



# Florida Department of TRANSPORTATION

Office of Inspector General  
Kristofer B. Sullivan, Inspector General

A handwritten signature in blue ink that reads "KSullivan".

Audit Report No. 18P-1003  
Logo Sign Program Audit

September 20, 2019

## What We Did

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The Office of Inspector General (OIG) conducted an audit of the Department of Transportation's (Department) Logo Sign Program. The purpose of this engagement was to evaluate the efficiency and effectiveness of the Department's Logo Sign Program and to ensure vendor compliance with contract terms. Our review included the evaluation of program monitoring efforts and a review of vendor payments to the Department.

## What We Found

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We found Florida Logos, Inc. (Florida Logos) is fulfilling its duties as outlined in the Logo Sign Program's contract objectives and scope; however, a majority of the payments or documentation supporting why a payment was not provided were not submitted on time.

## What We Recommend

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**We recommend** the Logo Sign Program contract manager:

- work with Florida Logos to complete the reconciliation of the payments from April 2016 to June 2018 with sufficient documentation to support this reconciliation;
- ensure in the future Florida Logos provides documentation that properly supports payments made to the Department;
- utilize a tracking system to ensure all payments are received, received on time, and adequate documentation is provided to support each payment;
- create a comprehensive desk procedure to document how to track and analyze vendor invoices and payments; and
- consider collecting liquidated damages from the vendor for consistently late payments.

**We also recommend** the Manager of Outdoor Advertising and Logo conduct a quality assurance review to ensure the vendor provides accurate payments and supporting documentation to the Logo Sign Program contract manager in a timely manner.

We have also included opportunities to improve the vendor's cost reporting and permit fee assignments.

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## **BACKGROUND AND INTRODUCTION**

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Pursuant to Section 479.261, Florida Statutes, (F.S.), the Department is responsible for establishing a logo sign program for the rights of way of the limited access highway system to provide information to motorists about available gas, food, lodging, camping, attractions, and other services, as approved by the Federal Highway Administration, at interchanges through the use of business logos. It also states that the Department may contract pursuant to Section 287.057, F.S., for the provision of services related to the Logo Sign Program, including recruitment and qualification of businesses, review of application, permit issuance, and fabrication, installation, and maintenance of logo signs.

Florida Logos, Inc. was established in 1997 and is responsible for the administration and operation of the Logo Sign Program for the State of Florida and the Florida Department of Transportation. Florida Logos, Inc. is a subsidiary of Interstate Logos, Inc., and Interstate Logos, Inc. is a subsidiary of Lamar Advertising company, one of the largest outdoor advertising companies in the world.

The Department originally awarded Florida Logos a 5-year contract to provide all logo services associated with the program that expired on September 30, 2015. An amendment was signed on July 23, 2015, which extended the contract to March 31, 2016. A new contract was entered into on March 7, 2016, and will expire on September 30, 2021. It states in addition to administering the Logo Sign Program, the vendor will perform any refurbishments or maintenance required of the logo sign structures. Businesses who want their logos displayed on a sign must apply for a permit through the vendor and once approved will have their logos displayed on a sign or placed on a waiting list based on availability.

The Logo Sign Program is part of the Department's Office of Right of Way and managed by the Logo Sign Program contract manager. The contract manager is responsible for monitoring and ensures compliance with scope of services, deliverables, and payments.

The contract requires the vendor perform the following functions:

- conduct and submit a marketing study to determine which interchanges qualify for participation in the Logo Sign Program;
- conduct marketing studies and take appropriate action to ensure under-utilized interchanges have the lowest vacancy rates possible;
- complete engineering, fabrication, construction, and installation of all signs at interchanges approved for participation, which cost shall be borne by the firm selected;
- inventory existing participating businesses annually to verify continued eligibility;
- process annual permit renewals for all existing logo sign permits;
- process all applications for new logo sign permits;

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- design, reconfigure, and build new structures, as approved by the project manager;
- maintain a marketing plan (recruiting and retaining businesses);
- develop a relational database to manage the Logo Sign Program, of which access shall be given to the Department for monitoring;
- design, develop, and maintain consultant Logo Sign Program website for public access; and
- provide litigation support.

