



# Florida Department of TRANSPORTATION

## Office of Inspector General Memorandum

**TO:** Michelle Peronto, District 1, Transit Programs Administrator

**FROM:** Kristofer B. Sullivan, Interim Inspector General *KBSullivan*

**DATE:** June 20, 2018

**SUBJECT:** Lakeland Area Mass Transit District d/b/a Citrus Connection – Mismanagement of Grant Awards Allegations

**COPY:** John Kubler, District 1, Director of Transportation Development  
Paul Simmons, District 1, ISD Modal Manager  
Phillip Walker, Chairman of the Board  
Tom Phillips, Executive Director  
David Persaud, Chief Financial Officer  
Steven Schaible, Director of Human Resources

---

The Florida Department of Transportation's (FDOT) Office of Inspector General (OIG) received a series of allegations made by a former employee of the Lakeland Area Mass Transit District (LAMTD, agency), challenging the management of State and Federal Grant Awards.

Brenda Alvarez, the claimant, presented her allegations as complaint letters addressed to Rick Scott, Governor; [Dennis] Ross, Congressman; George Lindsey, LAMTD Chairman, and to the Equal Employment Opportunity Commission (EEOC), explaining her concerns over potential mismanagement of State and Federal Awards and inappropriate accounting of the latter. She cited the statements below, and in some instances provided documentation in support thereof:

1. Travel expenses are paid in excess of FDOT guidelines;
2. Revenue was not reported in the last [Single 2016 Audit Report] audit and not reflected on the [Schedule of Expenditures of Federal Awards] SEFA in the amount of \$66,000 and \$543,694;
3. Large amount of journal entries made to reclass revenue;
4. Large amount of journal entries made to reclass expenses;
5. Purchases that should be capitalized are not capitalized and are expensed;
6. Employee pension plans are not properly accounted for and comingled in the health care accounts;

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

---

7. Assets purchased by State/Federal grants are not utilized for the purpose stated in the grant;
8. Grant applications have been inflated on the expense side;
9. Payroll fraud that management was aware of, but allowed to occur over a significant amount of time. The employee was not required to repay the monies she defrauded the taxpayers; and
10. Employee travel and reimbursed expenses are not reported to the [Internal Revenue Service] IRS.

The OIG performed the following procedures:

- Interviewed the complainant to clarify the nature of some of the complaints.
- Organized the supporting documentation received, and allocated it to each corresponding allegation;
- Reviewed the underlying support to determine sufficiency and relevance to the supporting allegation;
- Because the agency has financial responsibilities with several entities, the OIG identified the allegations that were directly associated with FDOT;
- Interviewed the FDOT district associated with the agency to assess its control environment with respect to the agency;
- Reviewed LAMTD's Board of Directors' meetings to assess the agency's internal control environment;
- Reviewed the latest LAMTD's Single Audit Report to assess compliance and to evaluate financial reporting effectiveness; and

The following table contains OIG's final determination using the above procedures by complainant statement:

<b>Original Statement</b>	<b>OIG Determination</b>
1. Travel expenses are paid in excess of FDOT guidelines.	The supporting documentation evidences reimbursement claims by the agency in excess of FDOT guidelines; however, it also shows the FDOT district's review and requests for corrective action to bring reimbursement claims into compliance with FDOT guidelines. Additionally, the FDOT district personnel confirmed their awareness of these claims and commented on their continuous and open communication with the agency to align their activities in all respects to FDOT guidelines.

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

2. Revenue was not reported in the 2015-2016 single audit and not reflected on the Schedule of Expenditures of Federal Awards (SEFA) in the amount of \$66,000 and \$543,694, respectively.	Not applicable to FDOT. The supporting documents presented do not suffice to determine whether recognition of this grant, along with its corresponding expense, should have occurred prior to September 30, 2016, which is the end of the Federal audited fiscal period. Additionally, these funds relate to a Federal Grant, chapter and section 5307, an Urbanized Area Federal Grant, which is awarded directly to the agency.
3. Large amount of journal entries made to reclass revenue.	Not applicable to FDOT. The supporting documentation evidences reclassifications due to miscoding of accounts. Miscoding errors may be attributed to several factors, and the underlying support is not sufficient to draw a conclusion as to which factors are responsible for these errors. However, the external auditor noted on his independent financial audit report "the financial statements...present fairly, in all material respects, the financial position of the district...."
4. Large amount of journal entries made to reclass expenses.	
5. Purchases that should be capitalized are not capitalized and are expensed.	Not applicable to FDOT. The support associated with this claim alluded to office equipment purchased for \$1,699. The agency's internal policy requires capitalization of purchases in excess of \$500. However, since FDOT reimburses the agency on a cash basis, the latter's capitalization policy and its compliance do not affect FDOT's reimbursement timeline.
6. Employee pension plans are not properly accounted for and comingled in the health care accounts.	Not applicable to FDOT. This claim relates to a matter internal to the agency and to which FDOT is not associated. It should be disclosed that this allegation was drawn from an independent financial report where it was first noted. The inclusion of a new retirement plan created confusion during its implementation, and as per the independent audit report, this issue was addressed and corrected the following month.
7. Assets purchased by state/federal grants are not used for the purpose stated in the grant.	While reviewing the documentation provided it became evident there was no underlying support for these claims. During an interview, the claimant was made aware of the lack of support associated with the claims.
8. Grant applications have been inflated on the expense side.	

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

---

9. Payroll fraud that management was aware of but allowed to occur over a significant amount of time. The employee was not required to repay the monies she defrauded the taxpayers.	Not applicable to FDOT. These claims relate to internal matters not associated with FDOT. The first claim alludes to the abuse of authority by a payroll employee for which the agency took corrective action. The claimant challenges the corrective action taken by the agency. The second claim challenges the potential failure of the agency to include as income unsupported reimbursement expenses. Both matters address internal policies not associated or relevant to FDOT's relation with the agency.
10. Employee travel and reimbursed expenses are not reported to the IRS.	

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

---

**APPENDIX A – Management Response**

---

On June 13, 2018, the agency, Lakeland Area Mass Transit District d/b/a Citrus Connection, responded to the draft memorandum stating they have no comments.



BOARD OF DIRECTORS  
POLK CO. COMMISSIONERS: John Hall and George Lindsey  
CITY OF LAKELAND COMMISSIONERS: Michael Dunn, Bill Mutz and Phillip Walker  
EXECUTIVE DIRECTOR: Tom Phillips

1212 GEORGE JENKINS BLVD., LAKELAND, FL 33815 | 855-POLKBUS (765-5287) | WWW.RIDECITRUS.COM

June 13, 2018

Nancy Shepherd, CPA CGFM  
Intermodal Audit Manager  
Office of Inspector General  
Florida Department of Transportation

Ms. Shepherd,

The Lakeland Area Mass Transit District would like to thank The Florida Department of Transportation, Office of Inspector General for its thorough review of our management of State and Federal Grant Funds.

We are pleased that the Office of Inspector General, through its analysis, found no findings related to the allegations made by a former employee. We wholeheartedly concur with the results of the review.

External reviews are an important component of ensuring financial and management integrity, and they contribute to the overall effectiveness and efficiency of our organization.

The Lakeland Area Mass Transit District would again like to thank the Florida Department of Transportation, Office of Inspector General for their time and service to ensure public funds are spent properly.

Sincerely,

A handwritten signature in blue ink that reads "Phillip Walker".

Phillip Walker  
Lakeland Area Mass Transit District  
Chairman of the Board

**MISSION:** To be a superior provider of transportation services that contribute to the economic growth and quality of life for the communities we serve.