
From: Sullivan, Kristofer <Kris.Sullivan@dot.state.fl.us>
Sent: Monday, August 28, 2017 2:17 PM
To: Dew, Mike; Eric Miller; JLAC
Cc: Clift, Robert; McCool, Charles; Dubose, Kathy; Holmes, Steven; Smith, Aaron
Subject: Corrective Actions on a report issued by the Auditor General from DOT
Attachments: Final Department Responses 6 month 2017-121.pdf

Chief Inspector General Miller and Secretary Dew:

As required by statute, the attached six-month update is provided for the Auditor General Operational Audit Report 2017-121, issued in March 2017. Section 20.055(6) (h), Florida Statutes, requires a six month status of corrective actions taken as reported to us by the responsible Department of Transportation action officials for the subject audit be provided to "...the agency head or, for state agencies under the jurisdiction of the Governor, the Chief Inspector General on the status of corrective actions taken. The inspector general shall file a copy of such response with the Legislative Auditing Committee."

Sincerely,



Director of Audit

for

ROBERT E. CLIFT
INSPECTOR GENERAL
FLORIDA DEPARTMENT OF TRANSPORTATION
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FDOT Six-Month Update- Auditor General Operational Audit Report 2017-121

Aviation Grant Program

Finding 1: The Department had not established detailed and comprehensive policies and procedures for administering the Aviation Grant Program. The absence of such policies and procedures contributed to the deficiencies noted in Findings 2 through 7.

Recommendation: The AG recommends that Department management establish detailed and comprehensive Aviation Grant Program policies and procedures. Among other things, the policies and procedures should address the appropriate conduct and documentation of Aviation Grant Program project oversight activities.

Agency Response and Corrective Action Plan:

Agree- The Department will utilize the Aviation Task Team, who meets monthly by teleconference, to establish detailed and comprehensive Aviation Grant Program Policies and Procedures addressing program oversight activities.

Six Month Follow-Up Response: Ongoing. The completion of Findings 2-7 will augment this task. Training was conducted with all District Aviation staff in May 2017 discussing all of the findings and to obtain feedback related to processes that will be forthcoming.

Estimated Completion Date: 11/01/17

Finding 2: District records did not evidence the basis for awarding 224 Aviation Grant Program contracts, totaling approximately \$258.2 million in State financial assistance (SFA), during the period July 2014 through January 2016.

Recommendation: The AG recommends that Department management establish detailed policies and procedures prescribing the methodology to be utilized by the districts for Aviation Grant Program contract awards and the documentation to be maintained to support the basis for the contract awards. In addition, we recommend that Department management ensure that the districts maintain appropriate documentation to support all Aviation Grant Program contract awards in accordance with established policies and procedures.

Agency Response and Corrective Action Plan:

Agree- The Department will utilize the Aviation Task Team, who meets monthly by teleconference, to establish detailed and comprehensive Aviation Grant Program Policies and Procedures to prescribe contract award methodology and documentation processes. In addition, the Department will develop processes to ensure proper documentation is maintained.

Six Month Follow-Up Response: The project has been completed and the Aviation Grant Program Project Selection Process has been formalized in the form of a checklist. The Department will now work to make this checklist an adopted FDOT form and will update FDOT Procedure 725-040-040, *Aviation Program Management*, to incorporate the requirement to complete this form for all projects submitted by sponsors for consideration to be funded through the Aviation Grant Program.

Estimated Completion Date: 11/01/17

Finding 3: Aviation Grant Program contracts did not always evidence that recipients of SFA had been provided with the information necessary to comply with the requirements of the Florida Single Audit Act.

Recommendation: We recommend that Department management ensure that the required information from the State Projects Compliance Supplement is incorporated into each Aviation Grant Program contract in accordance with the FSAA.

Agency Response and Corrective Action Plan:

Agree- The Department updated the exhibit with the required information from the State Projects Compliance Supplement in accordance with the FSAA.

Six Month Follow-Up Response: The Department updated the exhibit with the required information from the State Projects Compliance Supplement in accordance with the FSAA. This finding was completed in July 2016.

Estimated Completion Date: Complete

Finding 4: Aviation Grant Program contracts did not always include the provisions required by State law or sufficiently define deliverables in accordance with Department of Financial Services guidelines.