In addition to the above scope of services, the vendor is also expected to maintain a high level of performance during the term of the contract, measured by the following performance measures:

- A. 98% of applications for logo permits must be approved, denied, or placed on a waitlist within 30 days of receipt by the contractor;
- B. 98% of logo program participating businesses are in compliance with eligibility requirements;
- C. 95% of approved business logos are affixed to the display panel within 30 days of receipt of payment or business logo panel, whichever is later, by the vendor;
- D. 95% of routine repairs to logo structures are completed within 60 days of identification of deficiencies by the contractor or notice to the contractor;
- E. 100% of signed limited access facility interchanges are field inspected annually;
- F. 100% of annual renewal billings are mailed to permittees no later than October 15 of each year;
- G. 90% of eligible interchanges where businesses exist are signed;
- H. 95% of available spaces for gas, food, and lodging are filled with business logos at interchanges where wait lists exist;
- I. 100% of response to emergency incident notifications within 36 hours; and
- J. 100% of removal of structures identified by the Department.

Included in the contract is the authority of the Department to collect liquidated damages from the vendor if found in default or violation of the contract for \$200 per day or per event.

A previous audit report<sup>1</sup> conducted by the Department of the Logo Sign Program found that the Department needed to improve monitoring the program's quality control process and marketing plan.

The OIG recommended the Outdoor Advertising Control (OAC) Office Operations Supervisor develop a monitoring plan to ensure contractor quality control statements are verified.

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<sup>1</sup> Advisory Report No.13C-6008 dated February 21, 2014

The OIG also recommended the OAC Office of Operations Supervisor develop a monitoring plan to validate the contractor is providing required marketing services in accordance with the contract.

Based on the OIG's recommendations, the project manager began providing supporting documentation with the monthly Quality Control Statements as of July 18, 2013, while also providing this documentation within the logo sign database. The OAC has also initiated the implementation of a quality control plan for the marketing aspects of the contract and an evaluation of the effectiveness of the program's marketing services.

## **RESULTS OF REVIEW**

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Our review found Florida Logos, Inc. (Florida Logos) is fulfilling its duties as outlined in the Logo Sign Program's contract objectives and scope; however, a majority of the payments or documentation supporting why a payment was not provided were not submitted on time.

### **Finding 1 – Vendor Performance of Contract Requirements**

**We determined** the vendor is fulfilling its duties as outlined in the contract but not submitting all:

- required checks or documentation supporting why a payment was not provided; and
- required payments or supporting documentation in a timely manner.

The vendor is required to collect an annual renewal permit fee from participating businesses who have elected to display their logos on the Department's signs. These fees are to be submitted to the Department by March 31 of each year in two separate payments with two separate checks, one for the interstate and one for the Florida Turnpike Enterprise (Turnpike).

The vendor is also required to collect new customer fees throughout the year for bringing in new businesses. The fees collected from new businesses in each quarter should be submitted to the Department no later than fifteen days after the end of each quarter. These fees are to be submitted to the Department in two separate payments with two separate checks, totaling four new interstate customer payments and four new Turnpike customer payments each year.

Therefore, the Department should receive a total of 10 checks a year from Florida Logos:

- 1 annual renewal check for interstate businesses;
- 1 annual renewal check for Turnpike businesses;
- 4 new customer checks for interstate businesses; and
- 4 new customer checks for Turnpike businesses.

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We determined 26 payments in the form of 26 checks should have been received from the start of the contract, April 2016 through June 2018. Of those 26 payments:

- 21 (85%) payments were received in the form of 12 checks<sup>2</sup>;
- 1 payment was not provided based on a memo stating no monies were collected for that quarter; and
- 4 (15%) payments were not provided based on one memo from the vendor that stated the monies collected from this period would go towards sign refurbishments.

Of the 26 payments (either in the form of a check or memo) the Department received:

- 7 (27%) were received on time;
- 2 (9%) were received less than 10 days late;
- 8 (32%) were received between 11-100 days late;
- 6 (23%) were received between 101-200 days late; and
- 3 (9%) were received more than 201 days late.

The 19 late payments that included revenue for the Department totaled \$262,498.75 or 2% of the \$12,198,410.92 payments for the timeframe.

