



Florida Department of TRANSPORTATION

Office of Inspector General
Kristofer B. Sullivan, Inspector General

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Audit Report No. 18I-9001
Metropolitan Planning Organization (MPO) Program

March 8, 2019

What We Did

The Florida Department of Transportation's (department) Office of Inspector General (OIG) reviewed the Metropolitan Planning Organization (MPO) Program in the State of Florida. In our review, we evaluated the department's plan to improve the department's agreements with the MPOs and the MPOs' invoicing process, evaluated the department's risk assessment of the MPOs, and determined the level of Office of Policy Planning's (OPP) guidance to the District MPO Liaisons and the level of oversight OPP has over the District MPO Liaisons concerning monitoring of the MPOs.

What We Found

We determined the department has met the requirements of its Improvement Plan to address DFS' concerns of MPO contract deliverables.

We determined OPP has allowed the MPOs to direct bill indirect costs without obtaining authorization from FHWA.

We observed the following opportunities for improvement:

1. *Supporting Documentation Reviews.* OPP does not have effective controls in place to ensure district Liaisons perform the required number of supporting documentation reviews, placing the department's agreement with DFS at risk;
2. *Invoicing and Supporting Documentation Process.* The design of the current invoicing and supporting documentation review process may not be effective in reducing the risk of unallowable payments to acceptable levels. The design involves documentation reviews on a sample basis using fixed limited sample sizes not adjusted for risk posed by particular cost categories or grantees;
3. *Itemized Expenditure Detail Report.* The design of a key control (Itemized Expenditure Detail Reports) could be improved to better support its purpose (review for allowability of costs at the time of reimbursement). FHWA-funded

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contracts require the reports to be submitted with invoice packages. We also observed three out of the five invoice packages reviewed during OIG Project 18I-9004 (Capital Regional Transportation Planning Agency) for Federal Highway Administration (FHWA) funds did not contain the required report because of a common misunderstanding regarding the requirements;

4. (a) *Budget Line Items*. Liaisons do not interpret guidance provided by the MPO Handbook consistently for sampling budget line items during supporting documentation reviews;

(b) *Late Invoice Submissions*. The District Three Liaison was not able to conduct supporting documentation reviews on a quarterly basis for CRTPA, as required for high-risk MPOs, due to CRTPA's untimely submission of invoices;

5. *MPO Liaison Review of Single Audits*. Liaisons may not understand or be performing their responsibility to monitor resolution of Single Audit findings; and
6. *Governance over FTA Funding*. Some FTA-funded Joint Participation Agreements are managed by transit managers at the district level while others are managed by planning Liaisons. In at least once instance, these variations in district governance created confusion at the Central Office level regarding whether oversight of a potential compliance issue belonged to the Transit Office or OPP.

What We Recommend

In accordance with Title 2 C.F.R. 200.331(d)(2), the department has a responsibility to monitor the 27 MPOs' compliance with Federal regulations, follow up audit findings, and ensure timely corrective action is taken to correct deficiencies. If timely corrective action is not taken, the department may exercise its discretion to direct certain actions under Title 2 C.F.R. 200.207.¹

We recommend the Director of OPP continue to work to determine an appropriate treatment of indirect costs utilized by the MPOs.

Upon final determination of the indirect cost treatment, **we recommend** the Director of OPP ensure additional training and guidance is provided to the MPO Liaisons regarding proper monitoring duties for the MPOs' indirect costs.

¹ Per Title 2 C.F.R. 200.207 Specific Conditions, paragraph (a), subparagraphs 4-6, upon written notice the department may require CRTPA to (among other things) prepare more detailed financial reports, submit to additional monitoring, obtain additional approvals, or seek technical or management assistance.

We also recommend the Director of OPP implement the following actions to improve the MPO Program:

1. *Supporting Documentation Reviews.* Ensure OPP sets a deadline at the end of each quarter for districts to update the tracking tool and actively monitor whether high risk MPOs are being reviewed quarterly;
2. *Invoicing and Supporting Documentation Process.* To achieve an appropriate balance between efficiency concerns (and compliance with the State's payment statute) and effectiveness concerns (and compliance with Federal grant regulations regarding internal control), we suggest the Director of OPP ensure OPP allows flexibility regarding sample size and train Liaisons to apply risk-based concepts by cost category. For instance, for the highest risk level MPOs may require the Liaisons to review all supporting documentation or, at a minimum, a larger sample size;
3. *Itemized Expenditure Detail Report.* Ensure the MPO Program Management Handbook is revised to require the Itemized Expenditure Detail Report to list out the reimbursement request by transaction line item, including the following information for each transaction:
 - Service Date(s) of the transaction;
 - Vendor Name and Item Description; and
 - Transaction amount;
4. (a) *Budget Line Items.* Ensure language in the MPO's Handbook, regarding sampling for supporting documentation reviews, is clarified. Specifically, the Handbook should specify whether Liaisons should only sample budget line items from one invoice or should review multiple invoices, if necessary, to ensure all specified budget line items are reviewed during the supporting documentation review period;

(b) *Late Invoice Submissions.* Ensure OPP provides additional guidance on how to respond to the circumstance extended delays in invoice submission by an MPO. Options include:
 - Inspecting MPO's interim records prior to invoice submission;
 - Evaluating the MPO's recordkeeping practices and capabilities;
 - Issuing corrective actions or providing technical assistance; and
 - Shortened deadlines for documentation reviews upon invoice package receipt;

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5. *MPO Liaison Review of Single Audits.* Ensure training is provided to the MPO Liaisons regarding the incorporation of Single Audit findings into their monitoring activities, as well as any Corrective Action Plans (CAPs) resulting from the single audit findings; and
6. *Governance over FTA Funding.* Ensure OPP develops a mechanism to regularly coordinate with the Transit Office regarding the oversight of subrecipients of FTA planning funds at the district level.

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BACKGROUND AND INTRODUCTION

Metropolitan Planning Organizations: General Overview

In 1973, the Federal-Aid Highway Act mandated the creation or designation of Metropolitan Planning Organizations (MPO) for urbanized areas with populations greater than 50,000 people. MPOs are federally mandated transportation planning organizations (TPO) comprised of representatives from local governments and transportation authorities. In Florida, MPOs are also referred to as TPOs and Transportation Planning Agencies (TPA). The MPO's role is to develop and maintain the required transportation authorities and plans for a metropolitan area to ensure federal funds support local priorities. As a condition for receipt and use of Federal Transportation Funds, MPOs are required to implement the 3-C Planning Process² and comply with federal and state transportation planning requirements.

