



Florida Department of TRANSPORTATION

Office of Inspector General
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Central Office Transit Program Oversight

What We Did

The Florida Department of Transportation's (department), Office of Inspector General (OIG) performed an assessment of prior findings (whether issued by internal or external auditors) to evaluate the department's control environment for its transit programs. Federal grant guidance requires the department to manage its federal grants in accordance with an accepted framework of internal control, preferably the COSO model.¹ According to this model, the "control environment" of an organization represents the combination of culture and overall governance structures (including assignment of roles and responsibilities) necessary to establish a foundation of due care.

To evaluate the department's control environment and the effectiveness of its oversight, we compiled and reviewed the following information:

- **Central Office**—transit-related findings contained in audit and review reports issued to the department by internal auditors, external auditors and federal regulators over the past five years;
- **District**—survey of district practices; and
- **Grantee**—Single Audit findings issued during fiscal year 2016-2017 to subrecipients of transit grant funding.

What We Found

The raw results of our testing can be summarized as follows:

- **Transit Office.** Over the past 5 years, the Auditor General (AG), OIG and Federal Transportation Administration (FTA) consultants issued 12 reports, identifying 44 distinct issues² to the Transit Office:

¹ At 2 CFR 200.303, the Uniform Grant Guidance states:

The non-Federal entity must...[e]stablish 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).

Published by several major organizations representing the accounting profession in the United States, the COSO model is the most widely recognized framework of internal control in use in this country.

² Due to the differing format of the reports (particularly those of the FTA consultants), not all distinct issues were separately labeled as findings.

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- 41 of these issues concerned finance and administration functions, including 8 issues related to deficiencies in subrecipient monitoring at the district level.
- 3 of these issues concerned programmatic and compliance functions.
- **Districts.** We identified the following control weaknesses during our phone surveys of district personnel:
 - Central Office oversight of district activities is potentially hampered by wide range of staffing and administrative practices.
 - 4 districts reported issues with staffing (not enough resources to perform duties/difficulty filling positions).
 - 5 districts did not document standards for reviewing subrecipient invoices.
- **Subrecipients.** During the most recent reporting cycle for Single Audits, 43 findings were issued to a total of 21 grantees (representing \$32M, or 18 percent, of transit payments made in fiscal year 2016-2017):
 - 39 findings concerned finance and administration functions.
 - 4 findings concerned programmatic and compliance functions.

We observe the Central Office Transit Grant Administration and Commuter Assistance unit is responsible for setting policy and providing technical assistance to districts in all areas of grant administration. However, this unit does not include any persons with the requisite financial background or training to address the complex financial reporting requirements for transit funding, including the application of general operating subsidies to specific costs. **We find** the absence of persons with fiscal expertise in this key role to be a control environment weakness with a cascading impact, contributing to the preponderance of fiscal and administrative issues at all levels (Central Office, district and local agencies). **We also find** this control weakness may undermine the Central Transit Office's ability to fully implement corrective actions in response to recent Department of Financial Services (DFS) and OIG inquiries regarding the sufficiency of fiscal controls.

What We Recommend

We find the unique challenges and complexities of governing transit programs warrant the assignment of dedicated resources to this function possessing the appropriate qualifications to design, plan and implement adequate controls over fiscal compliance with federal and state regulations.

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BACKGROUND AND INTRODUCTION

Transit Funding

Public transit services provide essential linkages between different modes of transportation. Recognizing the importance of transit to Florida's transportation system, the Governor's fiscal year (FY) 2018-2019 budget allocated \$568M for public transit development grants.³

The administrative needs of the Transit Office differ substantially from other program areas. Transit grants subsidize operational costs of transit agencies or enable vehicle purchases, unlike other grant programs (which typically support construction costs). To avoid operating deficits, many transit grantees combine multiple awards from different federal and state sources with revenues from programs administered by other state agencies (e.g., Transportation Disadvantaged [TD] or Medicaid). Some operational grants awarded by the department may fund specific routes for specific purposes, while others may subsidize the overall budget of the transit agency. This funding complexity creates additional challenges for management:

- Regulatory requirements may differ from one grant to the next.
- Overlapping service definitions between contracts create the opportunity for "double dipping" by grantees.
- Contract deliverables may be difficult to define for operational subsidies without referencing the grantee's total budget and other revenue sources.
- Different payment mechanisms among service contracts (e.g., cost reimbursement for department contracts; rates per rider for Medicaid and TD) make the equitable distribution for shared costs among contracts more difficult to determine and monitor, and "double dipping" more difficult to detect, without significant financial expertise.