The vendor is required to submit an electronic excel spreadsheet of the payments that include payment information, the roadway, exit, customer fees collected, administrative fee, and any maintenance related expense the contractor incurred that affected the payment as outlined in the scope. This support is required to be submitted with each payment.

We determined all 21 payments, in the form of 12 checks included an electronic excel spreadsheet as supporting documentation as indicated below:

- 8 payments, in the form of 5 checks, had documentation that accurately supported the payment;
- 7 payments, in the form of 5 checks, had documentation that did not reconcile with the payment amount; and
- 2 checks included 3 payments each for a total of 6 payments, 4 of which the documentation accurately supported the payment, and 2 of which the documentation did not reconcile with the payment amount.

**We recommend** the Logo Sign Program contract manager:

- work with Florida Logos to complete the reconciliation of the payments from April 2016 to June 2018 with sufficient documentation to support this reconciliation;
- ensure in the future Florida Logos provides documentation that properly supports payments made to the Department;
- utilize a tracking system to ensure all payments are received, received on time, and adequate documentation is provided to support each payment;

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<sup>2</sup> Of the 21 payments received, some were combined into one check which is not in compliance with contract specifications.

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- create a comprehensive desk procedure to document how to track and analyze vendor invoices and payments; and
- consider collecting liquidated damages from the vendor for consistently late payments moving forward.

**We also recommend** the Manager of Outdoor Advertising and Logo conduct a quality assurance review to ensure the vendor provides accurate payments and supporting documentation to the Logo Sign Program contract manager in a timely manner.

**Opportunities for Improvement**

Contractor's Costs

One objective of the contract between the Department and Florida Logos is for Florida Logos to conduct maintenance and repair work on the logo signs. Besides compensation for administering the program, Florida Logos may also collect additional compensation, as referenced in Table 1, via task work orders issued by the Department.

Table 1: Work Rates

Billing Code	Description	Fee
RP1	Replacement of structural supports	\$2,211.00/sign
RP2	Replacement of footers	\$3,602.00/sign
RP3	Replacement of breakaway structures	\$135.00/sign
RP4	Repairs to display panels	\$13.35/sq. ft.
RP5	Replacement of one mainline sign	\$55.04/sq. ft.
RP6	Replacement of one ramp sign	\$94.14/sq. ft.
NW1	Installation of one new mainline sign	\$51.71/sq. ft.
NW2	Installation of one new ramp sign	\$88.79/sq. ft.

Source: Contract BE134, Logo Sign Program

While conducting our review to determine if the vendor was retaining the correct amount of compensation per work order and if the vendor was quoting the 'cost to FDOT' correctly, no material deficiencies were noted. However, we determined that of our sample of 35 work orders there were:

- 4 (11%) instances where the work order number on the approved work order sheet did not match the work order number on the proposed work order form;
- 2 (6%) instances where the wrong billing code was listed on the work order; and
- 1 (3%) instance where the vendor undercharged the Department for work performed.

During the audit, OIG staff informed the contract manager of these findings. The contract manager corrected the four work order numbers and two billing codes and notified the vendor about the one underpayment.

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We recommend the Logo Sign Program contract manager ensure the vendor is quoting the correct 'cost to FDOT' and approved work orders reconcile back to proposed work orders.

Permit Fees

No later than September 1 of each year, for both the interstate and Turnpike, the Department is responsible for providing the vendor with a spreadsheet indicating the Annual Average Daily Traffic (AADT) and urban size for each signed limited access facility interchange along with the permit fees to be charged for each interchange for the following calendar year. We determined the contract manager is providing the vendor annual permit fees in a timely manner.

Section 479.261(3), F.S., gives the Department or its agent the authority to issue annual permits and collect permit fees from businesses seeking to have their logos displayed on one of our logo signs. Annual fees for participation in the Logo Sign Program are computed based upon the Annual Average Daily Traffic (AADT) at each interchange, the population of the area surrounding the interchange, market conditions, and the costs of the program, per Rule 14-85.022, Florida Administrative Code (F.A.C.).

Our review of all interstate permit fees for fiscal year 2018 indicates the proper fees were charged.

