



# Annual Report

2012-2013

A. Max Brewer Bridge

## Office of Inspector General Florida Department of Transportation

Ananth Prasad, P.E., Secretary  
Robert E. Clift, Inspector General



## Florida Department of Transportation

RICK SCOTT  
GOVERNOR

605 Suwannee Street  
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ANANTH PRASAD, P.E.  
SECRETARY

September 30, 2013

Ananth Prasad, P.E.  
Secretary of Transportation  
Florida Department of Transportation  
605 Suwannee Street, MS 57  
Tallahassee, FL 32399-0450

Dear Secretary Prasad:

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, 2013, as required by Section 20.055(7), Florida Statutes.

The value of the OIG's intangible deterrent impact can never be fully reflected in an annual report; however, results such as cost covered, dollar impact, recoveries made and allegations proved or disproved can be readily reported. As you read this report, I hope you will recall the broad spectrum of services we provide 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.

Respectfully submitted,

Robert E. Clift  
Inspector General

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Enclosure



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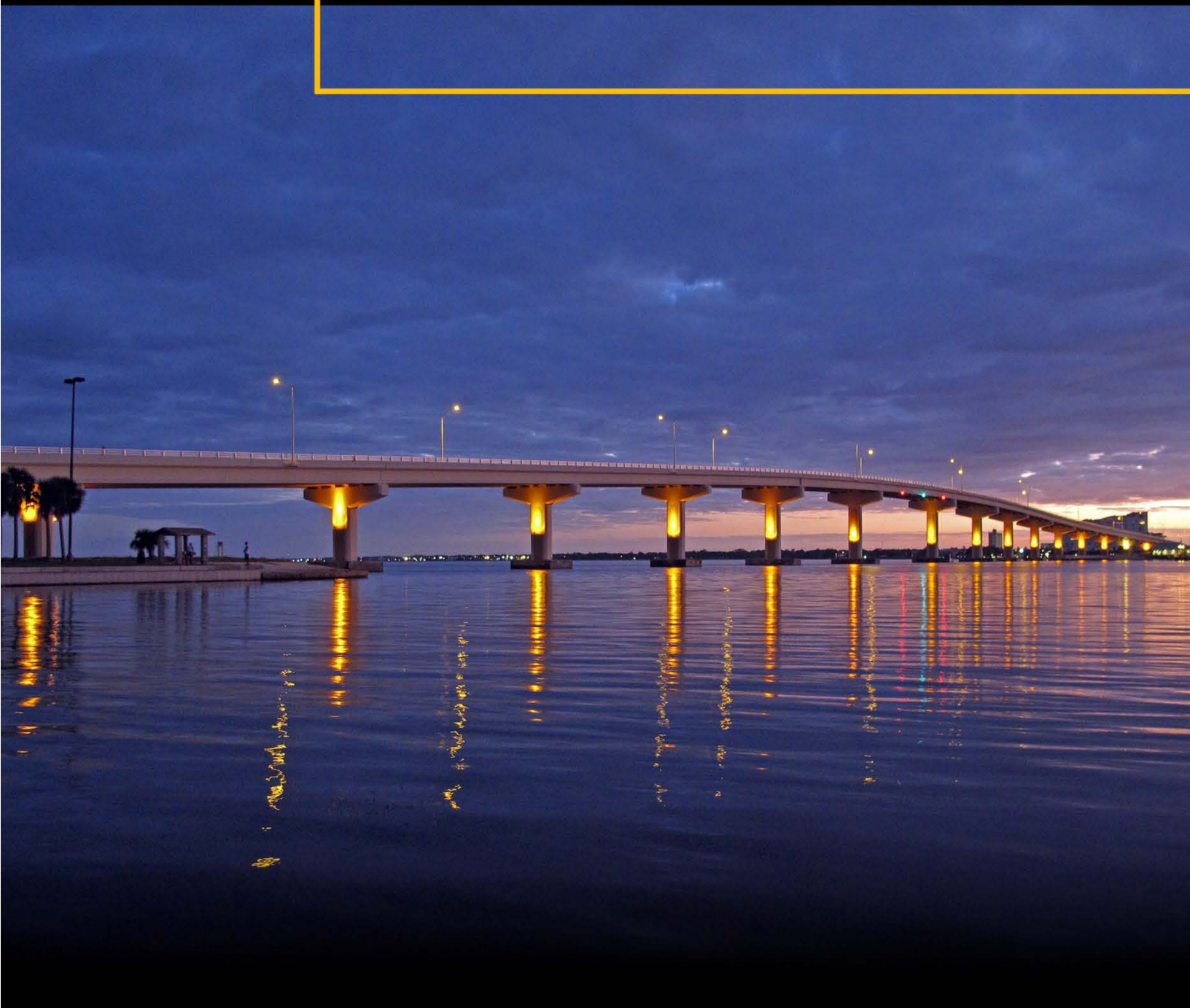
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# Introduction





## **HISTORICAL PERSPECTIVE**

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

In 1978 Congress adopted the idea and created civilian inspectors general in federal agencies. Their responsibilities included conducting and supervising audits and investigations relating to programs and operations.

An audit function was established in the Florida Department of Transportation (department) in the 1960s. This function evolved into audits and investigations and in the 1980s was designated the Office of Inspector General (OIG). In 1994, Section 20.055, Florida Statutes (F.S.), required an Office of Inspector General in each state agency, which is assigned specific duties and responsibilities.

## BACKGROUND

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

The statute requires that each inspector general shall submit to the department head an annual report, not later than September 30 of each year, summarizing its activities during the preceding state fiscal year. This report includes, but is not limited to:

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

## MISSION STATEMENT

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



## VISION

Our vision is to be:

- Championed by our customers,
- benchmarked by our counterparts, and
- dedicated to quality in our products and services.