As shown in Appendix A, during fiscal year 2016-2017 the department disbursed \$180,927,179⁴ from over 15 federal and state transit-related grant sources, as summarized below:

- *Federal versus State Funding.* Out of total payments of \$181M:
 - 20 percent (\$37M) came from federal sources, including:
 - \$19.9M for transit services in rural areas, and
 - \$7.8M to local planning organizations.
 - 80 percent (\$144M) came from state sources, including:
 - \$84.8M in block grant funding for public transit providers.
 - \$25.3M in county incentive funding for transportation facility improvements to alleviate congestion on state highways.
- *Highest Volume District.* District six accounted for \$58M or 32 percent of total spending.

³ Public Information Office press release dated November 14, 2017.

⁴ Compiled from FLAIR data.

Roles and Responsibilities—Transit Office

As determined by statute, the department operates on a decentralized model. While districts bear primary responsibility for managing operations in their respective regions, the central office sets procedures and monitors district performance. As stated in Section 334.048, Florida Statutes (F.S.):

(3) The central office shall adopt policies, rules, procedures, and standards which are necessary for the department to function properly, including establishing accountability for all aspects of the department's operations.

(4) The central office shall monitor the districts and central office units that provide transportation programs to assess performance; determine compliance with all applicable laws, rules, and procedures; and provide useful information for department managers to take corrective action when necessary.

As shown in Appendix B (Transit Office Organization Chart), the Transit Office is organized into three functional units, overseen by a Statewide Manager:

- *Grants Administration and Commuter Assistance (three employees, one full-time consultant)*—sets overall policy for transit programs; provides technical assistance and compliance training, particularly to districts; sub-allocates funding to districts; compiles statewide programmatic and financial reports, including those required by federal regulations.
- *Transit Operations and Safety (three employees, two full-time consultants)*—establishes safety and maintenance standards; provides related oversight, training and technical assistance at the district and local agency level; assists local agencies with vehicle procurement process.
- *Transit Planning (two employees, one part-time consultant)*—supports development of Transit Development Plans (TDPs) by public transit providers; liaises with intermodal planning functions at department and national level.

The Central Transit Office's Grants Administration unit has several major governance initiatives under way:

- *Redefining Contract Deliverables.* The OIG, Office of Comptroller (OOC) and the Transit Office Grants Administration unit have recently held a series of meetings regarding the complex challenge of how to define contract deliverables for overall operational subsidies of transit programs that meet Department of Financial Services (DFS) standards. Once these deliverables are successfully defined, the related issue of tying appropriate documentation to the deliverables will need to be solved (see next bullet point.)
- *Establishing Cost Allocation Standards.* To demonstrate how operational subsidies can be traced to actual costs (as required by DFS contract standards), transit agencies would need to prepare cost allocation reports showing how overall costs are attributed to individual programs (often using ridership by client type as an allocation basis). General subsidies should only be applied last, to

leftover (deficit) costs (rather than used to accumulate cash reserves). However, in a memo dated April 12, 2017, addressed to the District Two secretary, the OIG revealed a local agency (Suwannee Valley Transit Corporation) had been allowed to amass cash reserves without properly accounting for what specific costs funds had been paid for by a federal subsidy program (5311). Subsequently, the Central Transit Office raised concerns to the OIG regarding whether the Central Transit Office, the districts, or many local agencies possessed sufficient fiscal expertise to address the issues raised by its memo. In response, the OIG agreed to work with the Central Transit Office in an advisory role to review potential best practices at two local agencies identified by the Grant Administration unit. These reviews are scheduled to be performed during FY 2018-2019. However, since the OIG's role is limited to advisory input, final guidance must be developed and deployed throughout the state by program management.

- *Implementing Statewide Grant Management Software.* Although the Central Transit Office previously purchased grant administration software to allow it to review district grant data and documentation in real time, it did not require districts to use it. Currently, it is rolling out training for a substantial upgrade (TransCIP 2.0) and requiring statewide implementation.
- *Overhauling the State Management Plan.* The Grants Administration and Transit Operations and Safety units are currently undertaking an in-depth review and overhaul of this comprehensive compendium of guidance to districts.

Roles and Responsibilities—Districts

Each district maintains an office (e.g., Office of Modal Development or equivalent title) dedicated to transit, managed by a district modal development manager (or equivalent title). The number, title, and job duties of additional staff members vary by district. Except for state block grants, district transit offices review grant applications and award grant funds; for state block grants, the Central Office makes awards and notifies districts to inform awardees. For all grant programs, districts hold primary responsibility for monitoring regulatory and contract compliance by local transit agencies. District transit offices also work with local governments and Metropolitan Planning Organizations (MPOs) regarding current and future transit issues.