For logo signs on Florida's Turnpike, Section 338.065, F.S., states the Department may, by rule, establish a fee schedule to be charged for the costs of placing general motorist services signs on the right-of-way of limited access highways outside urban or urbanized areas in accord with the uniform system of traffic control devices adopted pursuant to Section 316.0745, F.S. As stated in the contract, the Department decided that rural areas (AADT less than 30,000 per day) will be charged \$1,000 per direction while urban areas (AADT of 30,000 or greater per day) will be charged \$1,500 per direction.

We determined 18 of 159 (11%) Turnpike interchange locations were assigned incorrect permit fees by the contract manager for 2017:

- 14 were provided an annual permit fee to charge \$500 more than allowed by the contract; and
- 4 were provided an annual permit fee to charge \$500 less than allowed by the contract.

During the audit, the contract manager provided us with the 2019 permit fees for both the interstate and Turnpike and all fees have been corrected and appropriate permit fees charged.

We recommend the Logo Sign Program contract manager provide accurate Turnpike permit fees to the vendor in accordance with the contract.



## APPENDIX A – Purpose, Scope, and Methodology

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The **purpose** of this engagement was to evaluate the efficiency and effectiveness of the Department's Logo Sign Program and monitoring to ensure vendor compliance with contract terms.

The **scope** of this audit included all records and systems pertaining to the current Logo Sign Program contract (BE134).

The **methodology** included:

- reviewing applicable federal and state laws, and Department policies and procedures;
- reviewing the Department's logo sign contract;
- interviewing appropriate Department employees;
- reviewing the contract manager's file; and
- reviewing contract payments and supporting documentation.

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**APPENDIX B – Affected Entity Response**

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On July 3, 2019, Florida Logos provided the following response to the Logo Sign Program Audit:



July 3, 2019

Joseph W. Gilboy, Director of Audit  
Office of Inspector General  
Florida Department of Transportation

RE: Audit Report No. 18P-1003

Dear Mr. Gilboy:

Florida Logos is in receipt of the Logo Sign Program Audit Draft Report dated June 6, 2019. We have reviewed it thoroughly and appreciate the opportunity to offer a response to the findings and recommendations of the Office of Inspector General (OIG).

Florida Logos is keenly aware that most motorists view the work done related to this contract as the work of the Florida Department of Transportation (FDOT). When asked, most motorists assume the Florida Logo Sign Program is administered solely by the Department and do not realize that the day-to-day operation and administration of the Program has been contracted to us. We take this reality and responsibility very seriously. We also take seriously the requirements of our contract with FDOT, and we strive to meet or exceed all of the Department's expectations. The Florida Logo Sign Program does not merely represent a "contract" to us that ends after the initial marketing, construction, expansion, and refurbishment is complete, but rather an ongoing business that requires long-term commitment of both staff and financial resources. To our knowledge, the Department, a participant, or a motorist has never raised an issue or concern with Florida Logos that has not been resolved to the Department's satisfaction. To that end, we have included in this correspondence some changes we have already implemented, as well as our recommended improvements to ensure the issues identified during the audit are not repeated.

*OIG Draft Report Page 1*

*We found Florida Logos, Inc. (Florida Logos) is not fulfilling all of its duties as outlined in the Logo Sign Program's contract objectives and scope. Payments to the department are not sufficiently supported or submitted on time.*

Florida Logos believes this summary of your findings is overly broad, misleading, and could be taken out of context. This summary and the overall report insinuates that Florida Logos withheld payments or made late payments without FDOT being aware that the payments were being withheld, as well as being aware of the associated justification for withholding each payment. As FDOT created and amended its internal policy of when Florida Logos would be reimbursed for refurbishment and new construction, Florida Logos immediately made payments in accordance with the new internal policy regardless of whether or not we agreed with the policy. We respectfully request this summary statement and the report be amended based on the information we have provided in this response.

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The current contract between FDOT and Florida Logos, starting April 1, 2016, saw significant changes in the Logo Sign Program and the way it was to be administered from its previous contract. Most notably, the existing interstate Logo Sign Program was combined with the Turnpike Logo Sign Program, and a new provision was included whereby FDOT would reimburse Florida Logos for work done related to refurbishment and new construction of sign structures.

