of Lions in St. Augustine, Florida, to include a temporary bridge, improvements to the bridge and all roadway construction associated with the bridge.

Fair and equitable value was not supported for \$33,670, which represents less than one percent of the original contract amount. The contract modifications reviewed were processed in general compliance with department procedures. However, process and documentation deficiencies were noted regarding overcompensation of excess days and cost estimating methodology. District management has taken action to address these issues.







The purpose of this review was to conduct an assessment of contract T1125 to determine why significant delays occurred and how the district could improve its construction contract performance.

We conducted an assessment of contract T1125 between the department and Hubbard Construction Company to determine why significant delays occurred and how the district could improve its construction contract performance. Our review revealed several significant issues that delayed the project and increased

the cost. The contractor did not commit resources to the project for approximately 100 days and 15 percent of the allotted contract time had expired prior to beginning work. Utilities were not accurately identified in the plans, resulting in significant delays and additional project costs. Multiple contractor performance issues during construction of the Dona Bay and Shackett Creek bridges necessitated redesign and additional work which delayed the project.

The construction engineering and inspection firm sent multiple deficiency letters to the contractor during the project. As of October 15, 2009, the contractor had been assessed \$2,646,522 in liquidated damages in accordance with Standard Specifications for Road and Bridge Construction and Section 337.18(2), F.S. Additionally, the maximum disincentive deduction of \$250,000 had been assessed to the contractor.



The purpose of this examination was to determine whether there was sufficient documentation to support the fair and equitable value of the work performed and to assess compliance with applicable regulations, as well as department policies and procedures.

We conducted an examination of contract T4025, a District Four contract with Community Asphalt Corporation of Hialeah, Florida. The contract was for roadway widening and improvements of Southern Boulevard from west of State Road 7 (S.R.) to west of Florida's Turnpike. Our examination included fourteen contract modifications totaling \$1,922,195 which added an additional 50 days. The modifications were for installation of materials, utility work, unforeseen work, delays and extension of project limits.

The contract modifications were processed in general compliance with department procedure. Fair and equitable value was generally supported, except for \$98,284, representing less than one percent of the original contract amount. Issues were noted in regard to: delivery of materials to maintaining agencies; unsupported negotiated costs; potential double compensation to contractor due to reimbursement of deposit; and excess mark-up of subcontractor costs.







The purpose of this examination was to determine whether there was sufficient documentation to support the fair and equitable value, cost and added contract days of the work performed.

We conducted an examination of contract E6E76, a contract between the department and FCC Construction S.A. and Magnum Construction Management, a joint venture, of Miami, Florida. The contract was for I-95 managed lanes from south of S.R. 112 to north of S.R. 826 (Golden Glades), including the S.R. 112 interchange.

Our examination included two contract modifications totaling \$7,614,722 which added an additional 99 days. The modifications were for extending and widening portions of I-95.

Overall, the department received fair and equitable value for the work performed, except for a nominal amount of \$12,256 (representing less than one percent of the modifications reviewed) resulting from:

- Certified burden rates utilized were lower than burden rates used by the subcontractor;
- Differences between the subcontractor's quotes and supporting documentation for materials;
- Incorrect tax rate applied; and
- Other minor calculation errors.



The purpose of this examination was to determine whether there was sufficient documentation to support the fair and equitable value of the work performed.

We conducted an examination of contract T6045, between the department and Gilbert Southern Corporation. The contract was for roadway and bridge improvements of S.R. A1A and S.R. 907 from south of Sixty-third Street to Abbott Avenue. Our examination included five contract modifications totaling \$1,311,776 which added an additional 1,066 days.

Overall, the department received fair and equitable values for the work performed, except for \$21,824 due to unsupported lump sum costs for miscellaneous tools for Supplemental Agreement 24. This amount represents less than one percent of the contract amount. District management indicated at the time of the agreement, the lump sum amount was estimated to the best of the contractor's knowledge.







The purpose of this examination was to determine whether there was sufficient documentation to support the fair and equitable value of the work performed and to assess compliance with applicable regulations, as well as department policies and procedures.