Recommendation: We recommend that Department management ensure that Aviation Grant Program contracts include the provisions required by State law and sufficiently define deliverables in accordance with DFS guidelines.

Agency Response and Corrective Action Plan:

Agree- The Department will utilize the Aviation Task Team, who meets monthly by teleconference, to develop processes to ensure Aviation Grant Program contracts include required provisions and sufficiently document project deliverables.

Six Month Follow-Up Response: This item is being addressed as part of the new Financial Assistance Agreement currently being developed within Strategic Development for the Aviation, Seaports and Transit program areas.

Estimated Completion Date: 11/01/17

Finding 5: Aviation Grant Program contract payments were not always supported by sufficient documentation.

Recommendation: The AG recommends that Department management enhance policies and procedures to provide detailed guidance to the districts. Such guidance should specify the supporting documentation required to be obtained and reviewed prior to approving Aviation Grant Program reimbursement invoices from sponsors. We also recommend that Department management ensure that supporting documentation is maintained to evidence the districts' review and approval of sponsor reimbursement invoices.

Agency Response and Corrective Action Plan:

Agree- The Department will utilize the Aviation Task Team, who meets monthly by teleconference, to enhance Aviation Grant Program Policies and Procedures with detailed guidance regarding supporting documentation for invoices prior to approving reimbursement. In addition, the Department will develop processes to ensure proper documentation is maintained. The Quality Assurance Section of the Disbursement Operations Office (DOO) will enhance current policies to clarify the auditing process for

the Financial Services Offices (FSO). This will be communicated to all FSOs and will ensure consistency in auditing practices statewide.

Six Month Follow-Up Response: This finding is substantially complete. Two new draft forms have been created that have been initially reviewed by the Department of Financial Services that are related to invoices and the invoice process. The Comptroller and staff have been working alongside Aviation as a coordinated team effort to address this finding. The forms will also be used for Finding 6.

Estimated Completion Date: 11/01/17

Finding 6: District staff did not always conduct or adequately conduct and document required site visits for Aviation Grant Program projects.

Recommendation: The AG recommends that Department management establish detailed guidance including the criteria, standards, methods, and documentation to be used and reviewed by district staff during site visits to assess the status of Aviation Grant Program projects.

Agency Response and Corrective Action Plan:

Agree- The Department will utilize the Aviation Task Team, who meets monthly by teleconference, to establish detailed guidance to be used during project site visits.

Six Month Follow-Up Response: This finding is substantially complete. As mentioned, the two new forms created under Finding 5 will address site visits and appropriate documentation.

Estimated Completion Date: 11/01/17

Finding 7: Although required for recipients to receive Aviation Grant Program funding, Department records did not always evidence that the Aviation and Spaceports Office had approved recipient airport master plans.

Recommendation: The AG recommends that Department management strengthen procedures to ensure that Office approval for all sponsor airport master plans is adequately documented and maintained in Department records.

Agency Response and Corrective Action Plan:

Agree- The Department will utilize the Aviation Task Team, who meets monthly by teleconference, to strengthen procedures related to airport master plan approval documentation and document maintenance.

Six Month Follow-Up Response: This finding is substantially complete. A checklist has been created that provides a check and balance approving and maintaining master plan documentation. The project to update the Joint Automated Capital Improvement Program module of the Florida Aviation Database that updates the automated checklist process commenced June 7, 2017 and will be completed by October 31, 2017.

Estimated Completion Date: 10/31/17

Commission for the Transportation Disadvantaged

Finding 8: As similarly noted in prior audit reports, most recently in our report No. 2015-058, the Commission for the Transportation Disadvantaged (Commission) had not established effective procedures and processes to ensure that appropriate monitoring of Community Transportation Coordinators (CTCs) was performed and documented.

Recommendation: The AG again recommends that Commission management enhance monitoring procedures and processes to ensure adequate monitoring of the entities receiving State funds for transportation disadvantaged services is performed and documented.

Agency Response and Corrective Action Plan:

Agree- The Commission works to continuously improve its monitoring program. As such, the Commission agrees that it needs to continue to enhance monitoring of the entities receiving State funds.