RESULTS OF REVIEW

To understand the overall control environment of the transit programs, we conducted a high-level risk assessment of its three organizational components (central Transit Office, district transit offices, and subrecipients of grant funds).

Central Transit Office

To assess the control environment of the Central Office regarding transit grants, we searched reports issued by the AG, OIG, or FTA consultants to the department during the past 5 years for transit-related findings. We identified 12 such reports:

- 5 Single Audit reports issued by the AG from 2013, to 2016;
- 4 OIG reports issued between 2013 and 2017;
- 2 State Management Reviews issued by FTA consultants in 2013 and 2016; and
- 1 Financial Management Oversight Review issued by an FTA consultant in 2014.

Although the reports were issued to the department, some observations concerned districts or specific subrecipients. In addition, due to the varying formats used by the AG, OIG, and FTA, some reports grouped multiple issues under a single finding.

We analyzed and categorized the findings into 44 separate observations, which can be categorized as follows:

- Finance and Administration Issues (41 total).
 - 9 issues related to adequacy of policies and procedures;
 - 8 issues related to deficiencies in subrecipient monitoring at the district level;
 - 7 issues associated with non-compliance within the financial reporting process;⁵
 - 6 issues related to contract management at the Central Office, district and local transit agency (subrecipient) level;
 - 4 issues associated with accounting practices at the Central Office and local transit agency level;
 - 4 issues associated with governance (1 at the central office and 3 at the local transit agency level);
 - 3 issues associated with award management; and
- Programmatic and Compliance Issues (3 total).
 - 2 issues associated with maintenance at local agency level; and
 - 1 issue associated with compliance reporting.

Table 1 demonstrates how issues were distributed by topic and organizational component. Highlights include:

- 25 out of the 44 issues directly relate to the Central Office;
- 8 issues relate to deficiencies in subrecipient monitoring at the district level; and
- contract management issues were cited twice at every level (6 total).

⁵ The OOC's General Accounting Office assists in the preparation of Federal Financial Reports (FFRs).

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**Table 1
Compilation of Issues Identified to Department by External Auditors**

Finding Category	Central Office	Districts	Transit Agencies
Accounting Practices	2		2
Award Management	3		
Compliance Reporting	1		
Contract Management	2	2	2
Financial Reporting*	7		
Governance	1		3
Maintenance			2
Policies and Procedures	9		
Subrecipient Monitoring		8	
Total	25	10	9

*Regards federal financial reports prepared by General Accounting Office.

Appendix C contains additional details regarding the nature of each finding, and displays the chronological issuance by year.

Districts

To evaluate the control environment at the district level, we analyzed district organization charts to evaluate consistency of staffing practices across districts. We also developed a standardized survey, which we conducted by phone, to evaluate and compare district processes in the following areas:

- grant award panel;
- notice of award;
- subrecipient monitoring;
- receiving invoices;
- use of TransCIP;
- primary data/records source; and
- various other issues.

As shown in Table 2, districts' staffing practices vary widely. However, according to our survey results, many districts share common challenges in the following areas:

- Staffing.
 - 3 districts stated they needed more employees to perform transit duties.
 - 1 district reported having a vacant position open for 18 months.
 - 4 districts expressed a need for more training for staff, particularly in the use of TransCIP.
- Subrecipient monitoring.
 - 1 district stated it did not have enough staff to adequately perform monitoring.
 - 4 districts did not have procedures in place to document monitoring.

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- Invoice Review Procedures.
 - 5 districts did not use checklists to determine minimum documentation support or relied on judgment of staff.
- Data integrity.
 - At the time of our survey, only 1 district considered TransCIP to be its most reliable data source. All other districts relied on spreadsheets and/or physical files to obtain information.
 - 3 districts relied on physical files alone.

Appendix D contains a summary of survey results.

**Table 2
Transit Staff Positions and Job Titles by District**

Position Type/District Job Title	District							Total
	1	2	3	4	5	6	7	
Lead Manager								
District Modal Development Manager	1		1	1				3
Public Transportation Manager		1						1
District Modal Development Administrator					1	1	1	3
Assistant Manager								
Passenger Operations Manager				1	1			2
Public Transportation Manager						1		1
Supervisor								
Passenger Operations Supervisor							1	1
Passenger Operations Supervisor II			1					1
Rail & Transit Intermodal Supervisor					1			1
Operations Specialist								
Passenger Operations Specialist II						7	1	8
Passenger Operations Specialist III	4	3	2	3			2	14
Passenger Operations Specialist IV				3				3
Other Positions								
Transit Programs Administrator					1			1
Transit Project Coordinator					2			2
Project Manager					1			1
Bicycle Pedestrian Coordinator				1	1			2
Grand Total	5	4	4	9	8	9	5	44

Grant Recipients

To evaluate risks to the department at the subrecipient level, we reviewed Single Audit reports issued to transit grantees. Through an analysis of FLAIR data, we identified 122 grantees paid by the department from transit funds during FY 2016-2017. Through an analysis of data maintained in the OOC's Single Audit Reporting Application (SARA), we further narrowed the list to the 82 grantees required to submit Single Audit reports (some grantees did not meet the \$750K threshold for filing a report).