The MPO must consider the following planning factors in the 3-C Planning Process:

- Safety
- Accessibility & Mobility
- System Preservation
- Environmental Quality
- Resiliency & Reliability
- Security
- Multimodal Connectivity
- Economic Vitality
- System Efficiency
- Travel & Tourism

The four primary activities of an MPO are:

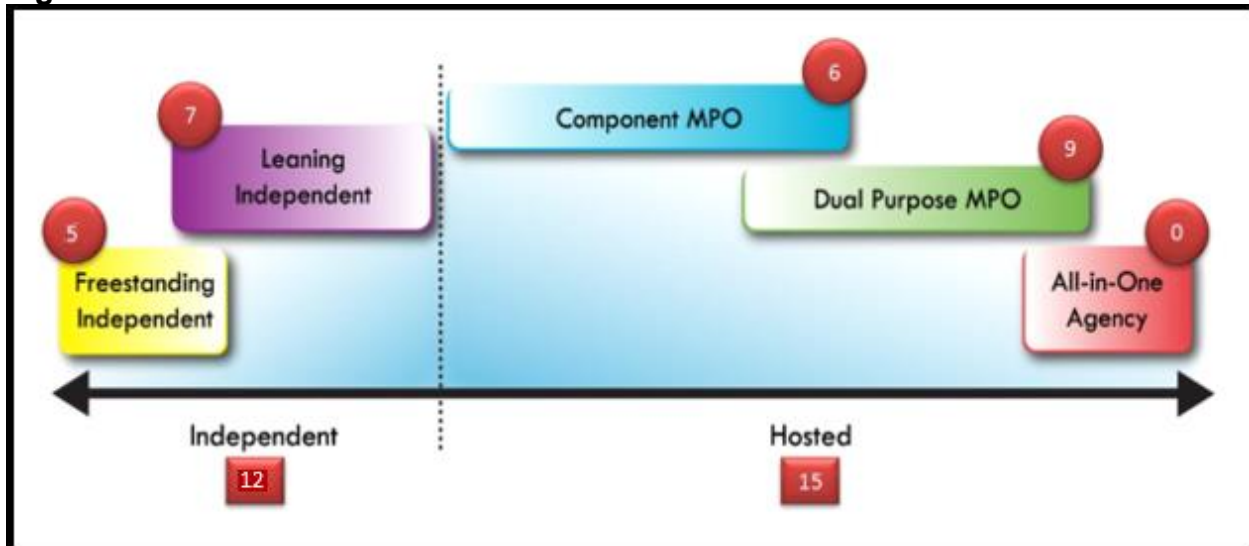
- Develop and maintain a Long-Range Transportation Plan (LRTP), which addresses no less than a 20-year planning horizon.
- Update and approve a Transportation Improvement Program (TIP), a four-year program for highway and transit improvements. In Florida, MPOs are required to develop and adopt a TIP annually that includes a five-year program of projects. The fifth year is included for illustrative purposes.
- Develop and adopt a Unified Planning Work Program (UPWP), which identifies the MPO's budget and planning activities to be undertaken in the metropolitan planning area.
- Prepare a Public Participation Plan (PPP), which describes how the MPO involves the public and stakeholder communities in transportation planning. The MPO also must periodically evaluate whether its public involvement continues to be effective.

² Continuing, Comprehensive, urban transportation planning process undertaken Cooperatively by the states and local governments.

MPO Organizational Structures

There are 27 MPOs across the state of Florida. MPOs have traditionally been classified as either independent or hosted; however, there are also sub-classifications ranging from being fully independent (freestanding) to being thoroughly integrated with the host agency that they are nearly indistinguishable from the host (all-in-one agency). Figure 1 illustrates the continuum of possible organizational structures.

Figure 1: MPO Structures



Source: MPOAC: A Snapshot of Florida MPOs (prepared by CUTR, April 2011)³

Freestanding Independent MPOs must meet all their own operating needs. There are currently five freestanding independent MPOs, which include:

1. Broward MPO
2. Lee County MPO⁴
3. MetroPlan Orlando
4. River to Sea TPO
5. North Florida TPO

Leaning Independent MPOs receive some services from one of its member agencies under a severable contract. There are currently seven leaning independent MPOs, which include:

1. Capital Region TPA
2. Collier MPO
3. St. Lucie TPO
4. Space Coast TPO

³ Modified to include the newest MPO, Heartland MPO.

⁴ Previously a Component MPO.

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5. Charlotte County-Punta Gorda MPO
6. Lake-Sumter MPO
7. Sarasota/Manatee MPO

Component (hosted) MPOs have functions that are separated from most functions of the host agency, but the MPO remains a division of the umbrella agency. There are currently six component MPOs, which include:

1. Gainesville MPO
2. Martin MPO
3. Ocala/Marion County TPO
4. Heartland Regional TPO
5. Miami-Dade
6. Pasco County MPO

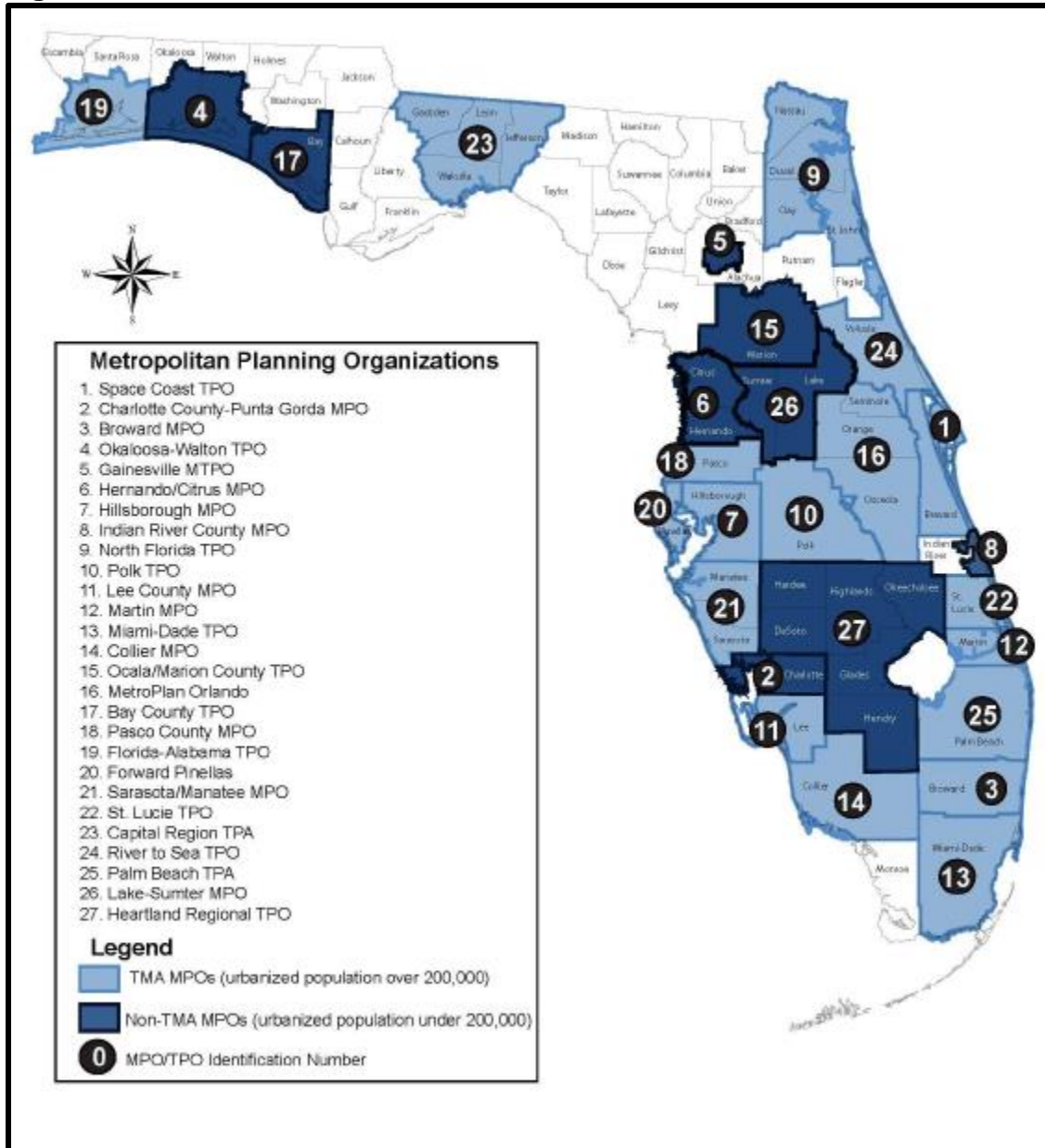
Dual Purpose (hosted) MPOs perform both MPO planning and host agency transportation planning functions. The host agency leverages MPO planning funds to maintain transportation planning staff to accomplish these purposes. There are currently nine dual purpose MPOs, which include:

1. Bay County TPO
2. Hillsborough MPO
3. Okaloosa-Walton TPO
4. Forward Pinellas MPO
5. Palm Beach MPO
6. Florida-Alabama TPO
7. Indian River County MPO
8. Polk MPO
9. Hernando/Citrus MPO

Of the 27 MPOs in Florida, 15 are hosted and the other 12 are independent of a hosting agency. Of the 27 Florida MPOs, 15 are categorized as TMAs. Florida has no all-in-one agency MPOs and the most common organizational structure in the state is the Dual Purpose MPO (9 total).

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Figure 2: MPOs in Florida



Source: April 2018 MPO Program Management Handbook (from OPP)

MPO Boards and Committees

MPOs serving areas with a population greater than one million people tend to have the largest boards – an average of 18 voting members and 4 non-voting advisors. MPOs serving populations below 200,000 people tend to have the smallest boards – an average of 11 voting members and 2 non-voting members.

Each MPO is required by Florida law to have a Technical Advisory Committee (TAC) and a Citizens Advisory Committee (CAC). These committees meet prior to board meetings to develop recommendations for presentation to the board.

MPO Funding

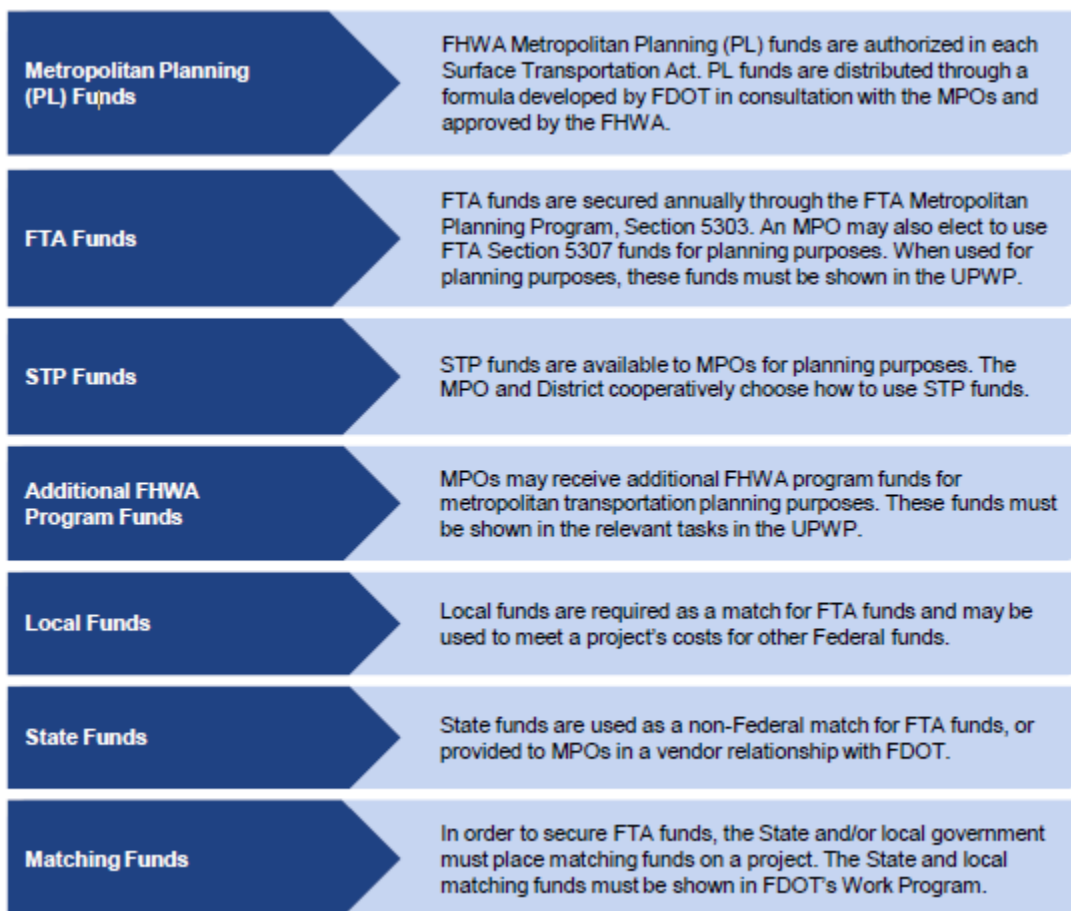
MPOs are funded primarily with Federal Highway Administration (FHWA) Metropolitan Planning (PL) funds and Federal Transit Administration (FTA) 5303/5305(d) funds, both of which are apportioned to the State for metropolitan transportation planning.

An MPO may use other eligible funds if the Federal and State requirements and guidelines for eligibility of the use of these funds are met. Surface Transportation Block Grant Program (STP) funds and FTA 5307 funds are other examples of Federal funding for metropolitan planning. An MPO may receive additional Federal dollars from Congestion Mitigation and Air Quality (CMAQ) funds, Transportation Alternatives (TA) funds, or discretionary grants such as the U.S. Department of Transportation's Transportation Investment Generating Economic Recovery (TIGER) program.

MPOs also may be funded by the Florida Commission on the Transportation Disadvantaged (TD) and by local funds. State funds are used only to provide the State match for Federal funds or with MPOs for a vendor relationship.

Figure 3 illustrates the types of funds an MPO receives.

Figure 3: MPO Funds



MPO Advisory Council

The Florida Metropolitan Planning Organization Advisory Council (MPOAC) uses department resources to assist MPOs in carrying out the metropolitan transportation planning process by serving as the principal forum for collective policy discussion. The MPOAC was created by the Florida Legislature as a statewide transportation planning and policy organization to augment the role of individual MPOs in the cooperative transportation planning process and to lobby on behalf of MPOs. The MPOAC has its own Unified Planning Work Program (UPWP), which includes a list of tasks to be completed by the MPOAC and the funding source for each task. The MPOAC's UPWP also includes a Debarment and Suspension Certification (assuring the MPOAC is not debarred, suspended, or has committed criminal acts), Lobbying Certification (assuring proper funding is used for lobbying), and Disadvantaged Business Enterprise Utilization (assuring that disadvantaged businesses can participate in the performance of MPO contracts) all signed by the Executive Director of the MPOAC.