Florida Logos has always worked in concert and coordination with FDOT on the management and administration of this extensive signing program. Since this contract marked a new format and execution plan for the now combined statewide Logo Sign Program, it has been necessary for FDOT and Florida Logos to clarify the handling of many aspects of the Program collectively as the work on the Program has progressed. With this new unified Program, all possible administrative scenarios could not be and were not accounted for beforehand, and all were not clearly spelled out within the resulting contract document.

As you will see in the information we have provided, 2 of our payments to FDOT were, in fact, late. These payments were 4 days late, were from the same payment period, and accounted for only \$41,928.07 of the more than \$12 million paid to FDOT during the period of the audit. As we stated earlier, we have already taken steps to ensure this does not happen again.

The other payments characterized in the audit as late were the result of the contract not clearly specifying when payments were to be made and/or withheld due to reimbursement for refurbishment and new construction, and from which account the associated work was to be reimbursed. While the Department was aware of the justification for withholding each of these payments, once FDOT clarified how they wanted these scenarios addressed, each of the payments identified in the audit as "late" was immediately resolved as agreed to by the Department.

*OIG Draft Report Page 5*

*Finding 1 – Vendor Performance of Contract Requirements*

*We determined the vendor is not fulfilling all of its duties as outlined in the contract by not submitting:*

- *required checks or documentation supporting why a check was not provided;*  
*and*
- *required checks and supporting documentation in a timely manner.*

*OIG Draft Report Page 6*

*Of the 22 checks the department received:*

- *6 (27%) were received on time;*
- *2 (9%) were received less than 10 days late;*
- *7 (32%) were received between 11-100 days late;*
- *5 (23%) were received between 101-200 days late;*
- *2 (9%) were received more than 201 days late.*

Please see the accompanying chart outlining the 26 payments, which includes the Payment Type, Due Date, Date Paid, Check #, Amount, and the justification for withholding the payments. With the exception of the 2 payments that were, in fact, late, payments 25 and 26, the other payments identified as "late" in the audit were the result of 2 provisions of the contract which were left open for interpretation.

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#	Payment Type	Due Date	Date Paid	Check #	Amount	Comments
1	2016 Logo Renewals	3/31/16	3/30/16	377286	\$3,613,055.75	
2	2016 TPK Renewals	3/31/16	3/30/16	377291	\$422,518.64	
3	2016 1 <sup>st</sup> Qtr New Logo	4/15/16	8/10/16	378764	\$28,804.86	\$113,597.96 of refurbishment work had been approved by FDOT and was underway. Payment was made after FDOT created a policy that work must be completed before payment could be withheld.
4	2016 1 <sup>st</sup> Qtr New TPK	4/15/16	8/10/16	378772	\$2,475.08	\$113,597.96 of refurbishment work had been approved by FDOT and was underway. Payment was made after FDOT created a policy that work must be completed before payment could be withheld.
5	2016 2 <sup>nd</sup> Qtr New Logo	7/15/16	8/10/16	378764	\$39,992.14	\$113,597.96 of refurbishment work had been approved by FDOT and was underway. Payment was made after FDOT created a policy that work must be completed before payment could be withheld.
6	2016 2 <sup>nd</sup> Qtr New TPK	7/15/16	8/10/16	378775	\$34,277.98	\$113,597.96 of refurbishment work had been approved by FDOT and was underway. Payment was made after FDOT created a policy that work must be completed before payment could be withheld.
7	2016 3 <sup>rd</sup> Qtr New Logo	10/15/16	3/31/17	376217	\$14,557.21	\$28,335.40 of refurbishment work had been completed. Payment was made after FDOT revised their policy that work must be completed and inspected before payment could be withheld.
8	2016 3 <sup>rd</sup> Qtr New TPK	10/15/16	3/31/17	376216	\$12,087.57	\$28,335.40 of refurbishment work had been completed. Payment was made after FDOT revised their policy that work must be completed and inspected before payment could be withheld.
9	2016 4 <sup>th</sup> Qtr New Logo	1/15/17	3/31/17	376217	\$2,625.95	\$78,754.74 of refurbishment work had been completed. Payment was made after FDOT revised their policy that work must be completed and inspected before payment could be withheld.
10	2016 4 <sup>th</sup> Qtr New TPK	1/15/17	3/31/17	376216	\$1,214.62	\$78,754.74 of refurbishment work had been completed. Payment was made after FDOT revised their policy that work must be completed and