We conducted an examination of three contract modifications totaling \$4,127,087 for contract T7047, a District Seven contract with Flatiron-Tidewater Skanska, a joint venture, of Longmont, Colorado. The contract was for construction and improvements to S.R. 60 in Hillsborough County, related to the Tampa Airport Interchanges. The modifications were to make the project functional in accordance with the original plans.

Fair and equitable value was supported. However, \$3,161 was not adequately supported by documentation and represents less than one percent of the total contract modifications examined and less than one percent of the original contract amount. Other areas noted were related to "not to exceed" work orders and the Engineer's Estimate and Entitlement Analysis.



The purpose of this examination was to determine whether there was sufficient documentation to support the fair and equitable value, cost and added contract days of the work performed.

We conducted an examination of contract T3173 between the department and Anderson Columbia Co., Inc. of Lake City, Florida. The contract was for roadway improvements to S.R. 277 (Vernon Highway) from S.R. 79 to S.R. 10 (U.S. 90). Our examination included three contract modifications totaling \$2,579,194 which added an additional 117 days. The modifications were for the construction of paved shoulders, realignment of ditch, reconstruction of ditch pavement and the repair and reconstruction of severely deteriorated roadway on S.R. 277.

The department received fair and equitable value for the work performed. The costs incurred were adequately supported and in compliance with department policies, procedures and state regulations.







The purpose of this engagement was to review issues raised by District Two management regarding subcontractors on contract E2L17.

We conducted a review of contract E2L17 between the department and Santa Cruz Construction, Inc. The design-build contract was for the construction of a sidewalk in Taylor County under the Safe Routes to School program. The contract was for \$161,850 (which includes a lump sum amount of \$147,950 and an initial contingency amount of \$13,900) and 120 days.

District management raised concerns regarding subcontractors on this contract. District Two management has ceased payment of progress estimates on this contract pending the receipt of required information for the subcontractors. At this time, \$81,372 is still pending to the prime contractor. Our review focused on this area and found:

- The prime contractor, Santa Cruz Construction, Inc., did not perform the required percentage of work on the project in accordance with the department Standard Specifications for Road and Bridge Construction (2007 version);
- Work contracted to be performed by the prime contractor and the first-tier subcontractor was further subcontracted to four second-tier subcontractors without obtaining the prior approval of the department;
- Employees with one of the second-tier subcontractors, G&S Concrete Construction, Inc., purported to be employees of the first-tier subcontractor, Banyan Sage Corporation, by completing an employee interview report form listing Banyan Sage Corporation as their direct employer; and
- Required subcontract documentation for the four second-tier subcontractors had not been submitted to the department.





## Audit Recommendation and Follow-up

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

Section 20.055, F.S., 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.

Title:	Report Number:	Issued By:
2007 Performance Measures Assessment	08P-0001	OIG
Outdoor Advertising Operational Review	08P-0005	OIG
Solid Resources, Inc. Contract Review	08S-1003	OIG
SiteManager, LIMS, CITS	2009-017	OAG
Operational Audit 2006-2008	2009-093	OAG
Financial Reporting & Federal Awards 2007-2008	2009-144	OAG
Ethics Program	09P-0008	OIG
End User Application Development	07I-1003	OIG
Research Center Contracts	07F-0010	OIG
Local Agency Program (LAP)	07P-0002	OIG
Rest Area Security Contracts	07F-0009	OIG
Operational Audit - Central Office Monitoring	2007-056	OAG
Selected State Agencies' Public Web Sites	2006-087	OAG
Central Office Anti-Virus	05I-0002	OIG





# *Investigations*







## Summary of Investigation Activities

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 complements this effort. The Investigations Section follows the *Principles and Standards for Offices of Inspector General* established by the Association of Inspectors General. The Investigations Section is a member of the *Florida Commission for Law Enforcement Accreditation* and complies with established accreditation standards.