These 82 grantees represented 98 percent of total transit grant payments made during FY 2016-2017, or \$177M out of a total of \$181M. SARA assigns a risk ranking to

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grantees based on factors such as the existence of recent findings, financial solvency, and timeliness of report finding. Risk rankings for the 82 grantees meeting the filing threshold for Single Audit reports were distributed as follows:

**Table 3
Transit Grantee Risk Rankings (Single Audit Filers)**

SARA Risk Ranking	Number of Filers	Percentage of Filers
High	24	29%
Moderate	26	32%
Low	32	39%
	82	100%

We reviewed the most recently filed Single Audit report for each of these grantees (filing dates vary depending on the grantee's fiscal year). We identified 43 findings issued to a total of 21 grantees representing \$32M (18 percent of total) funding and analyzed them into common categories. We determined:

- 39 of the 43 findings are associated with financial or accounting duties, including:
 - 22 findings related to deficiencies in financial reporting.
 - 7 findings related to non-compliant accounting conditions (including 3 findings on unreconciled bank accounts issued to separate agencies).
 - 6 findings concerning deficient review/approval procedures for financial/accounting activities.
 - 2 findings concerning deficiencies in financial documentation.
 - 2 findings regarding insufficient segregation of duties for accounting functions.
- 4 out of 43 are associated with programmatic or compliance duties, including:
 - 3 findings concerning insufficient compliance documentation (maintenance plan, eligibility for disadvantaged riders, segregation of duties between determining eligibility for and issuing bus passes).
 - 1 finding concerning monitoring of subcontractors (e-Verify compliance).

Appendix E contains short summaries of the content of these findings by type. Appendix F identifies the distribution of these findings by type across the department's grantees.

Additional Considerations

The Central Transit Office's Grants Administration unit consists of three employees and one full-time consultant, none of which has a financial or accounting background. Although this unit does not include any persons with the requisite financial background or training to address the complex financial reporting requirements for transit funding, it has been tasked with implementing several major governance initiatives to improve fiscal oversight:

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- conforming transit contracts and invoicing procedures with DFS requirements;
- establishing adequate supporting guidance regarding cost allocation procedures and providing technical assistance to districts and local agencies to ensure this guidance is being followed;
- transitioning districts, some of which exclusively use paper records, to use of an automated grant management system, enabling the timely sharing of grant records and data; and
- clarifying guidance for transit programs to ensure more consistency at the district level.

In other words, the department has tasked a small team of individuals to undertake significant initiatives for which they may not be properly equipped, at a time when existing resources may already be taxed, as demonstrated by the convergence of reported issues at all levels:

- **Transit Office.** Finance and administration findings significantly outweigh program and compliance findings;
- **Districts.** Based on district-related findings contained in reports addressed to the Transit Office, and comments from districts themselves, districts are challenged to perform their subrecipient monitoring duties with available resources.
- **Subrecipients.** As is the case for the Transit Office, for local agencies finance and administration findings significantly outweigh program and compliance findings.

At 2 CFR 200.303, the Uniform Grant Guidance states:

The non-Federal entity must...[e]stablish 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).

Published by several major organizations representing the accounting profession in the United States, the COSO model is the most widely recognized framework of internal control in use in this country, and provides the basis for the Comptroller General’s guidelines. According to this model, the “control environment” of an organization represents the combination of culture and overall governance structures (including assignment of roles and responsibilities) necessary to establish a foundation of due care.

We find the absence of persons with fiscal expertise available to assist the Central Transit Office in its duty to provide technical assistance to districts to be a control environment weakness over transit programs. **We find** this control environment

weakness has a cascading impact, contributing to the preponderance of fiscal and administrative issues at all levels (Central Office, district and local agencies).

We find the unique challenges and complexities of governing transit programs, which combine multiple special purpose grants with general federal and state subsidies of overall operational budgets, warrant the assignment of dedicated resources to this function possessing the appropriate qualifications.