As noted above, the Commission did rely on LCB evaluations as the primary mechanism to satisfy the Commission's monitoring responsibilities of CTCs. Local Coordinating Boards are the Commission's local representatives that oversee the operations of CTCs. This over-reliance on the LCBs during this period primarily was due to the legislature mistakenly eliminating funds for the Commission's Quality Assurance program in FY 2015-16. In addition, the Commission's expense category was effectively reduced from \$372,880 in Fiscal Year 2014-15 to \$44,980 in Fiscal Year 2015-16. These inadvertent actions dramatically reduced the Commission's ability to adequately monitor entities receiving State funds. The Commission however was able to piece together funds at the end of the fiscal year to conduct limited quality assurance reviews of a few CTCs.

The legislature reinstated funding for Quality Assurance in FY 2016-17. With this funding, the Commission's Quality Assurance contractor has completed quality assurance reviews in one-half of the CTCs. The remaining CTCs will receive quality assurance reviews in FY 2017-18. Once again, Commission staff are able to travel this fiscal year to enhance monitoring. Finally, the Commission will finish its draft procedures by June 30, 2017 so staff know to initial, or otherwise document, their reviews of LCB evaluations, as well as ensure LCBs include action items in their quarterly meeting minutes before submitting them to the Commission.

Six Month Follow-Up Response: Commission staff are developing procedures for the internal review of LCB evaluations to ensure they are complete and documented.

Estimated Completion Date: 9/30/17

Finding 9: Commission invoice processing controls continue to need enhancement to ensure that payments to CTCs for transportation disadvantaged services were supported by detailed records evidencing the allowability of the charges.

Recommendation: The AG again recommends that Commission management enhance invoicing procedures to ensure that adequate supporting documentation is received and reviewed prior to the payment of invoiced amounts.

Agency Response and Corrective Action Plan:

Agree- The Commission agrees that it needs to continue to enhance its invoicing procedures. Therefore, after consulting with the Department of Financial Services, the Commission developed new procedures during 2016. The new procedure "*Invoicing*

Procedures for the Provision of Transportation and Capital Equipment” was completed on December 12, 2016. The new procedures will take effect on July 1, 2017 to coincide with the 2017-18 grant cycle.

Six Month Follow-Up Response: The new procedure “Invoicing Procedures for the Provision of Transportation and Capital Equipment” are complete and will take effect on July 1, 2017 to coincide with the 2017-18 grant cycle.

Estimated Completion Date: Complete

Finding 10: As similarly noted in prior audit reports, most recently in our report No. 2015-058, Commission procedures were not always adequate to ensure that the information included in the Commission’s annual performance report submitted to the Governor and the Legislature was accurate, complete, and supported by appropriate records.

Recommendation: The AG again recommends that Commission management enhance procedures for compiling the APR to ensure that information reported in the APR to the Governor and the Legislature is accurate, complete, and supported by appropriate documentation.

Agency Response and Corrective Action Plan:

Agree- The Commission agrees that the Annual Performance Report submitted to the Governor and the Legislature needs to be accurate, complete and supported by appropriate documentation.

The AOR System is an outdated information system. It has significant deficiencies that causes errors to appear randomly in the report, especially between the detailed and state summary pages. The Commission has worked with MGT of America to remedy many problems. However, due to the aging technology the system requires a technology refresh. The Commission has worked with the FDOT to develop a business case identifying the issues with the aging technology. The Commission has submitted a Legislative Budget Request for Fiscal Year 2017-2018 to build a new AOR system.

Once the new AOR system is built, the Commission will review, revise or write new procedures that documents the Commission’s internal review process using the new system.

The Commission is always looking at ways to improve its procedures when errors or inefficiencies are identified. The report above states, “. . . although Commission procedures had been established for the completion of CTC AORs, the procedures did not require Commission personnel to review and approve each CTC AOR.”

The procedures referenced in this statement are instructions for a CTC to complete an AOR and would not include instructions for Commission staff review and approval.

Commission staff are required to review and approve each CTC AOR. The AOR system requires a project manager to review and approve a CTC AOR before the data can be included in the annual report. Once the CTC submits the completed AOR to the Commission, the project manager must open the CTC AOR file, review each comment and either accept or reject it. The system does not allow a project manager to move forward without taking one of the two actions. The project manager uses his or her expertise in transportation systems and detailed organizational knowledge of the CTC to make a judgment on whether to accept or reject a comment from a CTC. When a project manager rejects a comment, the worksheet is returned to the CTC to correct the data and / or provide additional comments. The project manager may have

many extensive discussions with the CTC with a goal of gaining a better understanding of the CTC's specific situation. Once the project manager accepts all the comments, he or she then must approve each worksheet before the AOR is complete and combined into a statewide report.