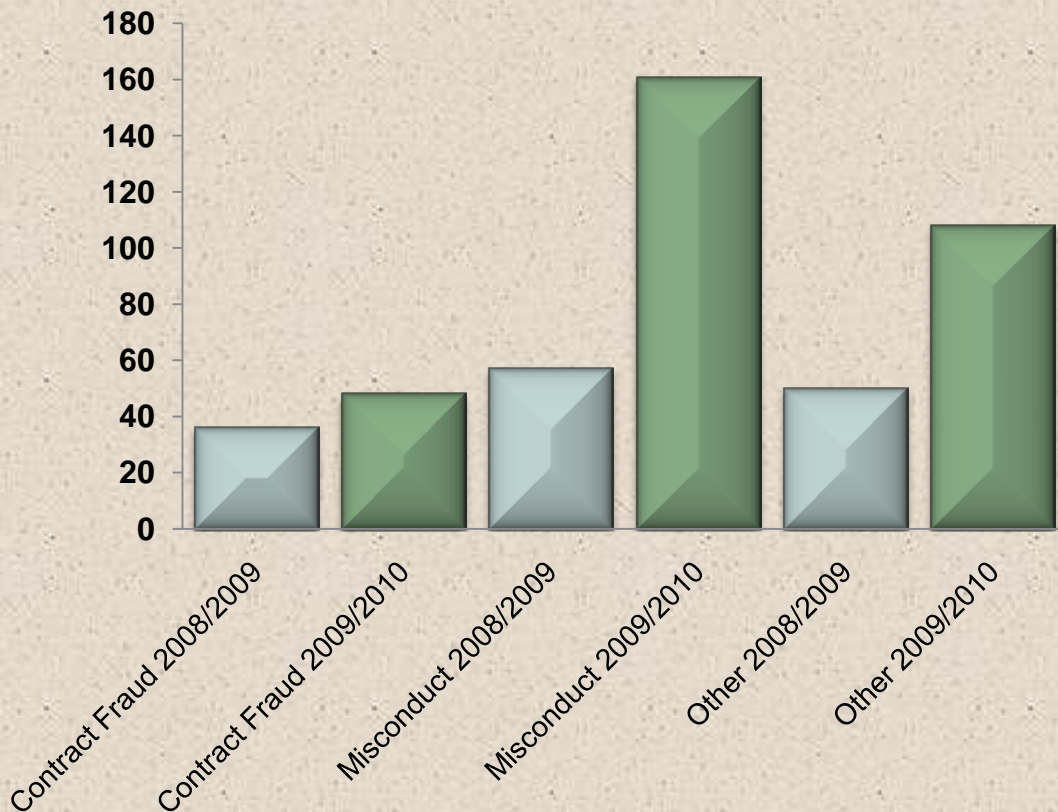
Activity	Number
Preliminary Investigations Opened	54
Substantive Investigations Opened	23
Cases Closed	284
Cases with Substantiated Allegations	29
Cases Referred to Agency Management	140
Referred to Other Entities	60
Criminal Convictions Resulting from Cases	2
Terminations or Resignations Resulting from Cases	10
Other Disciplinary Actions Resulting from Cases	13
<b>Recoveries/Restitutions/Other Cost Impact</b>	<b>\$807,698</b>



## Case Initiation

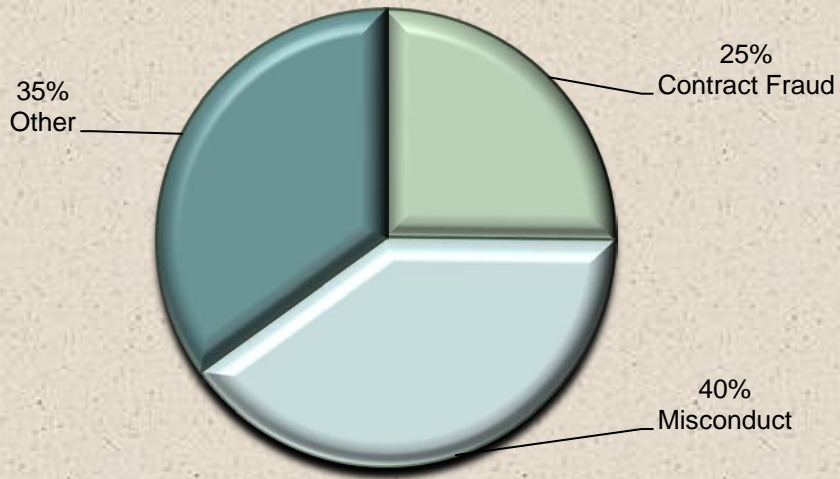
The Office of Inspector General receives complaints from internal and external customers who allege various forms of misconduct and make requests for assistance. Upon receipt of a complaint or request, the Investigations Section analyzes the information and determines an appropriate course of action. 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 charts below depict the case categories and compare the increase in case initiation between FY 2008-2009 (147 cases initiated) and FY 2009-2010 (317 cases initiated).