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						inspected before payment could be withheld.
11	2017 Logo Renewals	3/31/17	3/31/17	376217	\$3,590,708.37	
12	2017 TPK Renewals	3/31/17	3/31/17	376216	\$503,519.00	
13	2017 1 <sup>st</sup> Qtr New Logo	4/15/17	2/19/18			No payment was made as the amount due to Florida Logos for reimbursement of refurbishment and new construction exceeded the amount collected. \$107,317.08 work completed to date. \$43,824.32 permit fees subtracted leaving a balance of \$63,492.76 to carry to 2 <sup>nd</sup> quarter.
14	2017 1 <sup>st</sup> Qtr New TPK	4/15/17	2/19/18	385417	\$28,599.00	
15	2017 2 <sup>nd</sup> Qtr New Logo	7/15/17				No payment was made as the amount due to Florida Logos for reimbursement of refurbishment and new construction exceeded the amount collected. \$63,492.76 balance of work completed to date. \$32,417.52 permit fees subtracted leaving a balance of \$31,075.24 to carry to 3 <sup>rd</sup> quarter.
16	2017 2 <sup>nd</sup> Qtr New TPK	7/15/17	2/19/18	385417	\$15,371.46	
17	2017 3 <sup>rd</sup> Qtr New Logo	10/15/17				No payment was made as the amount due to Florida Logos for reimbursement of refurbishment and new construction exceeded the amount collected. \$91,317.47 additional work completed creating a new balance of \$122,392.71. \$43,245.71 permit fees (including additional renewal payments) subtracted leaving a balance of \$79,147.00 to carry to 4 <sup>th</sup> quarter.
18	2017 3 <sup>rd</sup> Qtr New TPK	10/15/17	2/19/18	385417	\$9,694.05	
19	2017 4 <sup>th</sup> Qtr New Logo	1/15/18				No payment was made as the amount due to Florida Logos for reimbursement of refurbishment and new construction exceeded the amount collected. \$265,013.63 additional work completed creating a new balance of \$344,160.63. \$1,498.41 permit fees subtracted leaving a balance of \$342,662.22 to carry to 2018.
20	2017 4 <sup>th</sup> Qtr New TPK	1/15/18	2/19/18	385417	\$441.68	
21	2018 Logo Renewals	3/31/18	3/28/18	384228	\$3,259,002.72	\$157,411.93 additional work completed creating a new balance of \$500,074.15. \$443,970.17 subtracted leaving a balance of \$56,103.98 to carry to 1 <sup>st</sup> quarter.
22	2018 TPK Renewals	3/31/18	3/28/18	384227	\$536,645.25	
23	2018 1 <sup>st</sup> Qtr New Logo	4/15/18	5/8/18	386343	\$59,599.38	Work completed balance on April 15 payment date was \$85,739.58. Payment was made after FDOT notified Florida Logos they had not completed the inspection of work completed by Florida Logos.
24	2018 1 <sup>st</sup> Qtr New TPK	4/15/18				No payment made due to no new customers contracted during the time period.
25	2018 2 <sup>nd</sup> Qtr New Logo	7/15/18	7/19/18	387651	\$35,523.63	4 days late
26	2018 2 <sup>nd</sup> Qtr New TPK	7/15/18	7/19/18	387659	\$6,404.44	4 days late

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Originally, Florida Logos understood that once refurbishment or new construction work for which we would be reimbursed had been **approved** by FDOT, we would begin withholding payments to account for the approved reimbursement amount. This is why payments 3 through 6 were not made on the "due" dates indicated. In July 2016, when FDOT established their internal policy that work had to be **completed** before it would be reimbursed, Florida Logos paid all of the monies due on August 10, 2016.