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APPENDIX A – Transit Grant Payments During FY 2016-2017

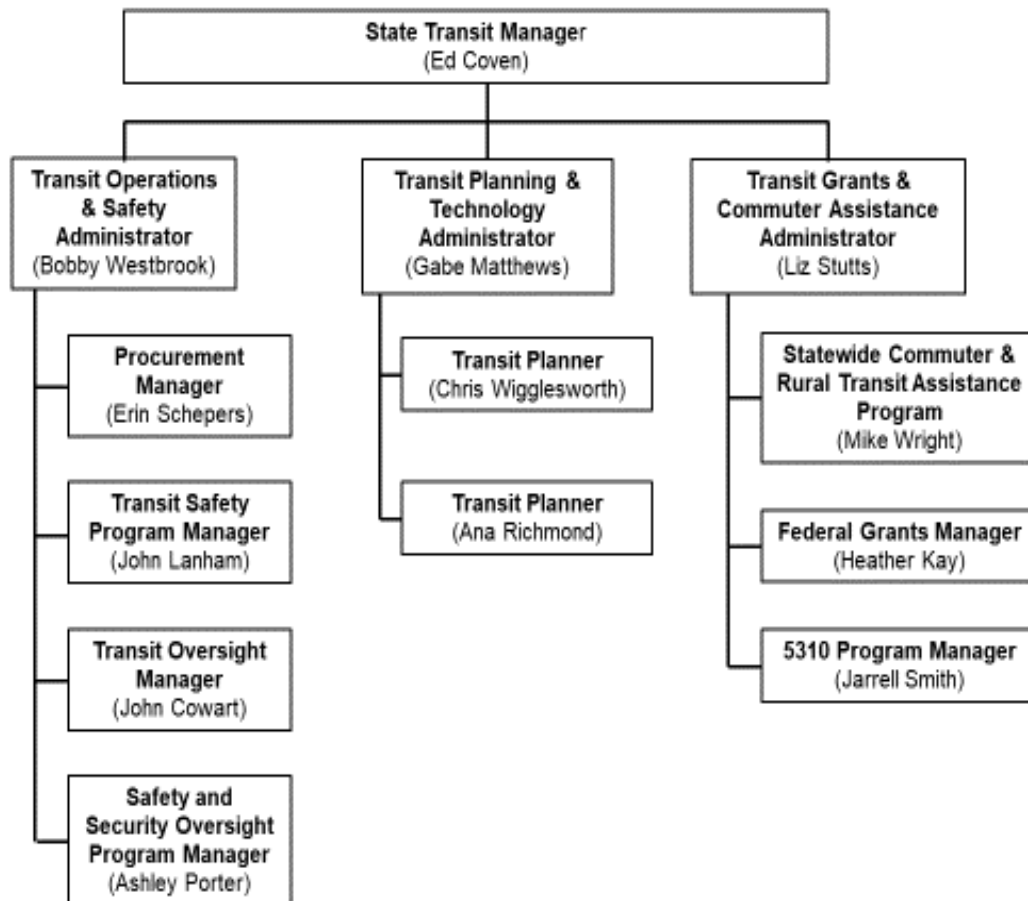
COMPILATION OF TRANSIT GRANT PAYMENTS BY DISTRICT AND GRANT SOURCE FOR FY 16/17

Grant ID	Grant Description	Central Office	District 1	District 2	District 3	District 4	District 5	District 6	District 7	Grand Total
FEDERAL GRANT FUNDS										
20.509	Formula Grants for Rural Areas	8,551,400	1,982,936	2,981,746	2,736,840	509,639	2,063,068	640,718	408,653	19,874,999
20.505	Metro Transp/State/Non-Metro Planning/Research	595,833	595,833	648,931	283,940	1,775,697	1,566,054	1,552,479	1,415,718	7,838,651
20.513	Enhanced Mobility Seniors/Individuals w/Disabilities	4,876,383					169,915		27,432	5,073,729
20.205	Highway Planning and Construction			475,339		448,253		23,709	691,287	1,638,588
20.516	Job Access and Reverse Commute Program		92,694	370,180		3,524	380,790		12,081	859,269
20.521	New Freedom Program		115,310	90,903		192,460	283,918			682,591
20.526	Bus and Bus Facilities Formula Program	44,442		479,596				62,925		586,963
20.500	Federal Transit Capital Investment Grants	18,212								18,212
	<i>Federal Subtotal</i>	13,490,437	2,786,773	5,046,696	3,020,780	2,929,572	4,463,745	2,279,831	2,555,170	36,573,004
STATE GRANT FUNDS										
55.010	Public Transit Block Grant Program	365,591	6,258,880	4,109,939	2,638,512	15,688,944	20,477,621	21,084,034	14,205,512	84,829,033
55.008	County Incentive Grant Program (CIGP)							25,292,800		25,292,800
55.013	Transit Corridor Development Program		2,234,876		789,874	2,571,479	1,960,226	4,602,351	1,590,698	13,749,504
55.012	Public Transit Service Development Program	1,448,036	1,246,389	1,175,854	187,743	3,469,164	591,225	1,767,807	348,048	10,234,267
55.017	New Starts Transit Program	33,109		1,258,237		2,302,416		529,486		4,123,247
55.007	Commuter Assistance Program/Ride Share Grants	38,200	37,468	127,984	344,415	182,019		1,635,959	536,215	2,902,261
55.014	Intermodal Access Development Program					386,748		471,369	354,702	1,212,819
55.011	Park-and-Ride Lot Program		792,033			61,200		245,849	77,388	1,176,470
55.026	Transportation Regional Incentive Program (TRIP)			833,775						833,775
	<i>State Subtotal</i>	1,884,936	10,569,646	7,505,789	3,960,544	24,661,969	23,029,072	55,629,655	17,112,564	144,354,175
	<i>Grand Total</i>	15,375,373	13,356,419	12,552,485	6,981,325	27,591,541	27,492,817	57,909,485	19,667,734	180,927,179