**Open Cases by Category  
2008/2009 to 2009/2010**

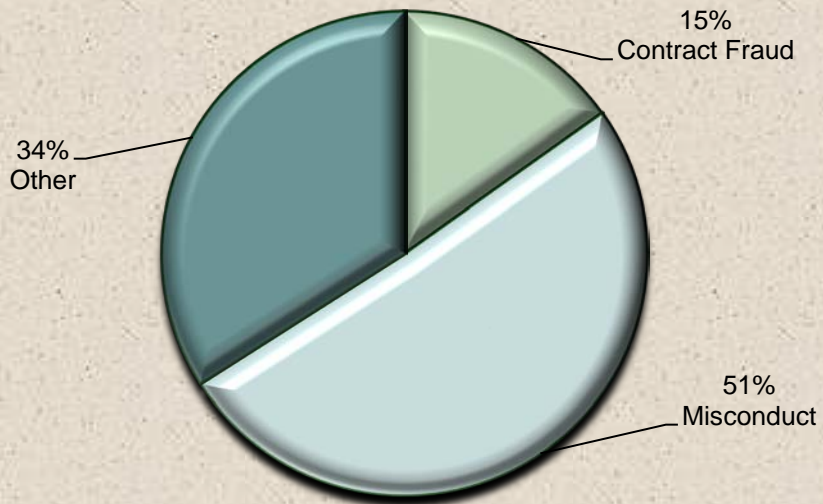




## 2008/2009 Open Cases by Category



## 2009/2010 Open Cases by Category





## Case Examples

The following examples highlight some of the investigations conducted during the FY 2009-2010 time period. Examples are distinguished by Contract Fraud cases and Misconduct cases.

### Contract Fraud

Contract fraud is an intentional act of deception for personal gain which results in damage to the owner. The department is primarily a contracting agency wherein contract agreements are reached between the department and private businesses to perform specific tasks. These tasks range from providing products and services to building and designing transportation infrastructure. Contract fraud occurs when a contractor intentionally takes an action to permanently or temporarily deprive the department of a material product or service to which they are not entitled. These actions typically take the form of providing a defective product, providing a product that is sub-standard or does not meet the agreed upon specification, failing to perform assignments or tasks, and making false certifications or representations about those products or services.

### Contract Fraud



A department employee alleged a contractor had:

- Provided defective fiber optic pull boxes.

An investigation confirmed that the contractor supplied defective fiber optic pull boxes to various department projects. Further examination of the failing fiber optic pull-boxes revealed that they did not conform to the department's contract specifications.



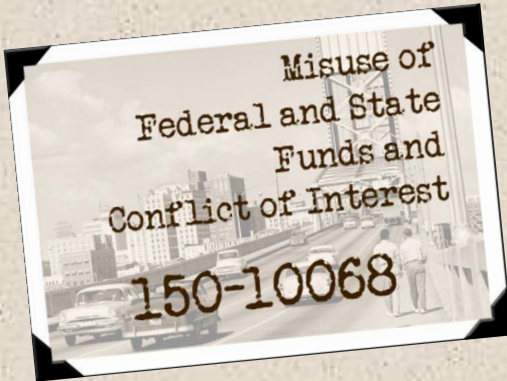




A department employee alleged an aggregate supplier had:

- Provided non-certified material to a department project; and
- Submitted false certifications associated with delivery of the non-certified material.