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The department is a decentralized state agency in accordance with legislative mandates⁵, with seven districts throughout Florida. Coordination between the department and the MPOs occurs mainly through the cooperative planning efforts of the MPOs and department district offices. Table 1 illustrates which MPOs each district is responsible for overseeing.

Table 1: MPOs Overseen by District

FDOT Districts	Metropolitan Planning Offices
District 1	<ul style="list-style-type: none"> • Charlotte County-Punta Gorda MPO • Collier MPO • Heartland Regional TPO • Lee County MPO • Polk TPO • Sarasota/Manatee MPO
District 2	<ul style="list-style-type: none"> • Gainesville MTPO • North Florida TPO
District 3	<ul style="list-style-type: none"> • Bay County TPO • Capital Region TPA • Florida-Alabama TPO • Okaloosa-Walton TPO
District 4	<ul style="list-style-type: none"> • Broward MPO • Indian River County MPO • Martin MPO • Palm Beach MPO • St. Lucie TPO
District 5	<ul style="list-style-type: none"> • Lake-Sumter MPO • MetroPlan Orlando • Ocala/Marion County TPO • River to Sea TPO • Space Coast TPO
District 6	<ul style="list-style-type: none"> • Miami-Dade TPO
District 7	<ul style="list-style-type: none"> • Hernando/Citrus MPO • Hillsborough MPO • Pasco County MPO • Forward Pinellas

Source: June 2017 MPO Program Management Handbook (from OPP)

⁵ Section 20.23, Florida Statutes (F.S.)

Central Office

Office of Policy Planning (OPP)

The Office of Policy Planning (OPP) oversees a wide range of planning, policy and research activities to advance Florida's statewide transportation system. One of OPP's duties is to coordinate its work with Florida's 27 Metropolitan Planning Organizations (MPOs), and federal, state and local partners. OPP sub-allocates funding from FWHA to the districts and is responsible for providing monitoring and guidance to districts over the FHWA funding.

Transit Office

The mission of the FDOT Transit Office is to "identify, support, advance and manage cost effective, efficient and safe transportation systems and alternatives to maximize the passenger carrying capacity of surface transportation facilities." The office has three sections: Grants Administration, Transit Operations, and Transit Planning. The Transit Office applies to FTA on behalf of the department to receive transit planning funds and sub-allocates these funds to the districts. However, it does not play an active oversight role towards this funding.

Office of Comptroller (OOC)

The mission of the OOC is to manage, safeguard, and account for the department's financial resources and information.

The Disbursements Operations Office, one of the offices within OOC, is responsible for the review, approval, payment, and reconciliation of all financial obligations of the department.

The Financial Management Office, among other duties, calculates the level of risk of each MPO, based on single audit results. The Office provides a summary of the single audit results to OPP. OOC uses other criteria in determining the risk assessment for the MPOs. These criteria may consist of what is in the single audit report, if the MPO was exempt from a single audit, if the audit was not received by the deadline, if a corrective action plan was issued, if the DOT program was considered a major program in the audit conducted, and if issues exist with the management decision or Schedule of Expenditures of Federal Awards (SEFA). The Office of Comptroller has established an internal database, the Single Audit Reporting Application, for storage and review of all single audits received by the department.

District Offices

To manage MPO FHWA grants that pass through the department, planning offices within the districts assign employees called MPO Liaisons to be grant managers for the

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MPOs to ensure the MPOs are operating in accordance with federal and state requirements. MPO Liaisons are responsible for both fiscal and programmatic oversight of the MPOs. These responsibilities may include providing fiscal and programmatic guidance, tracking and initializing authorization and encumbrance of funds, reviewing invoices (reimbursement requests), reviewing supporting documentation based on each MPO’s risk level as part of their monitoring duties, conducting cost analysis and joint certifications with the MPOs, and maintaining records related to all actions taken on the UPWP.

The department has 24 MPO Liaison positions throughout the state. Each district and the Turnpike Office has at least one Liaison. Each Liaison oversees at least one MPO. Table 2 displays the number of Liaisons by district and the MPO(s) each position oversees.⁶

Table 2: MPO Liaisons by District and Corresponding MPOs

FDOT Districts	Liaisons	MPOs
District 1	Liaison 1	Polk TPO
	Liaison 2	Sarasota/Manatee MPO
	Liaison 3	Collier County MPO
	Liaison 4	Lee MPO and Charlotte County MPO
	Liaison 5	Heartland Regional TPO
District 2	Liaison 6	Gainesville MTPO
	Liaison 7	North Florida TPO
District 3	Liaisons 8 and 9	Okaloosa-Walton TPO and Florida-Alabama TPO
	Liaisons 10 and 11	Bay County TPO and Capital Region TPA
District 4	Liaison 12	St. Lucie TPO and Indian River MPO
	Liaison 13	Palm Beach MPO and Martin County MPO
	Liaison 14	Broward MPO
District 5	Liaison 15	Ocala/Marion County TPO
	Liaison 16	Space Coast TPO
	Liaison 17	Lake-Sumter MPO
	Liaison 18	River to Sea TPO
	Liaison 19	MetroPlan Orlando MPO
District 6	Liaison 20	Miami-Dade MPO
District 7	Liaison 21	Pinellas MPO and Pasco MPO
	Liaison 22	Hillsborough MPO and Citrus MPO
Turnpike	Liaison 23	Southern MPOs -Turnpike
	Liaison 24	Western & Central MPOs -Turnpike

Source: Metropolitan Planning Program Staff List (from OPP)

⁶ Districts 5 and 7 each have one in-house consultant working on the MPO Program.

The primary activities of the MPO Liaisons include but are not limited to:

- Assisting in the development of planning documents related to the MPOs;
- Assuring compliance with federal and state contracting and grant administration requirements;
- Providing programmatic and fiscal oversight for MPO grants; and
- Reviewing invoice packages to assure expenses are allowable.

District MPO Liaisons in the district planning offices manage all FHWA-funded grants. However, for FTA-funded contracts, Liaisons may or may not manage them. Each district decides whether its planning office or transit office manages the FTA 5305(d) planning contracts. In District 2, 3, and 7, the MPO Liaisons manage these contracts. In districts 1, 4, 5, and 6, transit project managers oversee them.

MPO Invoicing and Supporting Documentation Review Process

New Invoice Package Requirements

As discussed in the previous section, the department's Improvement Plan created a task team to improve the MPO invoicing process. A new MPO invoicing process was implemented on July 1, 2016 for Federal Highway Administration (FHWA) contracts. The new invoice package, to be submitted to the MPO District Liaison, contains three parts:

1) Invoice with a prescribed format

The invoice summarizes all FHWA reimbursable expenditures by UPWP task and by fund type, and includes essential contract information. It also includes a "Request for Payment Certification" statement⁷ signed by an authorized MPO official.