Source: FLAIR payment data provided by Comptroller's Office

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APPENDIX B – Central Transit Office Organization Chart



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APPENDIX C – Departmental Transit Audit Finding Observations

Compilation of Departmental Transit Audit Finding Observations Affecting Transit Office 2013 - 2017

Year	Issuing Entity	Finding Type							Description
		Accounting Practices	Award Management	Compliance Reporting	Contract Management	Financial Reporting	Governance	Policies and Procedures	
2013	AG					X			Submission of inaccurate and incomplete Cluster Financial Reports
	FTA (SMR)*							X	State Management Plan (SMP) did not contain all required elements
	FTA (SMR)*				X				Supplemental JPA allowed in-kind match without evidence of prior FDOT approval
	FTA (SMR)*						X		State Management Plan (SMP) did not clearly define the roles and responsibilities of the central office and the seven districts
	FTA (SMR)*		X						Failure to detect inactivity in awarded grants (no drawdowns for extended periods)
	FTA (SMR)*				X				Use of an outdated Disadvantage Business Enterprise (DBE) clause in a contract agreement
	FTA (SMR)*							X	Lack of written facility maintenance plan
	FTA (SMR)*							X	Lack of process for receiving and filing lobbying disclosure statements from subrecipients
2015	AG					X			Submission of inaccurate and incomplete Cluster Financial Reports (repeat of 2013 finding)
	FTA (FMOR)*					X			Failure to timely file Federal Financial Reports (FFR) to Federal Transit Authority (FTA)
	FTA (FMOR)*	X							Failure to prepare FFRs with an acceptable accounting basis
	FTA (FMOR)*			X					Failure to report Single Audit findings to FTA
	FTA (FMOR)*		X						Failure to timely close out executed grant
	FTA (FMOR)*		X						Funds drawn from incorrect grant and failure to detect the error
	FTA (FMOR)*							X	Failure to update Disaster Recovery Plans to reflect issues identified during testing
	FTA (FMOR)*							X	No consistent policy regarding timing of subrecipients' local match readiness
	FTA (FMOR)*							X	Procurement policy fails to disclose geographic preferences for the acquisition of goods and services
2016	AG					X			Unsupported loan receivable journal entry
	AG					X			Failure to report program income in FFRs/Failure to approve submission
	FTA (SMR)*					X			FFR and Milestone Progress Report submittals contained missing and inaccurate information
	FTA (SMR)*							X	Failure to report DBE Liason Officer's retirement to FTA
	FTA (SMR)*							X	DBE reports compiled and submitted to FTA by Transit Office, not DBE Office (signatory to DBE Plan)
	FTA (SMR)*							X	Failure to submit timely DBE Uniform Reports of Awards to FTA
2017	AG	X							Failure to accrue a liability for certain goods and services received during the fiscal year
	AG					X			Failure to report program income in Federal Financial Reports (FFRs)

Count of findings = 2 3 1 2 7 1 9

*SMR = State Management Review; FMOR = Financial Management Oversight Review. Both are performed by FTA consultants.