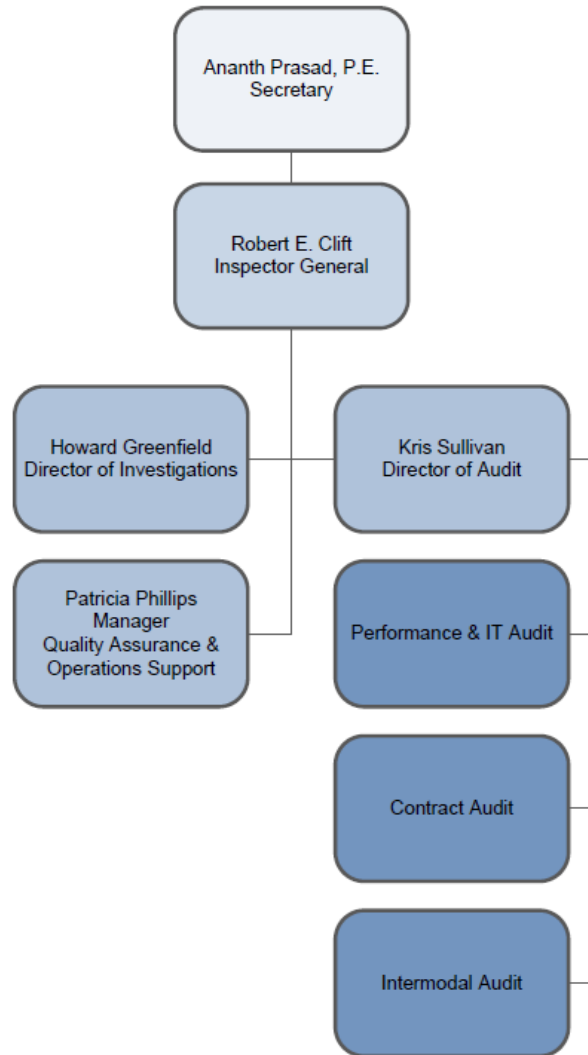
## OIG DUTIES & RESPONSIBILITIES

- Providing direction for and coordination of audits, investigations and management reviews relating to the programs and operations of the agency.
- Keeping the agency head informed concerning fraud, abuses and deficiencies relating to programs and operations administered or financed by the state agency, recommended corrective action concerning fraud, abuses and deficiencies and report on the progress made in implementing corrective action.
- Reviewing the actions taken by the state agency to improve program performance and meet program standards and making recommendations for improvement, if necessary.
- 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.



## ORGANIZATIONAL STRUCTURE

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



The OIG has 42 positions: 25 of which are in the Audit Section; 10 are in the Investigations Section; 5 are in the Quality Assurance and Operations Support Section; along with the Inspector General and administrative assistant.

## CERTIFICATIONS

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

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

## AFFILIATIONS

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

- Association of Inspectors General
  - Florida Chapter
- Institute of Internal Auditors
  - Tallahassee Chapter
- Information Systems Audit and Control Association
  - Tallahassee Chapter
- American Institute of Certified Public Accountants
  - Florida Institute of Certified Public Accountants
- Association of Certified Fraud Examiners
- Association of Government Accountants
- Florida Audit Forum
- International Government Benchmarking Association
- Southeast Security and Audit Professionals
- Southeast Audit Group
  - American Association of State Highway and Transportation Officials



## **TRAINING**

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

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

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

To ensure staff is prepared to meet OIG mission requirements and comply with requirements specified in Section 20.055, F.S., we use training opportunities from various professional organizations and associations, agencies and individuals to fulfill training needs.

## **JOB COST ACCOUNTING**

The OIG adds value to the department in performing its mission of "providing objective fact-based assessments to the DOT Team." In the performance of our work, our goal is to ensure that the maximum amount of staff's time, at least 80%, is spent on work directly associated with audit engagements or investigations. Of their time, which includes training and general administration, we were able to bill an average of 86% to ongoing projects.



# Audit





## MISSION STATEMENT

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



The Audit Section provides independent appraisals of the performance of department programs and processes, including the appraisal of management's performance in meeting the department's information needs while safeguarding its resources. Ensures costs proposed and charged to the department through contracts and agreements with external entities are accurate, reasonable and comply with applicable federal and state procurement regulations.

## SUMMARY OF AUDIT ACTIVITIES

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

During FY 2012-2013 the Audit section was comprised of three units, Performance and Information Technology Audit, Contract Audit and Intermodal Audit, which for FY 12/13 included the Single Audit function. During this fiscal year the Auditor General issued their operational and federal awards audits in which there were no findings regarding either state or federal single audit. This was accomplished, in large part, because of the training provided by the single audit coordinator. This is the first time in 10 years the department has had no single audit findings.

Reports by Section for FY 2012-2013	Number Issued
Performance and Information Technology	4
Intermodal	18
Contract	16

# PERFORMANCE AND INFORMATION TECHNOLOGY AUDIT

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

## Performance Audits

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

### **12P-1008: [Snapper Creek Materials Laboratory and CTQP Classroom](#)**

The purpose of this engagement was to provide management with an analysis of the current operational use and cost of Florida's Turnpike Enterprise (FTE) Materials Laboratory and Construction Training Qualifications Program (CTQP) Classroom located at the Snapper Creek exit (Snapper Creek). The objective of the analysis was to determine if the use of the Snapper Creek Materials Laboratory represented the most efficient method of materials testing for FTE projects and whether the frequency of CTQP training at Snapper Creek warranted continued use of the facility for this purpose.

The review resulted in one finding and recommendation concerning cost of operating the Materials Laboratory and CTQP Classroom. Management concurred with the finding and recommendation. The Materials Lab was closed and the testing is being done in an existing district laboratory rather than by an independent contractor resulting in a cost impact of \$228,171.

### **13P-1002: [Contracts Administration Office Staffing Review](#)**

The purpose of this engagement was to review the current staffing levels within the Contracts Administration Office (CAO). The CAO is responsible for contractor prequalification; advertising, letting and award of major construction contracts as well as other types of competitively bid contracts; statewide District Contracts Program coordination; administration of



district construction and maintenance contracting activities; and quality assurance reviews of district contracting activities.