2) Itemized Expenditure Detail Report

OPP has provided an optional template, available to MPO Liaisons on its internal SharePoint site. The report should reflect the deliverables provided during the invoice period. It must be itemized by task, FHWA funding source, expenditure category, running budget totals and must match to the UPWP estimated budget detail. The report must also be maintained for direct costs (with detailed paid supporting documentation) and indirect costs (with an approved Indirect Cost Allocation Plan (ICAP)).

⁷ 2 CFR 200.415

3) Progress Report

No template is required or available, but the MPO must use FHWA Progress Report Standards. The report must also align to UPWP standards and be in alignment with invoice period, which is either monthly or quarterly. The MPO must provide evidence of the UPWP Minimum Performance Standards.

District Invoice Review and Approval

The MPO Liaison receives the invoice package for FHWA funding from the MPO. The MPO Liaison timestamps and reviews the invoice. If the Liaison finds something wrong with the invoice, the Liaison submits the invoice back to the MPO for correction. The time required for the MPO to correct the invoice is not included as part of the 15 days required for the department to reimburse the MPO. If the Liaison finds no issues in the invoice submitted, s/he sends the invoice to the District Financial Services Office (FSO) for review. A staff member of the FSO office retrieves the invoice from the District's FSO email inbox and audits the invoice. If information in the invoice is correct, FSO submits the invoice to the Department of Financial Services (DFS) for reviews. If DFS approves, the MPO is reimbursed.

District Supporting Documentation Review

Invoicing Supporting Documentation is not a required part of the invoice package (although the MPO Liaison has the discretion to require it).⁸ The review of this documentation occurs on a frequency determined by the MPOs' risk level. Prior to FY 2018-2019, the risk level was determined by the Office of Comptroller's risk assessment. Beginning in FY 2018-19, OPP will use its own risk assessment to determine the MPOs' risk level. As stated, the FDOT Central Office will determine the minimum risk level of each of the MPOs. This risk level will determine the minimum frequency of supporting documentation review to be performed by the FDOT MPO Liaison on the expenses reimbursed to the MPO. The MPO Liaison has the latitude to request the supporting documentation on a more frequent basis if needed.

The frequency of the supporting documentation review will occur is shown in Table 3.

⁸ MPO Program Management Handbook, page 3-61

Table 3: MPO Supporting Documentation Review Frequency

Risk Level	Minimum Frequency of Supporting Documentation Review
Low	Annually (1 per year)
Moderate	Semiannually (Every 6 months)
Elevated	Triannually (Every 4 months)
High	Quarterly (Every 3 Months)

In performing the supporting documentation review, the MPO Liaison utilizes the MPO Liaison Supporting Documentation Review Checklist, created by OPP⁹. The checklist provides instruction for identifying reimbursed expenses to be reviewed, ensuring the required documentation is available and accurate, and ensuring the expenses incurred are allowable.

Events Leading to Engagement

In 2015, the department Statewide Grants Office found issues with the MPO program. Specifically, MPO Agreements¹⁰ had multiple formats and did not include a scope of services. The MPOs’ invoicing process was time consuming, with invoice packages that, including supporting documentation, were frequently more than 500 pages. The department struggled to meet federal requirement to reimburse the MPOs within 15 business days.¹¹

In 2014, the Federal Government implemented 2 CFR 200, also known as the “Super Circular”, a comprehensive policy guide designed to significantly overhaul and strengthen Federal grant-making regulations. 2 CFR 200 created new federal requirements that affect the MPO Program:

- Period of Performance end date.
- Risk assessment & progress reporting.
- Indirect & Fringe cost reimbursement.

DFS Concerns

The issues found by the Grants Office and the implementation of 2 CFR 200 caused DFS to review all department programs with enhanced level of scrutiny.

⁹ MPO Program Management Handbook, Section 3.20

¹⁰ Joint Participation Agreements between the MPO and the Department

¹¹ 23 U.S.C. 104(f)(4)(b)

On September 22, 2015, DFS held a meeting with the department to express concerns that the department's agreements with MPOs did not clearly identify the unit of service (deliverable) or corresponding performance criteria (minimum level of service) that must be achieved before each payment can be accepted and approved.

As an outcome of this meeting, the department developed an "Improvement Plan" to address DFS's concerns. The Chief Planner in the Office of Policy Planning (OPP) signed the Improvement Plan on November 10, 2015, and on November 23, 2015, DFS acknowledged the department's Improvement Plan. Specific components of the department's Improvement Plan state that:

- A task team began working in January 2015 to develop a process to improve the agreement and invoicing process;
- A new agreement will be drafted for execution on July 1, 2016;
- A new MPO agreement will use the UPWP¹² as the scope of services; and
- The department will reimburse MPOs on a monthly or quarterly basis.

Lake Sumter Report

In March 2016, Lake County Division of Inspector General released an audit report on the Lake-Sumter MPO. The audit period was from 01/01/14-07/31/15 and consisted of the following objectives:

- To determine whether MPO receipts and disbursements are appropriate and accounted for properly.
- To determine whether MPO activities are approved, appropriate, and in compliance with grant documents, contracts and other agreements.
- To determine whether there are any additional opportunities for improvement.

The audit report concluded that a significant portion of the MPO's receipts and disbursements are inappropriate and are not accounted for properly. The report also concluded that significant portions of MPO activities are not approved, appropriate or in compliance with grant documents, contracts, and other agreements. The report revealed 22 Opportunities for Improvement, as well as 54 recommendations for improvement with which management concurred.

¹² UPWP is a task driven two-year work plan developed by all 27 MPOs. The MPOs will be reimbursed for services either monthly or quarterly for performance of their UPWP tasks.

RESULTS OF REVIEW

Improvement Plan Completed

We determined the department has met the requirements of its Improvement Plan to address DFS' concerns of MPO contract deliverables.

As stated in the Background of this report, DFS had concerns that the department's agreements with MPOs did not clearly identify the unit of service (deliverable) or corresponding performance criteria (minimum level of service) that must be achieved before each payment can be accepted and approved. The Improvement Plan specifically states that:

- A task team began working in January 2015 to develop a process to improve the agreement and invoicing process;
- A new agreement will be drafted for execution on July 1, 2016;
- A new MPO agreement will use the Unified Planning Work Program (UPWP) as the scope of services; and
- The department will reimburse MPOs on a monthly or quarterly basis.

The department has met the requirements of the Improvement Plan:

- Agreements were put in place on July 1, 2016, and the MPO Agreements state that all MPOs use the UPWP as their scope of service. The UPWP for each MPO is attached to each MPO's Agreement.
- The MPO Agreement states that the department will reimburse the MPO for costs incurred on a monthly or quarterly basis.
- A task team developed a new MPO agreement that included the elements above. OPP has taken steps to improve the invoicing process (as discussed in the Background).

Issue 1 – Indirect Rates

We determined OPP has allowed the MPOs to direct bill indirect costs without obtaining authorization from FHWA.

Title 2 C.F.R. 200 Appendix VII—States and Local Government and Indian Tribe Indirect Cost Proposals, Section 1 defines indirect costs:

Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned directly to Federal awards and other activities as appropriate, indirect costs are those remaining to be allocated to benefitted cost objectives.