An investigation confirmed that the aggregate supplier provided non-certified aggregate to a department project. The non-certified aggregate was delivered with false certification delivery tickets created by the aggregate supplier that indicated the aggregate had been certified for department use.



An anonymous complainant alleged a northwest Florida airport authority had:

- Misused federal and state funds; and
- Hired a consultant firm that presented a conflict of interest.

An investigation disproved the allegations.



*Investigations*





# Employee Misconduct

Employee misconduct is an intentional act of misconduct by a department employee for personal gain which violates the law, state administrative code, department policy or procedure. The department has 7,000 employees spread throughout the state who are assigned various responsibilities and tasks. These employees are expected to perform their assignments within the guidelines set forth in administrative code, department policy or procedure and law. Employee misconduct occurs when an employee intentionally takes an action that violates any regulatory guidance and serves to provide the employee with a benefit to which they are not entitled. These actions typically take the form of failure to meet department expectations, failure to perform assigned duties, misuse of department resources for personal gain and providing false statements or information.



*Investigations*

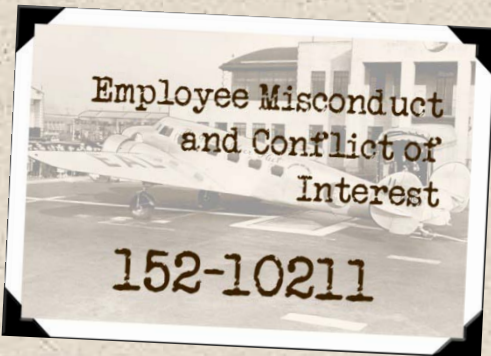
## Employee Misconduct



A department employee alleged that a department manager had:

- Failed to follow department hiring policy;
- Hired an unqualified candidate;
- Conspired with a subordinate department employee to hire a relative.

An investigation confirmed that the department hiring manager and the subordinate employee conspired to hire an unqualified relative.



An anonymous complainant alleged that a department employee had:

- Rented a house from a person associated with a department contractor; and
- The department employee had authority over the department contractor.

An investigation determined that the department employee had not violated any statutory or regulatory guidance.



## Summary of Case Closures

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 table below depicts the identification of a case number, a brief summary of allegations and the investigative outcome for cases completed during the FY 2009-2010 time period.

<b>Allegation: Contract Fraud</b>	
<b>Violation of law or agency rule, submitted false certifications.</b>	
<u>Case Number</u>	<u>Outcome</u>
150-03110	Sustained
150-06053	Sustained
150-09014	Not Sustained
150-09072	Unfounded
<b>Violation of law or agency rule, Disadvantaged Business Enterprise fraud.</b>	
<u>Case Number</u>	<u>Outcome</u>
150-08095	N/A
150-09107	Not Sustained
150-09168	Not Sustained
<b>Violation of law or agency rule, inappropriate bid.</b>	
<u>Case Number</u>	<u>Outcome</u>
150-10098	Not Sustained





**Violation of law or agency rule,  
product substitution or defective product.**

<u>Case Number</u>	<u>Outcome</u>
150-09044	N/A
150-09068	Not Sustained
150-09156	Sustained
150-09162	Sustained
150-09174	Unfounded
150-10129	Sustained