The review resulted in three findings and recommendations concerning staff workload, duties and time accountability. Management concurred with the findings and recommendations. Management plans to eliminate positions which will result in a cost impact of \$107,333.

## Performance Measures Assessment

Performance measures assessments are designed to assess the reliability and validity of information related to 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.

### **12P-3001: [Performance Measures Assessment](#)**

The purpose of this engagement was to assess the validity and reliability of 3 of 34 performance measures reported in the department's Long Range Program Plan (LRPP). Two of the performance measures were for the Commission for the Transportation Disadvantaged (CTD) and the third one was for the Office of Maintenance, which is reported by Motor Carrier Size and Weight (MCSAW). The three measures are: number of one-way trips provided (transportation disadvantaged) (CTD); average cost per requested one-way trip for transportation disadvantaged (CTD); percent of commercial vehicles weighed that were overweight: fixed scale weighings (MCSAW).

The review resulted in three findings and five recommendations concerning the validity and reliability of the performance measures. Management concurred with the findings and recommendations and has initiated corrective action to improve the three performance measures. There was no related cost impact.

## Information Technology Services

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

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

## Information Technology Resource Compliance Reviews

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

## Data Mining Services

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 used 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 the FHWA, the Executive Office of the Governor, Congress and the United States Office of Management and Budget. Additionally, the office's data mining activities have supported department management and OIG audit and investigative projects.

## ARRA Monitoring

The American Recovery and Reinvestment Act of 2009 (ARRA) provided funds to state and local agencies in an attempt to stimulate jobs and economic growth at a local level, and is often referred to as the "stimulus act" for that reason. ARRA required detailed reporting of how the money was being spent, which necessitated close oversight of stimulus projects and multiple new reporting processes. The department alone was given over \$1.3 billion for highway infrastructure, plus additional funds for transit, ferry and high-speed rail projects. Spending and job creation are closely monitored at the state and federal levels and reports are due to the FHWA, the Recovery Accountability and Transparency Board (RATB) through [FederalReporting.gov](http://FederalReporting.gov) and the state's own Florida Reporting website. Summary information is provided to agency leadership through the ARRA Dashboard, a quarterly snapshot of project, job and expenditure tracking.

While ARRA has been an ongoing focus since 2009, there are few open projects remaining which require the reporting of funds. We are in the final stages of ARRA reporting and monitoring.

# INTERMODAL AUDIT

Intermodal Audit performs audits and reviews to determine the allowability of costs associated with various activities including agreements between the department and railroads, authorities, public transportation entities and utility companies. Engagements 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 are performed by Intermodal Audit.

## 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.

### **12I-3002: [Joint Participation Agreement AO924 between District Three and the Panama City Port Authority](#)**

The purpose of the examination was to assess compliance with the provisions of Joint Participation Agreement (JPA) No. AO924, the reasonableness and allowability of the claimed and reimbursed costs and adequacy of documentation to support claimed and reimbursed costs. The purpose of the JPA was to provide financial assistance for rail service to the Port's Intermodal Distribution Center located along U.S. Highway 231 in Bay County.

The examination resulted in three findings and recommendations concerning adequate documentation, project monitoring and single audit language. Management concurred with the findings and recommendations and has initiated appropriate corrective action.

### **12I-3003: [Joint Participation Agreement APC30 between District Five and the Sanford Airport Authority](#)**

The purpose of the examination was to assess the Sanford Airport Authority's (SAA) and District Five's compliance with applicable terms of Joint Participation Agreement (JPA) APC30, regulations and department procedures. This includes determining whether costs charged to the project were allowable, reasonable and in accordance with the terms of the JPA and other governing authorities as well as ensuring that both the SAA and District Five provided adequate oversight of the project. The purpose of the amended JPA was for the design and construction of a large aircraft hangar.

The examination resulted in one finding and recommendation concerning project monitoring. Management concurred with the finding and has initiated corrective action to ensure this type of deficiency is rectified.

**10C-4001: [Seminole Gulf Railway Railroad Track and Rail Facility Relocation Agreement](#)**

An anonymous complaint alleged that, “Seminole Gulf Railroad had been paid a large sum of money to provide rail work associated with a road expansion project along State Road 739 – Evans Avenue.” The complainant said, “Gordon Fay and Seminole Gulf Railway received approximately five and half million dollars for work they did not complete.”

As a result of the complaint, the OIG conducted a review of a Railroad Track and Rail Facility Relocation Agreement AOD48 (agreement) between the Florida Department of Transportation (department) and Seminole Gulf Railway Limited Partnership (SGLR) in District One. The purpose of the agreement was for SGLR to accommodate the construction of a portion of State Road (S.R.) 739 in Ft. Myers, Florida. The agreement was executed on April 26, 2006, for \$11,781,220. The total invoiced and paid on the agreement through October 30, 2007, was \$11,155,362.

Those tasks within the agreement necessary to achieve the district’s objectives of building the S.R. 739 road project were completed. In the agreement, these tasks were itemized and priced. The total value of the work in the agreement necessary to complete the department’s objectives was \$5,280,900. Our review disclosed this work has been completed.

While additional tasks were specified and priced in the agreement and appeared to be deliverables expected of SGLR because of the type of agreement used, this review disclosed these tasks valued at \$6,500,320, were not required by the department to complete the S.R. 739 road project. These were projections arrived at through negotiation between the department and SGLR to compensate SGLR for work that would need to be done by SGLR if they elected to return the features of their facility to conditions that existed before the S.R. 739 road project. We determined that, while SGLR has not elected to complete portions of this work, this is their business decision and does not impact the department.

The use of a Railroad Track & Facility Relocation Agreement created the appearance of over five million dollars in payments provided by the department for deliverables not obtained; however, neither party considered these items to be deliverables.