FDOT later revised their internal policy of when payments were to be withheld for refurbishment or new construction from at time of completion to the point at which an **additional inspection** of completed work had been done. In early 2017, FDOT asked that payments 7 through 10 be made because of this revision in their policy, and the fact that these additional inspections had not been completed. As a result, Florida Logos paid all of the monies due with the 2017 Renewal check and 2017 Turnpike Renewal check on March 31, 2017.

Specific to payment 23, paid on May 8, 2018, Florida Logos completed work balance as of the April 15 payment date was \$85,739.58, which Florida Logos believed had been inspected; however, once FDOT brought it to our attention that they had not yet been able to complete the inspections, Florida Logos paid all of the monies due.

The second differing interpretation of the contract was related to the continued separation of the interstate Logo Sign Program from the Turnpike Logo Sign Program, even though the 2 programs had been combined into a single contract. While the provision of the contract asking for a separate accounting of funds received was clear, the Department's position that reimbursement to Florida Logos for refurbishment and new construction work done for the interstate Logo Sign Program could only be reimbursed out of the funds received from the interstate Logo Sign Program is not clear or spelled out in the contract.

Scope of Services page 19 states, "the contractor payments for permit fees related to signs on the Florida Turnpike System shall be paid by the contractor separately from those signs on other limited access facilities."

Scope of Services page 17 states, "Additional compensation from the gross receipts may be subtracted from payment to the Department as necessary to bring the entire inventory of mainline and ramp signs up to the most current Department design standards."

Please note that these provisions make no mention of separating work completed on the Turnpike and other limited access facilities and the reimbursement for such work. Florida Logos assumed funds received from both the interstate Logo Sign Program and the Turnpike Logo Sign Program would be used to reimburse approved refurbishment and new construction regardless of where the work was since the 2 programs had been combined into a single contract. This is why payments 13 through 20 were not made on the "due" dates indicated. In January 2018, when FDOT clarified their intent related to completely separating the funds received and the funds reimbursed, Florida Logos paid all of the monies due for the Turnpike System on February 10, 2018. No checks were submitted for payments 13, 15, 17 and 19 because the balance of work completed was greater than the permit fees collected.

In summary, Florida Logos believes the OIG Draft Report declaring 16 checks were received late does not reconcile with the wording in the Scope of Services. While Florida Logos is required to obtain approval from FDOT prior to performing any new or refurbishment work (Page 17, IX PAYMENTS TO THE DEPARTMENT), there is no language that delays the reimbursement for this work until after FDOT has done an additional review or inspection. The Scope of Services also does not make any provision that

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only structure work performed on the interstate system can be subtracted from the interstate payments and only structure work performed on the Turnpike system can be subtracted from the Turnpike payments. There is only mention that permit fees collected be paid on separate checks. It should be noted, once again, when FDOT advised Florida Logos of how they wanted these issues treated, we made the associated payments even though, in many cases, we continued to carry forward balances due for refurbishment and new construction work completed.

*Page 6*

*The late checks total \$262,498.75 of the \$12,198,410.92 payments for the timeframe.*

Given the above interpretation of the payment tracking, Florida Logos believes only 2 payments should be considered late, at 4 days, totaling \$41,928.07 of the \$12,198,410.92 payments for the timeframe.

*Page 6*

*We determined all 22 checks included an electronic excel spreadsheet with supporting documentation. Thirteen of the twenty-two check's supporting documentation accurately supported and reconciled to the payment amount on the check. The other nine check's supporting documentation did not reconcile with the payment amount on the check.*

Florida Logos has attached with this response the original spreadsheets and check copies for all payments covered in the audit. With one exception, totaling \$787.27, the amount on our spreadsheets and the amount on the checks match.

*OIG Draft Report Page 7*

*Opportunities for Improvement*

The OIG noted a few corrections with the work orders related to billing codes and work order numbers. The issues with work order numbers and billing codes occurred as information was moved from the database to spreadsheets. Florida Logos has made changes to the database fields so that no information is omitted when spreadsheets are created. There was also one note about an undercharged work order that was simply a keystroke error in the amount of \$30 and has been corrected.