**Violation of law or agency rule,  
false billing documentation.**

<u>Case Number</u>	<u>Outcome</u>
150-09092	N/A
150-10187	N/A

**Violation of law or agency rule,  
safety deficiencies.**

<u>Case Number</u>	<u>Outcome</u>
150-09070	N/A

**Violation of law or agency rule,  
misuse of federal funds.**

<u>Case Number</u>	<u>Outcome</u>
150-09079	Not Sustained

**Violation of law or agency rule,  
certification of training.**

<u>Case Number</u>	<u>Outcome</u>
150-09081	Unfounded



**Investigations**



<b>Violation of law or agency rule, misappropriation of federal funds.</b>	
<u>Case Number</u>	<u>Outcome</u>
150-10068	Unfounded
<b>Violation of law or agency rule, inappropriate billing practice.</b>	
<u>Case Number</u>	<u>Outcome</u>
150-10081	Unfounded
<b>Violation of law or agency rule, inappropriate bid.</b>	
<u>Case Number</u>	<u>Outcome</u>
150-10098	Not Sustained
<b>Allegation: Misconduct</b>	
<b>Violation of law, department policy or rules, organized scheme to defraud.</b>	
<u>Case Number</u>	<u>Outcome</u>
152-03082	Sustained
152-04019	Sustained
<b>Violation of law, department policy or rules, misuse of position.</b>	
<u>Case Number</u>	<u>Outcome</u>
152-10024	Sustained
152-10143	Sustained





**Violation of law, department policy or rules,  
misuse of department resources.**

<u>Case Number</u>	<u>Outcome</u>
152-09020	Sustained
152-09027	Sustained
152-09032	Sustained
152-09059	Sustained
152-09130	Not Sustained
152-09133	Unfounded
152-09148	Sustained
152-09153	Sustained
152-09170	Not Sustained
152-09187	Unfounded
152-10021	Sustained
152-10077	Sustained
152-10135	Sustained
152-10136	Sustained
152-10184	Exonerated
152-10200	Sustained
152-10254	Sustained

**Violation of law, department policy or rules,  
misuse of contract resources.**

<u>Case Number</u>	<u>Outcome</u>
152-09071	Sustained
152-09139	Sustained
152-09163	Not Sustained
152-10186	Not Sustained



**Violation of law, department policy or rules,  
conflict of interest.**

<u>Case Number</u>	<u>Outcome</u>
152-09043	Not Sustained
152-09149	Not Sustained
152-10022	Not Sustained
152-10103	Not Sustained

**Violation of law, department policy or rules,  
hostile work environment.**

<u>Case Number</u>	<u>Outcome</u>
152-09147	Sustained
152-09160	Not Sustained
152-09164	Not Sustained
152-09182	Sustained
152-10089	Not Sustained
152-10122	Exonerated

**Violation of law, department policy or rules,  
misconduct in the workplace.**

<u>Case Number</u>	<u>Outcome</u>
152-09049	Not Sustained

**Violation of law, department policy or rules,  
theft of department resources.**

<u>Case Number</u>	<u>Outcome</u>
152-09063	Not Sustained





<b>Violation of law, department policy or rules, false employment application.</b>	
<u><b>Case Number</b></u>	<u><b>Outcome</b></u>
152-09066	Not Sustained
<b>Violation of law, department policy or rules, inappropriate relationship with contractor.</b>	
<u><b>Case Number</b></u>	<u><b>Outcome</b></u>
152-09075	Sustained
<b>Violation of law, department policy or rules, inappropriate hiring practice.</b>	
<u><b>Case Number</b></u>	<u><b>Outcome</b></u>
152-09082	Unfounded
<b>Violation of law, department policy or rules, damage to personal property.</b>	
<u><b>Case Number</b></u>	<u><b>Outcome</b></u>
152-09123	Not Sustained
<b>Violation of law, department policy or rules, theft of personal property.</b>	
<u><b>Case Number</b></u>	<u><b>Outcome</b></u>
152-09169	Not Sustained
<b>Violation of law, department policy or rules, right of way taking.</b>	
<u><b>Case Number</b></u>	<u><b>Outcome</b></u>
152-09186	Not Sustained



Violation of law, department policy or rules, timesheet completion.	
<u>Case Number</u>	<u>Outcome</u>
152-10082	Not Sustained
Violation of law, department policy or rules, negligence of duties.	
<u>Case Number</u>	<u>Outcome</u>
152-10167	Sustained



**Report Fraud or  
Misconduct within DOT**

Call when you think ...

- ...someone is using DOT property or people for personal gain;
- ...someone is intentionally misleading DOT for financial gain;
- ...someone is taking some benefit to "look the other way," or
- ...you're not sure if you should call to report suspicions.

**1-800-255-8099 or  
www3.dot.state.fl.us/fraud**





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