The examination resulted in one finding and recommendation concerning the agreement template executed for this project. Management concurred with the finding and recommendation and has initiated appropriate corrective action.

**12I-4001: [Section 5310 Vehicle Grant Awards between the District Four Transit Office and Jerome Golden Center for Behavioral Health](#)**

The purpose of the examination was to determine if Jerome Golden Center for Behavioral Health (JGCBH) operated and maintained vehicles in accordance with terms of the grant award and applicable laws, rules and regulations. The examination also included determining whether the District Four Transit Office conducted adequate oversight and monitoring to ensure compliance. The purpose of the award was to provide vehicles for transportation of the elderly and individuals with disabilities.



The examination resulted in three findings and recommendations concerning compliance with department procedures, project oversight, and project monitoring. Management concurred with the findings and recommendations and has initiated appropriate corrective action.

**Report 12I-4002: [Section 5310 Vehicle Grant Awards between the District Two Transit Office and Baker County Council on Aging](#)**

The purpose of the examination was to determine if the Baker County Council on Aging (BCCOA) complied with terms of the grant award and applicable laws, rules and regulations. The examination also included determining whether the District Two Transit Office conducted adequate oversight and monitoring to ensure compliance. The purpose of the award was to provide vehicles for the transportation of the elderly and individuals with disabilities.

The examination resulted in one finding and recommendation concerning project monitoring. Management concurred with the finding and recommendation and has initiated appropriate corrective action.

## Utility Relocation Agreements

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

**12I-5002: [Utility Work Agreement AO710 between District Three and AT&T](#)**

The purpose of the examination was to assess compliance with the provisions of Utility Work Agreement (UWA) AO710 and the reasonableness and allowability of the claimed and reimbursed costs. We conducted an examination of UWA AO710 between the department and American Telephone and Telegraph Company (AT&T). The purpose of UWA AO710 was to provide funding for the relocation and replacement of AT&T's submarine fiber optic cable to avoid conflict with the construction of the Escambia Bay Bridge on Interstate 10.

The examination resulted in three findings and recommendations concerning project close-out costs, reimbursement overpayment, and "Expired Service Life" adjustment. Management concurred with the finding and recommendation regarding overpayment and has initiated appropriate corrective action. This resulted in a cost impact of over \$22,000.

**13I-5001: [Utility Overhead Certification](#)**

The purpose of this engagement was to monitor compliance with federal requirements for utility relocation contracts. We requested written assurance that utility entities receiving more than \$300,000 did not bill unallowable costs to the department for utility relocation projects. We received letters of assurance from all seven entities that were identified and reported this information to department managers.

## Rate Reviews

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. Additionally, we performed other rate reviews to determine if the rates are allowable, allocable and reasonable for use in billing federal-aid projects.

### **13I-6001: [Fringe Benefit and Employee Leave Rates for FY 2012-2013](#)**

The purpose of this examination was to determine whether the fringe benefit rates were developed in accordance with Title 2, Part 225, Code of Federal Regulations; developed using the methodology established in the Office of Comptroller's Fringe Rate Development Desktop Handbook; and based on actual amounts and were correctly calculated.

The examination disclosed that the control process, for entering cost data into fringe benefit rate spreadsheets and calculating the rate, is adequate and reliable. We recommended the Office of Comptroller submit these rates to the Federal Highway Administration for approval.

### **13I-6002: [Indirect Cost Rates for Fiscal Year 2012-2013](#)**

The purpose of this examination was to determine whether the indirect cost allocation rates were: developed in accordance with federal guidance and department procedures; based on actual incurred costs; and calculated using an adequate and reliable process for entering costs and statistical data in the indirect cost allocation system.

These rates, to be applied in fiscal year 2012-2013, are based on costs incurred in fiscal year 2011-2012 and allocated in accordance with Title 2, Part 225, Code of Federal Regulations, Cost Principles for State, Local, and Indian Tribal Governments. We recommended the Office of Comptroller submit the proposed rates to the Federal Highway Administration for approval.

### **11T-1001: [CSX Transportation Inc. 2009 Reimbursement Rates for Railroad Work](#)**

The purpose of this examination was to determine whether the costs included in CSX Transportation Inc.'s (CSXT) 2009 rate proposal were allowable, allocable and reasonable for use in billing Federal-Aid projects pursuant to Title 23, Section 140, Code of Federal Regulations (C.F.R.) and 23 C.F.R. 646.

We determined the CSXT revised rates were reasonable, allocable and allowable. We recommend the Rail Office and the Federal Highway Administration approve CSXT's 2009 rates as audited for use in billing costs for railroad-highway projects.

## Additional Reviews

### **12I-9004 - Subgrant Agreement APP73 between the department Safety Office and Tallahassee Community College (TCC)**

The purpose of the examination was to assess compliance with the provisions of agreement APP73 and applicable regulations, the allowability of the claimed and reimbursed costs and adequacy of documentation to support claimed and reimbursed costs. The purpose of the agreement was to continue Florida's Click It or Ticket (CIOT) Paid Media Campaign.

The examination resulted in two findings and recommendations concerning project monitoring and agreement compliance. Management concurred with the findings and recommendations and has initiated appropriate corrective action.

### **12I-9003 - Subgrant Agreement APP75 between the department Safety Office and Tallahassee Community College**

The purpose of the examination was to determine whether the Safety Office provided adequate oversight and monitoring to ensure compliance with agreement APP75 and applicable governing authorities. The purpose of the agreement was to provide financial assistance for a media campaign to educate attendees at professional sporting events across the state of the dangers of alcohol-impaired driving.

The examination resulted in two findings and recommendations concerning project monitoring and agreement compliance. Management concurred with the findings and recommendations and has initiated appropriate corrective action.

## Single Audit

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. 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.

The purpose of these engagements was to determine if offices complied with federal and state single audit regulations as well as the department's *Single Audit Procedure*.