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Appendix C, continued

Compilation of Departmental Transit Finding Observations Affecting the Districts 2013 - 2017

Year	Issuing Entity	Contract Management	Subrecipient Monitoring	Description
2013	FTA Consultant (SMR)*		X	Lack of documentation to evidence grantee oversight review
	FTA Consultant (SMR)*		X	Lack of monitoring to address subrecipient's reported issue on vehicle maintenance
	FTA Consultant (SMR)*		X	Lack of oversight led to unreported charter bus activity
	FTA Consultant (SMR)*		X	Failure to adequately monitor subrecipients for Title VI compliance or to follow up on known issues
	OIG	X		Inefficient documentation to support eligibility status of grantee
	OIG		X	No evidence site and vehicle inspections were conducted
	OIG		X	No evidence federally required vehicle inspections were conducted
2015	FTA Consultant (FMOR)*		X	Failure to perform timely monitoring and vehicle inventory reviews
	OIG	X		Inadequately defined contract deliverables
2017	OIG		X	Failure to request adequate support for reimbursements

Count of findings = 2 8

*SMR = State Management Review; FMOR = Financial Management Oversight Review. Both are performed by FTA consultants.

Compilation of Departmental Transit Findings Affecting Subrecipients 2013 - 2016

Year	Issuing Entity	Accounting Practices	Contract Management	Governance	Maintenance	Finding Description
2013	OIG				X	Subrecipient failed to comply with vehicle maintenance policies
2015	OIG		X			Funds diverted to purposes outside of scope of authorizing legislation (but not of contract)
	OIG		X			Elements of work plan attached to JPA exceeded allowable service region
	OIG	X				Accounting practices failed to comply with Federally required accounting standards
	OIG			X		Insufficient oversight by Board of executive management's personnel timesheets, leave and over-time resulted in unsupported costs
	OIG			X		Unauthorized payments of excess salary to executive team retroactively approved by Board
	OIG			X		Lack of office rotation for board members. Board decisions, resolutions, and meeting minutes not documented
2016	FTA Consultant (SMR)*				X	Failure to perform preventive vehicle maintenance
2017	OIG	X				Poor accounting practice might have allowed cost shifting between programs

Count of findings = 2 2 3 2

*SMR = State Management Review; FMOR = Financial Management Oversight Review. Both are performed by FTA consultants.

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APPENDIX D – District Survey Data

SUMMARY OF DISTRICT SURVEY RESPONSES

Topic	District 1	District 2	District 3	District 4	District 5	District 6	District 7
Invoicing - Receipt	Via e-mail	Via e-mail	Via e-mail	Via e-mail/ TransCIP	Via e-mail	Via e-mail	Via TransCIP
Invoicing	No checklist for minimum backup	Documented back-up requirement/element of judgment	No checklist for minimum backup	Standard process	Judgmental back up	No standard process/judgmental	No checklist for minimum backup
Notice of Award	No formal Notice of Award	Notice of Award used	No formal Notice of Award	E-mail or phone call	Notice of Award via mail	Notice of Award via e-mail	No formal Notice of Award
Preferred Data Source	Physical Files	Physical Files	Spreadsheet	Physical/ Digital Files	Physical Files	Spreadsheet	TransCIP
Monitoring	Not enough/not sufficient staff	Compliance matrix used to monitor	Undocumented monitoring	Undocumented monitoring	Undocumented monitoring	Monitoring through a spreadsheet	Undocumented monitoring
TransCIP	No access	Not fully utilized. In plan for full utilization	Very minimum	Close to full utilization	Not fully utilized	Limited use	Not fully utilized
Panel	4 employees, 1 oversees	4 employees, 1 oversees	No formal panel for state grants	3 employees at different levels	3 employees at different levels	3 employees	3 employees, 1 oversees
Others Issues Reported	Need more staff/training	Need more employees/succession plan	Need more employees	Training for the use of TransCIP	TransCIP is not a very useful tool	Training for TransCIP 2.0	1 position vacant for 18 months

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APPENDIX E – Single Audit Findings Issued to Transit Subrecipients by Type

SUMMARY DESCRIPTIONS OF GRANTEE FINDINGS BY TYPE

Financial Reporting

Capitalized transactions were expensed instead
Failure to accrue expenses in correct period
Inaccurate balances on submitted reports
Lack of expenditure tracking by grant on ledger
Misclassification of debt by the debtor and recipient of funds
Misclassification of expenditures
Misclassification of funds overstated debt fund account
Misclassification of funds transfer
Multiple expenditures inaccuracies/omissions
Unsupported loan receivable balances
Untimely classification of prepaid and expense accounts
Financial statements contained material misstatements that required corrections
Auditor had to prepare financial statements
Inaccurate Schedule of Federal Awards report
Internal auditor intervention to adjust revenue
Schedule of Federal Awards did not include corresponding details
Deferred revenue not removed from balance sheet timely
Internal auditor assisted in journal entry preparation for reporting pensions
Internal auditor had to assist in preparing financial statements for audit
Excessive voided checks resulted in inaccurate financial statements
Internal auditor encountered audit differences and performed adjusting entries
Schedule of Federal Awards did not include all awards received

Accounting

Errors in formulas used to calculate payroll costs
Lack of safeguarding over cash
Lack of significant amendments to budget
Unreconciled bank accounts (3 findings total, issued to separate agencies)
Reimbursement requests not initiated on a timely basis.

