August 17, 2009

Stephanie C. Kopelousos
Secretary
Department of Transportation
605 Suwannee Street
Tallahassee, Florida 32399-0450

RE: Auditor General Report No. 2009-144
Compliance and Internal Controls Over Financial Reporting and Federal Awards

Dear Secretary Kopelousos:

As required by Section 20.055(5)(h), Florida Statutes, attached is the six month status report for the subject audit. The report details the implementation or current status of each recommendation.

If you have any questions, please call me at 410-5823.

Sincerely,

[Signature]

Ron Russo
Inspector General

RR: hmt

Enclosure

cc: Kathy DuBose, Staff Director
Joint Legislative Auditing Committee
Stephanie Gleason, Financial Manager
Federal Highway Administration
Finding No. 1: Noncompliance and Significant Deficiency
FDOT did not have a written agreement with the Federal Highway Administration (FHWA) with regard to the indirect costs billed during the 2007-08 fiscal year. Additionally, FDOT had not established written policies and procedures in regard to development and submission of its Indirect Cost Allocation Plan (ICAP) and documentation of the negotiation of approved indirect cost rates and the resulting written agreement.

Recommendation: We recommend that FDOT establish written policies and procedures for developing and submitting the ICAP and documenting its negotiation of indirect cost rates with the FHWA. In establishing such procedures, FDOT should ensure that all capital expenditures and other distorting expenditures are excluded from direct cost bases and that required supporting schedules and documentation are prepared and submitted with the ICAP for FHWA consideration.

Initial Response: We concur. We are currently making improvements to our Indirect Cost Allocation Plan process and working closely with FHWA on finalizing a formal written agreement. As part of the improvement process, we will be establishing written procedures for development, review, and approval of FDOT’s indirect cost plan. As noted in your finding, FDOT has already taken steps to remove capital expenditures and other distorting items from our direct cost bases. Subsequent to your review, we have submitted additional supporting schedules and reconciliations to FHWA for inclusion in our indirect cost plan. We will ensure that this practice is included in our written procedure and continued for future indirect cost plans.

Current Response: We have created an Indirect Cost Allocation Plan (ICAP) Handbook which provides the procedure for the development, review, and documentation of the Department’s ICAP. This procedure ensures that all capital expenditures and other distorting expenditures are excluded from direct cost bases and that required supporting schedules and documentation are prepared and submitted with the ICAP for FHWA review.

Completed: June 8, 2009
Finding No. 2: Noncompliance and Significant Deficiency
Internal control deficiencies disclosed in the prior audit regarding obtaining and reviewing subrecipient audit reports continued to exist during the 2007-08 fiscal year in one FDOT District.

Recommendation: We recommend that FDOT continue its efforts to ensure that Checklists are timely completed.

Initial Response: We concur. All FDOT Districts have made substantial improvements in obtaining and reviewing subrecipient audit reports. We will continue our progress with the districts and ensure that checklists from FDOT District 4 are timely completed in the automated system.

Current Response: We are working with our single audit liaisons in each district and continue to see improvements in checklists submitted into the automated system. The liaison in District 4 has kept in close contact with the Office of Inspector General and is making great progress in getting all checklists up-to-date from fiscal year-end 2004 to the present.

Estimated Completion Date: December 31, 2009