We sampled 122 federal awards and/or financial assistance grants from a population of 802 for fiscal year ended 2010 with total disbursements over \$163 million. The reviews resulted in findings and recommendations concerning during-the-award monitoring, required monitoring language and completion of appropriate documentation.

**12I-8006: [Single Audit Compliance Review – District Seven](#)**

**12I-8008: [Single Audit Compliance Review – District Four](#)**

**12I-8009: [Single Audit Compliance Review – District Six](#)**

**12I-8010: [Single Audit Compliance Review – District One](#)**

**13I-8004: [Single Audit Compliance Review – District Two](#)**

**13I-8005: [Single Audit Compliance Review – Office of Freight Logistics and Passenger Operations](#)**

# CONTRACT AUDIT

**C**ontract Audit performs audits, examinations, reviews to include 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.

## 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 selected and examined contract modifications meeting these and other criteria. Construction Contract Modification engagements evaluate contract modifications to ensure proper documentation to support the change, including justification, value determination and appropriate managerial review and approval.

The purpose of these examinations was to determine if there was sufficient documentation to support the fair and equitable value of work performed, and compliance with the contract, applicable federal/state regulations and department policies/procedures.

We conducted seven examinations of district contract modifications and determined the department received fair and equitable value for the work performed. The costs incurred were adequately supported and the contract changes were in compliance with department policies and procedures and state regulations.

12C-1003: [District Seven Contract Modification Examination - Contract T7202](#)

12C-1004: [District Three Contract Modification Examination – Contract T3238](#)

12C-1005: [District Two Contract Modification Examination - Contract T2283](#)

13C- 1001: [District Four Contract Modification Examination – Contract E4K49](#)

13C-1003: [District Five Contract Modification Examination - Contract E5N96](#)

13C-2001: [District Seven Contract Modification Examination - Contract T7209](#)

13C-2003: [District Six Contract Modification Examination – Contract E6F61](#)



## 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.

We conducted two examinations and based on our review, the amount billed was reasonable and allowable in accordance with the terms of the contract.

**12C-3005:** [Greenhorne & O'Mara, Inc.](#)

**12C-3004:** [Volkert, Inc.](#)

## Additional Reviews

**13C-6002:** [Inwood Consulting Engineers Inc. Selection Process](#)

The purpose of our review was based on an anonymous complaint to determine whether Inwood was selected at a greater frequency than reasonable for professional service contracts in District One and/or District Five and whether department employees who were involved in the selection of Inwood were now employed by them.

Based on our review, the consultant selection process in District One and District Five did not appear to be influenced in Inwood's favor.

**12C-5001:** [Asset Maintenance Contract E1G23](#)

The purpose of the engagement was to determine compliance with statutes, department procedures and other applicable requirements and to determine the effectiveness of District One's evaluation of DBI Services, Inc.'s (DBI) asset maintenance activities. We conducted an audit of Asset Maintenance Contract E1G23 (contract) between the department and DBI. The purpose of the contract is to manage and perform all routine maintenance activities associated with Roadway, Structures, Design, Roadside, Vegetation and Aesthetics, Traffic Services and Incident Management on Interstate 75 (I-75) (including interchanges and rest areas) in District One and District Four.

The review resulted in one finding and recommendation concerning insufficient supplemental agreement documentation and low Asset Maintenance Contractor Performance Evaluation Report (AMPER) scores, which do not indicate an acceptable level of performance. Management concurred with the findings and recommendations.

# SUMMARY OF AUDIT RECOMMENDATIONS AND FOLLOW-UP

Section 20.055, F.S., requires the identification of each significant recommendation made during the reporting period and any significant recommendations 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.

## **2013-066: Commission for the Transportation Disadvantaged, Public-Private Partnerships, Loans to Expressway and Bridge Authorities, and Purchasing Cards - Operational**

Issued by: Office of Auditor General on December 19, 2012  
Of the recommendations made, four remain open.

**Recommendation:** We recommend that the Commission ensure compliance with the administrative provisions of the Medicaid NET services grant agreement with the Agency for Health Care Administration (AHCA).

**Status:** The Commission continues to work with AHCA to ensure timely compliance of the administrative provisions of the Medicaid NET services contract. In addition, the Commission continues to provide efficient management services for the Medicaid NET contract that keeps administrative fees well below the five percent threshold allowable in the contract. The anticipated completion date is June 2014.

**Recommendation:** We recommend that the Commission establish policies, procedures, and processes to strengthen oversight of entities receiving funds for transportation disadvantaged services.

**Status:** The Commission continues to improve its policies, procedures and processes to strengthen oversight of entities receiving funds for transportation disadvantaged services. The anticipated completion date is June 2014.

**Recommendation:** We recommend that the Commission establish and implement policies and procedures to ensure that information reported in the annual report is accurate, complete, and supported by appropriate documentation.

**Status:** The Commission continues to enhance its quality assurance procedures to better evaluate whether reports submitted by the CTCs are accurate and supported by appropriate documentation. The anticipated completion date is contingent upon the Legislature providing the Commission additional funding for a new information system.

**Recommendation:** We recommend that the Commission ensure that appropriate IT controls are implemented.

**Status:** The Commission continues to assess its Information Technology control practices relating to CTDFL and Annual Operating Report Systems based on the risk of unauthorized personnel accessing sensitive data. The anticipated completion date is June 2014.

# Investigations





## MISSION STATEMENT

To deter, detect and investigate crimes or misconduct impacting the department.



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 for inquiry complements this effort. The Investigations Section follows the Principles and Standards for Offices of Inspector General established by the Association of Inspectors General as required by Section 20.055, F.S. The Investigations Section has been accredited by the Florida Commission for Law Enforcement Accreditation and complies with established accreditation standards.

The OIG has been designated by the Federal Bureau of Investigation as a Criminal Justice Agency and works closely with other agencies, including law enforcement agencies, in carrying out its mission.