Six Month Follow-Up Response: The Commission's Legislative Budget Request for Fiscal Year 2017-18 to build a new AOR system was not approved. Procedures are currently being developed for the internal review process of AOR submission for the 2016-17 reporting period.

Estimated Completion Date: 12/31/17

Finding 11: The Commission had not performed periodic reviews of user access privileges to the Annual Operating Report (AOR) system. In addition, certain information technology (IT) security controls related to the AOR system need improvement to better protect the confidentiality, integrity, and availability of Commission data and related IT resources. Similar findings were noted in prior audit reports, most recently in our report No. 2015-058.

Recommendation: The AG again recommends that Commission management ensure periodic reviews of AOR system user access privileges are performed to verify the continued appropriateness of assigned user access privileges. We also recommend that Commission management strengthen certain security controls related to AOR system user authentication to ensure the continued confidentiality, integrity, and availability of Commission data and related IT resources.

Agency Response and Corrective Action Plan:

Agree- The Commission agrees to strengthen security controls related to the AOR system.

Following the release of Auditor General Report 2013-066, the Commission conducted a review of the AOR system user access privileges. As a result of the review, the Commission consulted with the leadership of the Florida Department of Transportation (FDOT) Office of Information Technology (OIT) to conduct a risk assessment of the security controls for the AOR system identified by the Auditor General. The OIT and Commission determined the security risk was very low and OIT recommended the necessary actions required to address the Auditor General's concerns were not cost-effective. Therefore, to conserve limited resources for higher priority tasks, the Commission took no action on improving identified security controls related to the AOR system.

As a result of Report No. 2015-058, the Commission determined to request funding to address the Auditor General's concerns. The Commission requested funding in the Fiscal Year 2016-17 Legislative Budget Request and Legislature appropriated the funds in the Commission's budget.

MGT of America began upgrading the security controls on January 13, 2017.

Six Month Follow-Up Response: The security controls upgrade for the AOR system has been completed. The Commission has developed the Annual Operations Report (AOR) User Access Procedures, effective June 30, 2017. These procedures require that all personnel who record and submit data in the AOR will have a unique user identification number and password to access the system.

Estimated Completion Date: Complete

Road Ranger Service Patrol Program

Finding 12: As similarly noted in our report No. 2015-058, the Department had not established policies and procedures to ensure that monitoring efforts for Road Ranger Service Patrol contracts were sufficient and that adequate documentation of the monitoring activities was maintained.

Recommendation: The AG again recommends that Department management establish, for district and Turnpike staff use, Road Ranger Program contract monitoring policies and procedures that specify the criteria, standards, and methods to be used to monitor contracts, the monitoring records to be maintained, and supervisory review requirements. We also recommend that District and Turnpike management ensure that monitoring activities are adequately documented and performed in accordance with Department policies and procedures.

Agency Response and Corrective Action Plan:

Agree- Central Office Traffic Engineering and Operations Office will continue to review and revise policies and procedures written for contractual services, as needed. Coordination efforts with the Central Office Procurement Office will continue to facilitate the review current and future scopes of service for Road Ranger Service Patrol contracts to ensure language is included that identifies performance standards and establishes quality assurance/quality control (QA/QC) measures. In addition to the review of the scopes of service, Central Office Traffic Engineering and Operations will coordinate with the FDOT Comptroller's Office to have the established checklist formally adopted as the approved method for processing invoices for services submitted under all Road Ranger Service Patrol contracts. The checklist will identify required documentation to be collected and actions to be taken by the contract manager upon receipt and payment of invoices. The checklist will also serve as a primary reference during the QA/QC process. ALL established document retention policies will be adhered to throughout the contract period.

Six Month Follow-Up Response: Procedure 750-030-015, Road Ranger Operations, is in the final stages of its revision. Once complete, the procedure will require District Road Ranger Program Managers to "...develop a Quality Assurance process to ensure that the data is being collected in accordance with this procedure and available upon request." (750-030-015, Section 4.1)

Estimated Completion Date: 12/31/17

Finding 13: Road Ranger Service Patrol Program payments were not always supported by sufficient documentation. A similar finding was noted in our report No. 2015-058.