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The key distinction between direct and indirect costs is that direct costs can be readily associated with a final objective,¹³ while indirect costs cannot. For example, planner hours charged to FHWA-funded projects are direct costs, and general administrative costs of support functions (e.g., human resources, accounting) are indirect costs.

Title 2 C.F.R. 200 Appendix VII, Section 3 further states how indirect costs are to be charged:

Indirect costs are normally charged to Federal awards by the use of an indirect cost rate. A separate indirect cost rate(s) is usually necessary for each department or agency of the governmental unit claiming indirect costs under Federal awards.

Usually, using an indirect cost rate implies the need to submit annual rate calculations for approval by the pass-through agency (department). However, Federal regulations also allow grantees to charge a de minimis rate of 10 percent in the absence of an approved rate.

The MPO Handbook (2017), Section 3.4.2 states the department will accept one of four methods for reimbursing indirect costs for MPOs:

1. Federally Approved Indirect Cost Rate Agreement;
2. Indirect Cost Rate Allocation Plan;
3. 10 percent de minimis indirect cost rate; and
4. Actual costs incurred.

Options 1 through 3 correspond to the use of an indirect cost rate. Option No. 4 corresponds to direct charging of indirect costs. The revised MPO Handbook (2018), Section 3.4.2, more clearly identifies direct allocation as an allowable option:

The Uniform Guidance discusses three methods for allocating and computing indirect cost rates: the simplified allocation method, the multiple base allocation method, and the direct allocation method.

Under certain circumstances, pro-rating indirect costs according to a reasonable base, such as project hours or total project costs, by funding stream would produce a result equivalent, in all material respects, to calculating an indirect rate and applying it. This method of cost allocation is known as joint direct costing.

The direct allocation method (joint or otherwise) is **not** authorized by Federal regulations for indirect costs. To resolve this issue, OPP has two known options:

1. Apply to FHWA, under the provisions of under Title 2 C.F.R. 102(b), for a waiver of indirect cost requirements (FHWA may require additional

¹³ See Title 2 C.F.R. 200.405 for additional discussion.

- information regarding the specific circumstances affecting the potential appropriateness of joint costing at each MPO); or
2. Require the MPOs to utilize the 10 percent de minimis cost rate.

Currently, OPP is involved in an ongoing discussion with FHWA to determine the proper method for the indirect cost treatment by the MPOs. Additional program guidance can be found in FTA C 8100.1C.

We recommend the Director of OPP continues to work to determine an appropriate treatment of indirect costs utilized by the MPOs.

Upon final determination of the indirect cost treatment, **we recommend** the Director of OPP ensure additional training and guidance is provided to the MPO Liaisons regarding proper monitoring duties for the MPOs' indirect costs.

Opportunities for Improvement

Opportunity 1 – Supporting Documentation Reviews

We observed OPP does not have effective controls in place to ensure district Liaisons perform the required number of supporting documentation reviews, placing the department's agreement with DFS at risk.

For Lee County MPO, the MPO Liaison did not perform the required number of supporting documentation reviews. Lee County MPO had been assigned a High Risk ranking by the department. As a result, at a minimum, the MPO Liaison was required to conduct quarterly reviews. However, during our audit period (07/01/2016 through 12/31/17), the District Liaison for Lee County MPO only performed one supporting documentation review.

Based on a survey we conducted of the MPO Liaisons:

- Eight have did not complete the minimum number of reviews;
- One did not respond; and
- Eighteen completed the required number.

Based on the OPP SharePoint website:

- Nine of the MPOs have had Supporting Documentation Reviews that have met the minimum number of times required based on the risk ranking.
- Eighteen have not met the minimum number.

OPP has posted a shared tracking tool to SharePoint for districts to upload their supporting documentation reviews (including dates of completion). In response to our

inquiries, OPP indicated it currently monitors this tracking tool by the end of each fiscal year, to ensure the districts conducted the minimum required number of reviews.

We recommend the Director of OPP ensure OPP sets a deadline at the end of each quarter for districts to update the tracking tool and actively monitor whether high risk MPOs are being reviewed quarterly.

Opportunity 2 – Invoicing and Supporting Documentation Process

We observed the design of the current invoicing and supporting documentation review process may not be effective in reducing the risk of unallowable payments to acceptable levels. The design involves documentation reviews on a sample basis using fixed limited sample sizes not adjusted for risk posed by particular cost categories or grantees.

Title 2 C.F.R. 200.303(a) states that recipients and subrecipients of Federal awards must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Title 23 U.S.C. 104(f)(4)(b) requires the State to reimburse the MPOs within 15 business days. To ensure compliance with this federal statute, the department transitioned from reviewing all supporting documentation to reviewing a fixed sample size, based on the risk assessment of the MPO.

Although it decreased the risk of missing the federal payment deadline, this process change increased the risk of paying for federally unallowable costs. The fixed sample size, for example, was not sufficient enough to detect the unallowable costs incurred by CRTPA, a high-risk MPO, during the audit period. As referenced in Audit Report No. 18I-9004, questioned costs were found during the reviews for invoices G0D29-1(PL) and G0D29-1SU.

To achieve an appropriate balance between efficiency concerns (and compliance with the State’s payment statute) and effectiveness concerns (and compliance with Federal grant regulations regarding internal control), **we suggest** the Director of OPP ensure OPP allows flexibility regarding sample size and train Liaisons to apply risk-based concepts by cost category. For instance, for the highest risk level MPOs may require the Liaisons to review all supporting documentation or, at a minimum, a larger sample size.

Opportunity 3 – Itemized Expenditure Detail Reports

We observed the design of a key control (Itemized Expenditure Detail Reports) could be improved to better support its purpose (review for allowability of costs at the time of reimbursement). FHWA-funded contracts require the reports to be submitted with invoice packages.

We also observed three out of the five invoice packages reviewed during OIG Project 18I-9004 (CRTPA) for FHWA funds did not contain the required report because of a common misunderstanding regarding the requirements.¹⁴

The MPO Handbook (2017)¹⁵ requires the invoice package include an Itemized Expenditure Detail Report, which must include:

the period of service in which the costs incurred and must be itemized by UPWP task, by funding source, and **by expenditure line items** (bolding added)."

In a presentation given at the “MPO Invoicing and Monitoring Training” (May 24, 2016) OPP provided further clarification:

The Itemized Expenditure Detail Report must be “detailed enough to review for allowability of costs at the time of reimbursement.

The presentation also included an example of a compliant report, as shown in Figure 5.

¹⁴ The similarity between the optional template provided by OPP for the Itemized Expenditure Detail Report and required template for the Estimated Budget Detail Report caused the MPO Liaison and MPO’s Executive Director to think they were equivalent. Our suggestions will make the two forms more clearly distinguishable.