## SUMMARY OF INVESTIGATION ACTIVITIES

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

- Receiving complaints and coordinating activities of the department as required by the Whistle-blower’s Act pursuant to Sections 112.3187 – 112.31895, F.S.
- Receiving and considering the complaints which do not meet the criteria for an investigation under the Whistle-blower’s Act and conducting, supervising or coordinating such inquiries, investigations or reviews as the Inspector General deems appropriate.
- Reporting expeditiously to the Department of Law Enforcement or other law enforcement agencies, as appropriate, whenever the Inspector General has reasonable grounds to believe there has been a violation of criminal law.
- Conducting investigations and other inquiries free of actual or perceived impairment to the independence of the Inspector General or the OIG. This includes freedom from any interference with investigations and timely access to records and other sources of information.
- Submitting in a timely fashion final reports on investigations conducted by the Inspector General to the department head, except for Whistle-blower’s investigations, which are conducted and reported pursuant to Section 112.3189, F.S.

Investigations Activity for FY 2012-2013	
Inquiries/Complaints Received	190
Allegations Referred to Agency Management	71
Allegations Referred to Other Entities	76
Cases Opened	27
Cases Closed	19
Cases Closed with Substantiated Allegations	9
Allegations Substantiated in Closed Cases	12
Cases Referred for Criminal Investigation Being Worked Jointly with Criminal Justice Partners	4
Cases with Criminal Convictions	1

## Types of Investigations

The Office of Inspector General uses several types of cases: substantive investigations, management referrals, memorandums to file, and preliminary inquiries and joint investigations.

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

Management Referral cases are opened when the Office of Inspector General receives complaints which do not rise to the level of significance to warrant a substantive investigation. These complaints are referred to management and are monitored until a report of the outcome is received and reviewed by the OIG.

Memorandum to File cases typically stem from complaints which are unrelated to an operational department issue, or fall within the jurisdiction of another agency. An example is a complaint which pertains to a municipal or county road. These complaints are referred to either the appropriate department business unit or the agency having jurisdiction over the matter.

Preliminary Inquiry cases are opened when the Office of Inspector General is not certain whether a full investigation is warranted. In these type cases, some fact-gathering is conducted and a determination is made whether to proceed with a substantive investigation.

Joint Investigations cases are those reported to the Department of Law Enforcement, the US Department of Transportation Office of Inspector General or other law enforcement agencies, as appropriate, whenever the Inspector General has reasonable grounds to believe there has been a violation of criminal law.

## Summary of Case Closures

Investigative activity is conducted to identify facts and circumstances to prove or disprove each allegation. 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 information below depicts the identification of a case number, a brief summary of allegations and the investigative outcome for cases completed during the FY 2012-2013.

### Investigations Completed – Contract Fraud

#### **150-11032**

Accusations were made that a subcontractor produced and leased 80 K-walls to a department prime contractor, which were subsequently used on a department project, before the company was certified by the department to produce K-walls. Investigation showed the subcontractor attached data plates to the K-walls bearing false information. The complaint was investigated jointly with the United States Department of Transportation (USDOT) OIG. The allegations were proved and through the United States Attorney's Office, the company reached a settlement agreement to pay the United States Government \$50,000. The USDOT OIG filed a Referral for Suspension and Debarment Action against the company.

#### **150-10195 & 150-11073**

Accusations were made that prime contractors provided false Certification Disbursement of Previous Periodic Payment to Subcontractors to the department regarding payment to subcontractors. It was determined that six false certifications were submitted. The United States Attorney's Office declined prosecution in favor of administrative action by the department.

#### **150-12117**

An accusation was made that representatives of a company provided the department false applicant certifications and assurances regarding grant applications for assistance under Part 49, U.S. Code, Section 5310, Transportation for Elderly Persons and Persons with Disabilities. Based on this investigation, the company did not receive \$152,403 funding from the department.

#### **150-12129 , 150-12176 & 150-13109**

Accusations were made that department subcontractors provided false Certified Weekly Payroll records associated with department contracts. The complaints were referred to the District Compliance Manager for coordination with the United States Department of Labor Wage and Hour Division.

**150-12136**

An accusation was made that an employee of a department subcontractor installed defective bolts on a pedestrian bridge project. The contractor replaced the defective bolts at no cost to the department. This investigation was administratively closed.

**150-13012**

Accusations were made that the hiring and contracting practices relative to a department project have "resulted in minimal inclusion of qualified minority contractors." It was also alleged a prime contractor awarded a subcontract that was not competitively bid. The complainant further alleged none of the 37 subcontractors were minority owned businesses and the contracts were not in compliance with the Florida Consultants' Competitive Negotiation Act. This investigation did not reveal any evidence to support the allegations.

**150-13093**

Accusations were made that department employees have provided preferential treatment to a company regarding the awarding of sub-consultant work. It was also alleged the company was allowed to work on projects in specialized areas which they did not have the required credentials or certifications. An audit review resulted which did not support the allegations.

## Investigations Completed – Employee Misconduct

### 152-09135

An accusation was made that a department employee violated procedures in processing the acquisition of land for a department project. The complaint was investigated jointly with the USDOT OIG. The investigation determined false claims were submitted and paid by the department to a business owner. The business owner pled guilty and was ordered to pay \$242,981.25 in restitution and sentenced to two years probation. The investigation proved the employee accepted \$30,000 in bribes from the business owner. The employee was sentenced in federal court to over three years in prison, ordered to pay \$242,981.25 in restitution, a \$30,000 dollar civil forfeiture, two years of supervised release after the prison sentence is served, as well as 25 hours of community service. Additionally, the employee will forfeit their retirement benefits as these crimes related to their official department duties.

### 152-12130

Accusations were made that a department employee ensured a contract was awarded to a specific company based on a personal relationship with an employee of the company. It was also alleged there were discrepancies with the scores awarded to the companies in second and third place. It was further alleged the company employee purchased meals and drinks for the department employee. This investigation revealed no evidence to support that the employee ensured the company was awarded the contract; however, the employee admitted to accepting meals and entertainment from the company employee in violation of department policy and Florida Administrative Code.