Recommendation: The AG recommends that Department management ensure that district and Turnpike staff, prior to approving Road Ranger contractor invoices for payment, utilize Department established checklists and appropriate supporting documentation to evidence that services were rendered in accordance with contract requirements.

Agency Response and Corrective Action Plan:

Agree- Central Office Traffic Engineering and Operations Office will be reviewing and revising policies and procedures that apply to Road Ranger Service Patrol contracts. In addition to the review of the policies and procedures, Central Office Traffic Engineering and Operations will coordinate with the FDOT Comptroller's Office to have the established checklist formally adopted as the approved method for processing invoices and collecting supporting documentation for services provided under the Road Ranger

Service Patrol contracts. ALL established document retention policies will be adhered to throughout the contract period.

Six Month Follow-Up Response: Currently, Road Ranger Service Patrol contracts have the ability to utilize language made available via a draft scope of services. Central Office will continue to coordinate with District Program Managers to develop a boilerplate scope of services that includes a standard template for the submission, processing and payment of invoices.

Estimated Completion Date: 12/31/17

Finding 14: Department user access privilege controls for the SunGuide system used to manage the Road Ranger Service Patrol Program continue to need enhancement.

Recommendation: The AG again recommends that Department management ensure that periodic reviews of SunGuide user access privileges are performed to verify the continued appropriateness of assigned user access privileges. We also recommend that Department management develop a methodology to retain historical user access privilege records for SunGuide.

Agency Response and Corrective Action Plan:

Agree- Central Office Traffic Engineering and Operations Office will conduct a review of SunGuide operations manuals and provide language to address user access permissions. Operations manuals will establish a process to address the access management of operators that are newly hired, transfer to another location or terminate their employment. Established document retention policies will be adhered to throughout the contract period.

Six Month Follow-Up Response: Coordinating with Transportation Systems Management & Operations (TSM&O) staff to develop and implement the appropriate processes to manage access permissions to the SunGuide system.

Estimated Completion Date: 12/31/17

Selected Administrative Activities

Finding 15: As similarly noted in our report No. 2015-058, the Department did not always timely or accurately record tangible personal property acquisitions in Department property records.

Recommendation: The AG recommends that Department management enhance tangible personal property controls to ensure that Department property records are timely updated and accurately maintained in accordance with DFS rules.

Agency Response and Corrective Action Plan:

Agree- The Department concurs with the finding. The Department's Tangible Personal Property procedure outlines the requirements for timely reporting and accurate costing of Department property. A statewide training event for property delegates is planned for the spring of 2017 which will include a review of the above findings and training on accurate cost reporting of property. Furthermore, we have identified back up property delegates in each District and will modify our procedure to include their responsibilities in the event the main property delegate is out of the office for an extended period of time.

Regarding the one tangible personal property item that was recorded 127 days after the related expenditure, this item was a redistributable expense related to various

Department funds. The redistribution process is contingent upon approval of overhead rates by the Federal Highway Administration (FHWA) which were not approved until December 2015, resulting in the long delay between expenditure and eventual complete recording in the property records. We will modify our procedure to account for the longer time period needed for certain redistributable items and will measure the timeliness based upon the first day that amounts could be appropriately recorded based upon the FHWA rate approval.

Six Month Follow-Up Response: This is in progress. A statewide training event was held on 4/10/17 which included a review of the audit findings and recommendations for improvement. Back up property delegates have been identified and updates to the Tangible Personal Property procedure are currently being made. We anticipate the procedure to be submitted for Department Review this month.

Estimated Completion Date: 8/31/17

Finding 16: The Department did not always timely deactivate user access privileges to the Florida Accounting Information Resource Subsystem upon an employee's separation from Department employment. A similar finding was noted in our report No. 2015-058.

Recommendation: The AG recommends that Department management strengthen procedures to ensure that FLAIR access privileges are timely deactivated upon an employee's separation from Department employment.

Agency Response and Corrective Action Plan:

Agree- The Office of Comptroller reviews the Payroll and Personnel Services (PPS) Termination Report on a weekly basis to identify and terminate FLAIR access for former employees, even if an Automated Access Request Form (AARF) termination request has not been submitted. Should a termination request not be submitted for separated employees, an email will be sent to the direct supervisor's manager to advise them of this requirement. This approach to the FLAIR access began in January 2016.

Six Month Follow-Up Response: Complete