¹⁵ MPO Handbook, Section 3.13 MPO Invoicing

Figure 5 – Example from OPP’s MPO Invoicing and Monitoring Training

Itemized Expenditure Detail Report

ITEMIZED EXPENDITURE DETAIL REPORT EXAMPLE
1 OCTOBER 1, 2016 - DECEMBER 31, 2016

Task 100 - General Office Management 2				
3 EXPENDITURE CATEGORY AND DESCRIPTION	2016/17 FHWA (PL) Budgeted Amount 4	2016/17 FHWA (PL) Previous Payments 5	2016/17 FHWA (PL) Current Cost 6	2016/2017 FHWA (PL) Remaining Balance 7
A. Personnel Services				
Salaries and Fringe	61,060.00	15,265.00	15,265.00	30,530.00
Sub Total:	61,060.00	15,265.00	15,265.00	30,530.00
B. Consultant Services				
Contract/Consultant Services	-	-	-	-
Sub Total:	-	-	-	-
C. Travel				
Travel Expenses	-	-	-	-
Sub Total:	-	-	-	-
D. Indirect Expenses				
Indirect Cost Rate 16.6448%	10,163.31	2,540.83	2,540.83	5,081.66
Sub Total:	10,163.31	2,540.83	2,540.83	5,081.66
D. Other Direct Expenses				
Advertising/Public Notice	-	-	-	-
Awards/Community Sponsorships	-	-	-	-
Computer Operations & Software	-	-	-	-
Contingency	-	-	-	-
Contributions	-	-	-	-
Equipment/Small Tools/Office Machinery	-	-	-	-
Office Supplies/Postage/Graphic Design	-	-	-	-
Other Miscellaneous Expense	-	-	-	-
Parking Expense	-	-	-	-
Sub Total:	-	-	-	-
8 Total:	\$ 71,223.31	\$ 17,805.83	\$ 17,805.83	\$ 35,611.66

Task 110 - UPWP & Financial Management 2				
EXPENDITURE CATEGORY AND DESCRIPTION	2016/17 FHWA (PL) Budgeted Amount	2016/17 FHWA (PL) Previous Payments	2016/17 FHWA (PL) Current Cost	2016/2017 FHWA (PL) Remaining Balance
A. Personnel Services				
Salaries and Fringe	58,348.00	14,587.00	14,587.00	29,174.00
Sub Total:	58,348.00	14,587.00	14,587.00	29,174.00
B. Consultant Services				
Contract/Consultant Services	-	-	-	-

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Required Parts

1. Period of service
2. UPWP tasks
3. Expenditure categories and line items (must align to UPWP line items)
4. Budgeted amount by fund source and line item from UPWP
5. Previous payments by fund source and line item
6. Current amount due by fund source and line item (must match amount on invoice)
7. Remaining balance by fund source and line item
8. Column totals

Source: OPP’s MPO Invoicing and Monitoring Training

However, the report shown above does not require:

- Disclosure of transaction dates to assist in detection of costs incurred outside the contract period;
- Description of each transaction to determine the nature of costs; and
- Transaction line item amounts for reconciliation to the invoice to verify validity.

With the additional details listed above, the Liaisons would be able to:

- Determine when the transactions (services or purchases) occurred;
- Verify the nature of the expenditures; and
- Reconcile individual transactions to the Invoice.

We recommend the Director of OPP ensure the MPO Program Management Handbook is revised to require the Itemized Expenditure Detail Report to list out the reimbursement request by transaction line item, including the following information for each transaction:

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- Service Date(s) of the transaction;
- Vendor Name and Item Description; and
- Transaction amount.

Opportunity 4 – OPP Invoice and Supporting Documentation Guidance

We observed the following opportunities for OPP to clarify or strengthen guidance to MPO Liaisons regarding the supporting documentation review process.

Opportunity 4a – Samples by Budget Line Item

We observed Liaisons do not interpret guidance provided by the MPO Handbook consistently for sampling budget line items during supporting documentation reviews. The MPO Handbook states that in their review of supporting documentation of MPO invoices, Liaisons must:

identify one budget line item from the Personnel Services, Consultant Services, and Travel budget categories in the Itemized Expenditure Detail Report as well as five budget line items from the five budget line items from the Other Direct Expenses budget category.

In OIG Project 18I-9004 (Lee County MPO), the Liaison did not review supporting documentation of travel reimbursement, a budget line item whose review is required, because the invoice that he selected did not contain an expenditure line item for travel expenses.

Of ten liaisons in a telephone survey:

- Three stated that they randomly pick invoices for the selection sample. For example, if there are five travel items in an invoice package, the liaisons randomly pick one travel item.
- Five of the liaisons select items only within an invoice package.
- The other two liaisons of the ten select invoices in a different manner. One chooses invoices that have a “fair amount of activity” and the other selects invoices that “provide the most information.”

We recommend the Director of OPP ensure language in the MPO’s Handbook, regarding sampling for supporting documentation reviews, is clarified. Specifically, the Handbook should specify whether Liaisons should only sample budget line items from one invoice or should review multiple invoices if necessary, to ensure all specified budget line items are reviewed during the supporting documentation review period.

Opportunity 4b – Late Invoice Submissions

We observed the District Three Liaison was not able to conduct supporting documentation reviews on a quarterly basis for CRTPA, as required for high-risk MPOs, due to CRTPA's untimely submission of invoices.

The MPO Program Handbook states the invoicing process requires supporting documentation review by the MPO Liaison, based on a frequency determined by the MPO's risk level. For high-risk MPOs, the frequency is every three months.

We recommend the Director of OPP ensure OPP provides additional guidance on how to respond to the circumstance extended delays in invoice submission by an MPO.

Options include:

- Inspecting MPO's interim records prior to invoice submission;
- Evaluating the MPO's recordkeeping practices and capabilities;
- Issuing corrective actions or providing technical assistance; and
- Shortened deadlines for documentation reviews upon invoice package receipt.

Opportunity 5 – MPO Liaison Review of Single Audits

We observed Liaisons may not understand or be performing their responsibility to monitor resolution of Single Audit findings. Per our telephone survey results:

- Seven out of ten Liaisons surveyed did not include Single Audits in their description of how they monitor MPOs.
- Two Liaisons specifically stated they did not incorporate Single Audits into their monitoring activities.
- One Liaison reported monitoring Single Audit findings and corrective actions.

The MPO Program Management Handbook (2017) states Liaisons should include relevant findings for inclusion into the contract file and the Liaison's monitoring activities.

Title 2 C.F.R. 200.331(d) states:

Pass-through entity monitoring of the subrecipient must include:

- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.

We recommend the Director of OPP ensure training is provided to the MPO Liaisons regarding the incorporation of Single Audit findings into their monitoring activities, as well as any Corrective Action Plans (CAPs) resulting from the Single Audit findings.

Opportunity 6 – Governance over FTA Funding

We observed some FTA-funded Joint Participation Agreements are managed by transit managers at the district level while others are managed by planning Liaisons. In at least once instance, these variations in district governance created confusion at the Central Office level regarding whether oversight of a potential compliance issue belonged to the Transit Office or OPP.

At Lee County MPO, we identified a potential issue concerning Lee County MPO’s transfer of FTA funding to LeeTran, a department of Lee County, under an interlocal agreement. We encountered confusion at the Central Office level regarding which office (Transit Office or OPP) has ultimate responsibility for providing technical assistance to Lee County MPO regarding its relationship with LeeTran.