### 152-12137

Accusations were made that a department employee assigned to an Intelligent Transportation Systems (ITS) office misused department equipment and Information Technology Resources (ITR). It was also alleged the employee directed subordinate employees to perform non-department work. Additionally, it was alleged the employee directed subordinate employees to not perform required duties and to accept meals from vendors, contractors and/or consultants. It was further alleged the employee tried to influence a contract bid process and had a vendor doing business with the department employ their child. The allegations related to the misuse of department equipment and ITR were proved. The allegations regarding the direction of subordinates to perform non-department work, to not perform required duties and to accept meals from vendors, contractors and/or consultants were also proved. The allegations regarding attempting to influence a contract bid process and having a vendor doing business with the department employ the department employee's child were disproved.



**152-12155**

Accusations were made that an employee used their department issued Purchasing Card for personal use. It was also alleged that the employee falsified documents, to include Authorization to Incur Travel Expenses forms, and Reimbursement of Travel Expenses forms. Both allegations were proved.

**152-12174**

An accusation was made that two department employees were allowing a company doing business with the department to pay for their lunches on a regular basis. The allegations were proved.

**152-12188**

An accusation was made that a department employee accepted items of value from a consultant doing business with the department. It was also alleged that an employee provided confidential information to a consultant. Both allegations were disproved.

**152-13004**

An accusation was made that a consultant employee misused department ITR and was downloading sexually explicit material. The allegation was proved and the contractor resigned. The department received \$4,208.75 in restitution from the consultant company.

**152-13013**

Accusations were made that a department employee engaged in a “cover up” and deliberately distorted count and speed data that was recorded in a residential area traffic study. The allegations were disproved.

**152-13014**

An accusation was made that a telephone line used for a fax machine, located in a department employee’s office, was being used for personal purposes during work hours. There was insufficient information to pursue the matter further and the case was administratively closed.

**152-13017**

An accusation was made that two employees used profane, disparaging and derogatory language, and engaged in a physical altercation in a department facility. It was also alleged one of the employees falsely reported actual work hours in People First, slept at the work place during duty hours and failed to report a prior arrest. The allegations that the employee failed to report a prior arrest and falsely reported his work hours were disproved. It was proved one of the employees slept during duty hours, and both employees used profane, disparaging and derogatory language, and engaged in a physical altercation.

**152-13021**

An accusation was made that an employee did not identify a conflict of interest prior to serving as a member on a Technical Review Committee in the selection of a consultant contract. It was further alleged the employee inappropriately influenced the award of a contract and inappropriately served as the project manager on a previously awarded contract with the same consultant. The allegation of inappropriate influence and inappropriately serving as a project manager on a previous contract were disproved. The allegation that the employee failed to identify a conflict of interest was proved.

**152-13044**

An accusation was made that a department employee intentionally and falsely certified they were a United States citizen or an individual legally authorized to work in the United States on employment related documents they submitted to the department. The allegation was proved.

**160-09036**

An accusation was made that department employees were unduly influenced in the Right of Way acquisition process. This allegation was disproved.

**A**ccreditation Status – The Commission for Florida Law Enforcement Accreditation (CFA) was formed in 1993. Initially, the CFA’s accreditation process was just for law enforcement and correctional agencies. The CFA board is comprised of sheriffs; police chiefs; and a representative each from the Association of Counties, the League of Cities, the State Law Enforcement Chiefs’ Association and the State of Florida Judiciary. In 2009, an Inspector General was added as a board member. The CFA worked closely with Florida’s Inspectors General to develop professional standards for Florida Inspector General investigative functions.

In October of 2009, an assessment team from the CFA arrived to examine all aspects of the our Investigations Section’s policies and procedures, management and operations. The OIG Investigations Section had to comply with approximately 40 standards in order receive accreditation status.

Having held accreditation for almost a three-year period, the Investigations Section has undergone a mandatory assessment for reaccreditation. During this process, agencies are required to demonstrate compliance with all mandatory standards. The OIG demonstrated its proof of compliance with these standards, which was determined by an October 2012 onsite review of its policies, procedures and practices by an assessment team sent by the Commission.



**L to R: Chairman Julie Jones, Howard Greenfield, Erin Romeiser, Bob Clift, CFA Executive Director Lori Mizell**

# QAOS

Quality Assurance  
& Operations Support







## MISSION STATEMENT

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



The Quality Assurance and Operations Support (QAOS) section provides quality assurance and operations support to the Office of Inspector General. This section is responsible for the statutorily required audit recommendation follow-up, annual risk assessment, assisting with the audit plan development and development and publication of the annual report. The section is also responsible for the office's media production.



# SUMMARY OF QUALITY ASSURANCE AND OPERATIONS SUPPORT ACTIVITIES

## Statutory Activities

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

Quality assurance activities consist of reviews of hyperlinked draft reports and reviews of completed engagements. There were six reviews of hyperlinked draft reports conducted to ensure links were working properly, the appropriate work paper was linked to the draft report and the work papers supported statements made by the auditor in the draft report. There were six reviews conducted on completed engagements to ensure compliance in all phases with specified professional standards and OIG procedures. In addition, reviews were conducted on engagement work papers, at the request of the audit manager, to assist in the completion of an engagement.

Lastly, all draft and final reports, whether audit or investigation, are reviewed to ensure adherence to standards for report writing, clarity, consistency and use of proper grammar and tone. The QAOS section reviewed 48 audit reports prior to publication and 23 closed investigation reports and memorandums prior to release.

Quality Assurance Activities for 2012-2013	
Reviews of Hyperlinked Draft Reports	6
Reviews of Completed Engagements	6
Reviews of Draft and Final Audit Reports	48
Reviews of Closed Investigations	23

**A**udit Recommendation Follow-up - Florida Statutes, as well as professional standards, require monitoring and follow-up of any audit findings and recommendations made by any external audit agency or by the Office of Inspector General. To accomplish this requirement, the QAOS section ensures management and tracking of all audit findings and recommendations using the Recommendations and Action Management System (RAMS). In RAMS, responsible managers provide a status of actions that have been taken, on a quarterly basis. The OIG reviews the responses and then reports the status of all recommendations and findings to senior management.