Review/Approvals

Incomplete or missing certified payrolls
Monitoring reports not reviewed and/or approved
Unauthorized fund transfer was recorded
Non-review of invoices for thresholds
Lack of review evidence for manual journal entries
Unauthorized overtime payroll

Documentation

Lack of documentation to support recognized revenue
Lack of documented review over cash disbursement
Maintenance plan could not be located
No evidence of eligibility for disadvantaged riders
Lack of documentation to evidence separation of duties for reviewing applications vs. authorizing issuance of bus passes

Segregation of Duties

Lack of separation of duties over the cash receipt process
Lack of separation of duties over key accounting functions

Monitoring

One non-compliant vendor/contractor did not utilize E-Verify for all employees

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APPENDIX F – Single Audit Findings by Transit Subrecipient

Compilation of Grantee Single Audit Findings by Grantee and Type

Agency	Finding Description	Finding Type				
		Financial Reporting	Accounting	Review/Approvals	Documentation	Segregation of Duties Monitoring
Bay County	Lack of safeguarding over cash		1			
	Financial statements contained material misstatements that required corrections	1				
	Lack of separation of duties over the cash receipt process					1
Big Bend Transit	Auditor had to prepare financial statements	1				
Brevard County	Untimely classification of prepaid and expense accounts	1				
City of Hollywood	Unreconciled bank accounts		1			
	Non-review of invoices for thresholds			1		
City of Miami Beach	Unreconciled bank accounts		1			
	Inaccurate Schedule of Federal Awards report	1				
City of Tallahassee	Multiple expenditures inaccuracies/omissions	1				
	No evidence of eligibility for disadvantaged riders				1	
Levy County	Internal auditor intervention to adjust revenue	1				
Desoto County	Lack of separation of duties over key accounting functions					1
Good Wheels	Schedule of Federal Awards did not include corresponding details	1				
Hillsborough County Regional	Incomplete or missing certified payrolls			1		
	Unreconciled bank accounts		1			
	Reimbursement requests not initiated on a timely basis.		1			
Hillsborough County	Lack of review evidence for manual journal entries			1		
Jacksonville Transportation Authority	Lack of documentation to support recognized revenue				1	
	Misclassification of debt by the debtor and recipient of funds	1				
	Misclassification of expenditures	1				
	Misclassification of funds overstated debt fund account	1				
	Misclassification of funds transfer	1				
	Unauthorized fund transfer was recorded			1		
	Deferred revenue not removed from balance sheet timely	1				
Lakeland Area Mass Transit District	Internal auditor assisted in journal entry preparation for reporting pensions	1				
	Capitalized transactions were expensed instead	1				
	Lack of documented review over cash disbursement				1	
	Lack of expenditure tracking by grant on ledger	1				
Lee County	Auditor had to assist in preparing financial statements	1				
	Monitoring reports not reviewed and/or approved			1		
	Errors in formulas used to calculate payroll costs			1		
Metropolitan	Failure to accrue expenses in correct period	1				
Liberty County	Excessive voided checks resulted in inaccurate financial statements	1				
Pasco County	Unsupported loan receivable balances	1				
	Lack of documentation to evidence separation of duties for reviewing applications vs. authorizing issuance of bus passes				1	
	Internal auditor encountered audit differences and performed adjusting	1				
Saint Johns County	Schedule of Federal Awards did not include all awards received	1				
Santa Rosa County	Lack of significant amendments to budget			1		
Sarasota County	Inaccurate balances on submitted reports	1				
	Maintenance plan could not be located				1	
Tampa Bay Area Regional	One non-compliant vendor/contractor did not utilize E-Verify for all employees					1
	Unauthorized overtime payroll			1		
Total		22	7	6	5	2
				1		1

APPENDIX G – Purpose, Scope, and Methodology

The **purpose** of this engagement was to assess the control environment of Transit Programs across organizational levels, Central Office, Districts and Agencies, seeking areas of opportunities to enhance governance and the control environment.

The **scope** of this advisory engagement included the compilation of internal and external audit findings associated with the Central Office for the previous five years, interviews performed across all seven districts and compilation of single audit reports findings for all transit agencies.

The **methodology** included:

- compilation of internal and external audit findings associated with the Central Office;
- interviews across all districts and evaluation of general processes to assess interpretation of policies and procedures and to assess consistency in their applications; and
- compilation and analysis of Single Audit reports findings associated with transit agencies.

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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.