**Recommended Improvements**

Florida Logos understands that the timely remittance of payments and corresponding reports is important for FDOT's oversight of the Logo Sign Program. Florida Logos now has a clear understanding of what information FDOT is looking for and the way it is to be presented and reviewed. We also understand that, even in times where no payment is due, the supporting documentation is equally important for FDOT to review. We have already seen positive results regarding some of the inconsistencies first brought to light when the audit began, and expect a more fluid reporting of information going forward.

Florida Logos remains committed to making the review process of the payments made to FDOT more efficient by improving the way customer credits are tracked and reported. The following are our suggestions:

- At the time a loss of service is discovered, affected participants will be sent a letter explaining the cause of the loss of service and, if known at that time, the amount of credit due. A paper copy will be placed in the participant's hard file.

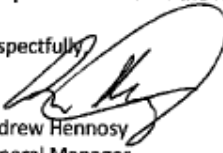
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- In each participant invoice record, specific information regarding credits will be added so FDOT can review credit due to a participant.
- The reason for a credit will be included on the renewal invoice, rather than just the credit amount and revised total. At the time renewal invoices are processed, copies of these invoices will be provided to FDOT.
- Reimbursable work performed will be represented in a spreadsheet provided at the quarterly and renewal payment intervals.
- Meet with the FDOT to review all quarterly reporting within 7 days of due date to reconcile any differences in the finding between Florida Logos submittals and FDOT's internal review.
- A concrete interpretation of the contract needs to be made regarding when it is acceptable to withhold permit fees for reimbursement of pre-approved work.

It has been our pleasure to assist with this audit of the Logo Sign Program. The staff at Florida Logos remains committed to the continued success and growth of the Program. We look forward to implementing your suggested improvements or any additional recommendations that the FDOT or the OIG provide now or in the future.

Respectfully,



Andrew Hennosy  
General Manager



## **APPENDIX C – Management Response**

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The Deputy Director of the Office of Right of Way, Derrick Brown, provided the following response by email on September 18, 2019:

### **Finding 1 – Vendor Performance of Contract Requirements**

**Finding: We determined** the vendor is fulfilling its duties as outlined in the contract but not submitting all:

- required checks or documentation supporting why a payment was not provided; and
- required payments or supporting documentation in a timely manner.

**Recommendation: We recommend** the Logo Sign Program contract manager:

- work with Florida Logos to complete the reconciliation of the payments from April 2016 to June 2018 with sufficient documentation to support this reconciliation;
- ensure in the future Florida Logos provides documentation that properly supports payments made to the Department;
- utilize a tracking system to ensure all payments are received, received on time, and adequate documentation is provided to support each payment;
- create a comprehensive desk procedure to document how to track and analyze vendor invoices and payments; and
- consider collecting liquidated damages from the vendor for consistently late payments moving forward.

**We also recommend** the Manager of Outdoor Advertising and Logo conduct a quality assurance review to ensure the vendor provides accurate payments and supporting documentation to the Logo Sign Program contract manager in a timely manner.

**Response to Finding:** We concur with the finding and recommendation.

**Corrective Action:**

- Continue analysis of subsequent documentation provided by Florida Logos to accurately reconcile payments made during specified period.
- Clearly and effectively communicate to Florida Logos the Department's approval or disapproval of supporting documentation for payments received.
- Develop a payment tracking system which monitors receipt of payments and catalogs supportive documentation.
- Develop a comprehensive desk procedure to document tracking and analyzation of vendor invoices and payments.
- Department and Florida Logos will review the liquidated damages aspect as stated within the agreed contract and it will be clearly understood between both parties those instances whereby enforcement of liquidated damages shall be applicable.

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- Quality assurance reviews to ensure the vendor is providing accurate payments with proper supporting data will be performed on a more frequently basis.

**Estimated Completion Date:** December 31, 2019

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**DISTRIBUTION**

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**Responsible Manager:**

Scott Foltz, Director of Office of Right of Way  
Derrick Brown, Deputy Director of Right of Way Operations

**Internal Distribution:**

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**PROJECT TEAM**

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Ashley Clark, Deputy Audit Director for Performance and IT Audit  
Joseph W. Gilboy, Director of Audit

Approved by:  
Kristofer B. Sullivan, Inspector General

**STATEMENT OF ACCORDANCE**

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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.