**A**nnual Risk Assessment and Audit Plan Development - Section 20.055 F.S., requires the inspector general to conduct and analyze the results of an annual risk assessment and assist in the development of an annual Audit Plan. This year's risk assessment was developed by following the Institute of Internal Auditors' eight-step risk assessment process.

First, we defined our audit universe by using the 22 key functions as defined in the department business plan. Next, we conducted 27 interviews with senior management, including Assistant Secretaries and District Secretaries. In each interview senior management was asked to identify their major risks, areas of concern and possible audit topics.

We identified seven risk factors. Three were scored internally based on information obtained (FTEs, budget materiality, confidential/exempt information). Next, senior management was asked to score the remaining four risk factors based on knowledge of their program area (degree of change or stability, complexity of operations, performance measures, procedures). All risk factors were scored on a scale of 1-10 (1=low risk and 10=high risk). We then applied the average of the seven risk factors, prior audit coverage and Assistant Secretary risk-ranking to the potential audit topics. Lastly, we sorted the potential audit topics based on the final average.

The Audit Plan was developed based upon risks identified through the risk assessment process. The Audit Plan dedicates resources to providing audit coverage of department expenditures; contracts/agreements between the department and construction contractors; professional services consultants; intermodal projects; utility companies; transit providers, local governments and others, providing broad audit coverage while focusing our resources on areas with the greatest known risks. In addition, approximately 20% of the audit resources were allocated to state of Florida enterprise projects.

**A**nnual Report - Florida Statutes require each inspector general to prepare an annual report, no later than September 30 of each year, summarizing the activities of the office during the immediate preceding fiscal year. The final report is to be furnished to the Secretary. The QAOS section is responsible for compiling and producing the annual report. The report includes statistics regarding cost coverage and cost avoidance; summaries of significant audits and investigations; and identifies each significant recommendation described in previous annual reports in which corrective action has yet to be completed.

## Support Activities

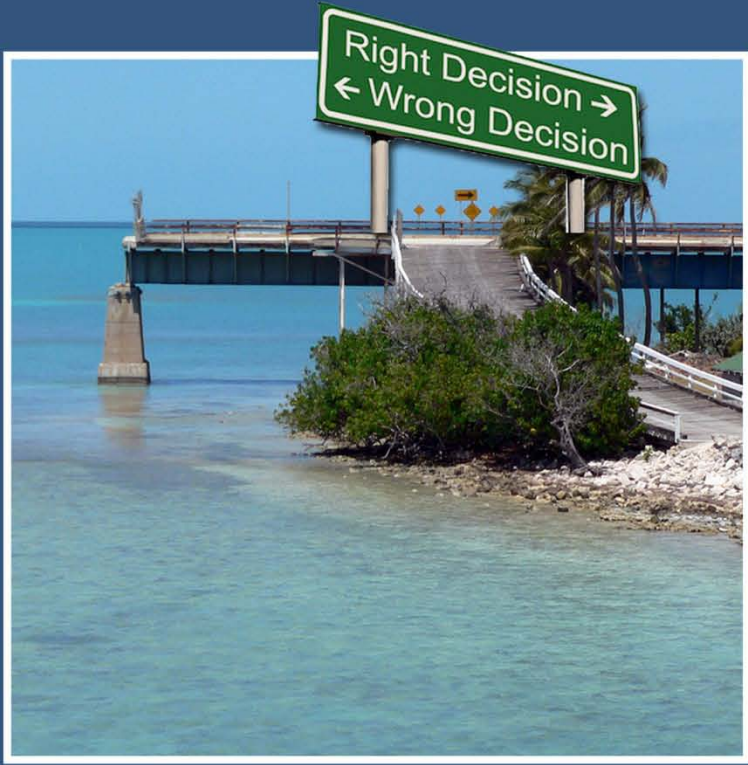
**A**dministrative Support - The QAOS section is responsible for all budget, information technology infrastructure, inventory management, records retention, purchasing and support activities for the Office of Inspector General. This section also oversees all activities related to the vehicles assigned to the office.

**T**raining - The QAOS section is responsible for the tracking of all staff training. All training is designed to ensure staff are trained to meet the mission of the OIG and are in compliance with applicable professional standards as required by statute. These standards have specific requirements, thus the need for tracking and verification. The training database is also used by audit and investigative staff to maintain applicable certifications. Reports obtained from this database are also used during the Auditor General's Quality Review.

**M**edia Production - In addition to the production of the annual report, the QAOS section compiles and produces the OIG newsletter, *Inside the OIG*. The office uses the newsletter to provide opportunities to share information, alerts and latest developments with management, staff and district personnel.

Recurring sections of the newsletter include: a message from the Inspector General; updates from the Audit, Investigations and QAOS sections; Cross-feed articles which highlight potential district wide issues from reviews and investigations conducted; and OIG Bulletin Board News, provides news and pictures regarding the OIG staff.

**S**ystems Administration - The QAOS section provides ongoing administration and maintenance of Replicon, the OIG's project management system. This system provides information for the Chief Inspector General quarterly reporting and project/budget hours tracking for project management and performance measurement.



# REPORT FRAUD

WASTE, ABUSE & MISCONDUCT

Call the Fraud Hotline:

1-800-255-8099

or

Report On-line:

[www.dot.state.fl.us/InspectorGeneral/Fraud](http://www.dot.state.fl.us/InspectorGeneral/Fraud)



It's Never the Wrong Time to do the Right Thing  
Office of Inspector General

## Annual Report Workgroup

Robert E. Clift • Kris Sullivan • Howard Greenfield  
Patricia Phillips • Thais Wilson • Amy Furney