Title 2 C.F.R. 200.303(a) states that recipients and subrecipients of Federal awards must:

Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Regarding an organization’s overall control environment, the “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States, Section 3.04 states:

As part of establishing an organizational structure, management considers how units interact in order to fulfill their overall responsibilities. Management establishes reporting lines within an organizational structure so that units can communicate the quality information necessary for each unit to fulfill its overall responsibilities. Based on the nature of the assigned responsibility, management chooses the type and number of discrete units, such as divisions, offices, and related subunits. Reporting lines are defined at all levels of the organization and provide methods of communication that can flow down, across, up, and around the structure.

We recommend the Director of OPP ensures OPP develops a mechanism for regularly coordinating with the Transit Office regarding the oversight of subrecipients of FTA planning funds at the district level.

APPENDIX A – Purpose, Scope, and Methodology

The **purpose** of this engagement was to evaluate the department’s plan to improve the department’s agreements with the MPOs and the MPOs’ invoicing process, evaluate the department’s risk assessment of the MPOs, and determine the level of Office of Policy Planning’s (OPP) guidance to the District MPO Liaisons and the level of oversight OPP has over the District MPO Liaisons concerning monitoring of the MPOs.

The **scope** of this engagement included the Department’s Improvement Plan, OPP’s risk assessment of MPOs, OPP’s fiscal and programmatic guidance provided to the District MPO Liaisons, and the level of oversight OPP has over the MPO liaisons concerning fiscal and programmatic monitoring of the MPOs.


The **methodology** included:

- Reviews of statutes, regulations, policies and procedures.
 - Uniform Grant Guidance (2 C.F.R. 200)
 - Department’s MPO Handbook
 - State statutes
- Documentation reviews
 - OPP Training Presentations
 - Supporting documentation for expenses billed to the department.
 - Lee County MPO’s general ledger.
 - Lee County MPO’s board meeting minutes.
- Interviews
 - District Staff.
 - OPP Staff.
- Surveys of District Staff and the MPOAC
- Material information from audit engagements, 18I-9003 and 18I-9004.

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APPENDIX B – Management Response

Office of Policy Planning's (OPP) management response was provided on March 4, 2019. The response is included in its entirety below:



Florida Department of Transportation
605 Suwannee Street
Tallahassee, FL 32399-0450

RON DESANTIS
GOVERNOR

KEVIN J. THIBAUT, P.E.
SECRETARY

MEMORANDUM

FROM: Carmen Monroy, Director, Office of Policy Planning

TO: Kristofer Sullivan, Inspector General

DATE: March 4, 2019

SUBJECT: Audit Report No. 18I-9001, Metropolitan Planning Organization (MPO) Program

COPY: Tom Byron, Assistant Secretary for Strategic Development

Below is the official response to Audit Report No. 18I-9001 from the Office of Policy Planning.

Issue 1 – Governance

Issue 1 – Indirect Rates

Issue: OPP has allowed the MPOs to direct bill indirect costs without obtaining authorization from FHWA.

Title 2 C.F.R. 200 Appendix VII—States and Local Government and Indian Tribe Indirect Cost Proposals, Section 1 defines indirect costs:

Indirect costs are those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved. After direct costs have been determined and assigned directly to Federal awards and other activities as appropriate, indirect costs are those remaining to be allocated to benefitted cost objectives.

The key distinction between direct and indirect costs is that direct costs can be readily associated with a final objective,¹ while indirect costs cannot. For example, planner

¹ See Title 2 C.F.R. 200.405 for additional discussion.

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hours charged to FHWA-funded projects are direct costs, and general administrative costs of support functions (e.g., human resources, accounting) are indirect costs.

Title 2 C.F.R. 200 Appendix VII, Section 3 further states how indirect costs are to be charged:

Indirect costs are normally charged to Federal awards by the use of an indirect cost rate. A separate indirect cost rate(s) is usually necessary for each department or agency of the governmental unit claiming indirect costs under Federal awards.

Usually, using an indirect cost rate implies the need to submit annual rate calculations for approval by the pass-through agency (department). However, Federal regulations also allow grantees to charge a de minimis rate of 10 percent in the absence of an approved rate.

The MPO Handbook (2017), Section 3.4.2 states the department will accept one of four methods for reimbursing indirect costs for MPOs:

1. Federally Approved Indirect Cost Rate Agreement;
2. Indirect Cost Rate Allocation Plan;
3. 10 percent de minimis indirect cost rate; and
4. Actual costs incurred.

Options 1 through 3 correspond to the use of an indirect cost rate. Option No. 4 corresponds to direct charging of indirect costs. The revised MPO Handbook (2018), Section 3.4.2, more clearly identifies direct allocation as an allowable option:

The Uniform Guidance discusses three methods for allocating and computing indirect cost rates: the simplified allocation method, the multiple base allocation method, and the direct allocation method.

Under certain circumstances, pro-rating indirect costs according to a reasonable base, such as project hours or total project costs, by funding stream would produce a result equivalent, in all material respects, to calculating an indirect rate and applying it. This method of cost allocation is known as joint direct costing.

The direct allocation method (joint or otherwise) is **not** authorized by Federal regulations for indirect costs. To resolve this issue, OPP has two known options:

1. Apply to FHWA, under the provisions of under Title 2 C.F.R. 102(b), for a waiver of indirect cost requirements (FHWA may require additional information regarding the specific circumstances affecting the potential appropriateness of joint costing at each MPO); or

2. Require the MPOs to utilize the 10 percent de minimis cost rate.

Currently, OPP is involved in an ongoing discussion with FHWA to determine the proper method for the indirect cost treatment by the MPOs. Additional program guidance can be found in FTA C 8100.1C.

Recommendation: We recommend the Director of OPP continues to work to determine an appropriate treatment of indirect costs utilized by the MPOs.

Upon final determination of the indirect cost treatment, **we recommend** the Director of OPP ensure additional training and guidance is provided to the MPO Liaisons regarding proper monitoring duties for the MPOs' indirect costs.

Response to Issue: We concur with the finding and recommendation.

Corrective Action: The Office of Policy Planning will continue to work with the Department's Office of the Comptroller on an appropriate method for the treatment of indirect costs utilized by the MPOs. Upon finalization, OPP will update the MPO Program Management Handbook for guidance and include this topic as part of our annual MPO Liaison Training scheduled for May of 2019.

Estimated Completion Date: June 1, 2019.

**Office of Inspector General
Florida Department of Transportation**

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PROJECT TEAM

Engagement was conducted by:
Tim Crellin, Senior Audit Supervisor

Under the supervision of:
Ashley Clark, Deputy Audit Director for Performance and IT
Nancy Shepherd, Deputy Audit Director for Intermodal
Joseph W. Gilboy, Director of Audit

Approved by:
Kristofer B. Sullivan, Inspector General

STATEMENT OF ACCORDANCE

The department's mission is to provide a safe transportation system that ensures the mobility of people and goods, enhances economic prosperity, and preserves the quality of our environment and communities.

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

This work product was prepared pursuant to section 20.055, Florida Statutes, in accordance with the Association of Inspectors General *Principles and Standards for Offices of Inspector General*, and conforms with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Please address inquiries regarding this report to the department's Office of Inspector General at (850) 410-5800.