



Florida Department of *TRANSPORTATION*

Office of Inspector General
Kristofer B. Sullivan, Inspector General

DocuSigned by:

Kristofer B. Sullivan

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October 30, 2020

Audit Report No. 20P-013
Outdoor Advertising

What We Did

The Office of Inspector General conducted an audit of the Department of Transportation's (Department) Outdoor Advertising (ODA) program, which is under the management of the Office of Right of Way (ROW). The purpose of this engagement was to evaluate the ODA program and its adherence to applicable laws, policies, and procedures. We conducted the audit as part of the fiscal year 2019-20 work plan.

What We Found

We determined the ODA program was in compliance with the components listed below.

- The procurement documentation for Contract BE273¹ was in compliance with the Department's Procurement Manual, specifically as it relates to the Conflict of Interest forms and procurement methods.
- The ODA inventory review was completed in a timely manner (annual basis), per Section 479.02(8), Florida Statutes (F.S.) (2019). Additionally, the ODA database² is comprehensive and contains all sign information required to comply with Rule 14-10.0022, Florida Administrative Code.
- The Quality Control Plan maintained by the Field Consultant is in compliance with Contract BE273 and is adequate to ensure consistent and accurate measurements of field data.
- The permit application process is adequate to ensure timely application processing per Section 479.07(4), F.S.
- The Quality Assurance Reviews (QAR) were conducted in a timely manner (at least semi-annually), as required in the ROW Manual. We also observed the QAR process is:
 - adequate to ensure efficient controls and oversight; and

¹ Contract BE273 contains a current agreement between the Department and Field Consultant, Cardno.

² The ODA database is commonly referred to as "ODA.net."

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- comprehensive, covering multiple counties in all the state's five regions.

However, we observed the QAR sampling process is not conducted as described in the ROW Manual.

Additionally, **we determined** the ODA program payment processing controls should be improved to ensure timely processing of payments.

What We Recommend

As an opportunity for improvement, the ROW Manual, Section 1.5, should be updated to reflect the current sampling methodology used to conduct QARs.

We recommend the Director of ROW continue the efforts to procure and implement an automated system for payment processing, to improve the overall efficiency, and mitigate the existing risks related to manual procedures.

In the interim, **we recommend** the Director of ROW implement a contingency plan for processing payments to ensure they are processed in a timely manner.

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BACKGROUND AND INTRODUCTION

The Office of Right of Way (ROW) is responsible for controlling Outdoor Advertising (ODA) signs on the national and state highway systems. The ODA regulatory program is based on federal law set forth in the Highway Beautification Act of 1965 and Title 23, Part 750, Code of Federal Regulations. Additionally, a 1972 agreement between the State of Florida and the United States Department of Transportation requires the State of Florida to maintain an “effective control” of ODA activities. Chapter 479, Florida Statutes (F.S.), and Rule Chapter 14-10, Florida Administrative Code (F.A.C.), also provide additional oversight provisions for the ODA program.

An ODA permit is required for each sign facing (side of sign) for any advertising sign within 660 feet of the right-of-way of all portions of an interstate or federal-aid primary highway or those portions of the state highway outside of an urban area. Per Section 479.02, F.S., the Florida Department of Transportation (Department) must control the location, size, height, spacing, and lighting of ODA signs. However, it has no authority to regulate the content of advertising messages on the signs.

Within the Department, ROW is responsible for receiving and processing permit applications and administering permits. The program is sustained through the collection of program-related fees, including permit and license applications, replacement tags, permit transfers, and annual permit renewals.

It is necessary for the Department to secure objective field observations and measurements to comply with the requirements of the ODA program. The Department contracts with an external Field Consultant to conduct the following activities:

- obtain measurements in the field;
- complete an annual inventory review of legal ODA structures; and
- conduct detailed field reviews for incoming permit applications, which the Department relies upon to determine whether to approve a permit application.

The ODA team currently utilizes three primary databases for the oversight of the ODA program:

- the Database of Violation of Enforcement (DOVE) for tracking illegal signs;
- the ODA Database (ODA.net) for primary electronic records maintenance; and
- the ROW SharePoint site for creating and sending assignments to Department Regional Inspectors and the Field Consultant.

A new ODA system is under development by the Department’s Office of Information Technology that will consolidate the programs and possess updated functions, such as the ability to process applications, renewals, and payments electronically. Currently, the program receives only paper applications and payments. ROW plans to update and streamline their processes with the new system.

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RESULTS OF REVIEW

We conducted an audit of the Department's ODA program, which is under the management of ROW, to evaluate the program and its adherence to applicable laws, policies, and procedures.

We found the ODA program was in compliance with the components listed in Findings 1 through 5 below. However, we determined the ODA program payment processing controls should be improved to ensure timely processing of payments. We also identified an opportunity for improvement to update the ROW Manual to reflect the current sampling methodology used to conduct Quality Assurance Reviews (QAR).

Finding 1 – Field Consultant Contract Procurement (Compliant)

We determined the procurement documentation for the contract between the Department and the Field Consultant, Contract BE273, was in compliance with the Department's Procurement Manual, specifically pertaining to the Conflict of Interest forms and procurement methods.

The Procurement Manual, Chapter 2, Section 2.2, states in part:

The Conflict of Interest Certification Form No. 375-030-50 must be completed and signed by each individual involved in the development of the specifications or scope of work...and the award process.

The Procurement Manual, Chapter 5, Section 5.12, also states in part:

The Procurement Unit is responsible for development of the ITB/RFP/ITN³ package in compliance with Section 287.057(1), F.S., and the coordination of the procurement process.

Based on our review of the procurement package for Contract BE273, the contract was procured using an Agency Request for Proposal package created by the Department's Procurement Office, as required in the manual.

The ODA team also completed all forms required in the Procurement Manual Chapters 2 and 5. Additionally, the package was in compliance with applicable criteria and contained the evaluation criteria used to select and award the contract.

We have no further recommendation at this time, as we found the area under review to be in compliance.

³ Invitation to Bid (ITB), Request for Proposal (RFP), and Invitation to Negotiate (ITN).

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Finding 2 – ODA Inventory (Compliant)

We determined the ODA inventory review is completed timely per Chapter 479, F.S., as it is completed on an annual basis. **We also determined** the ODA database, containing sign inventory information, is comprehensive and contains all sign information required to comply with Rule 14-10.0022, F.A.C.

Section 479.02(8), F.S., states in part:

The Department shall inventory and determine the location of all signs on the state highway system, interstate highway system, and federal-aid primary highway system to be used as the database and permit information for all permitted signs. The inventory shall be updated at least every 2 years.

Rule 14-10.0022, F.A.C., also outlines the data that should, at a minimum, be maintained in the Department's files, such as (not limited to) location, issue date, erection date, and height of the sign.

The Department contracts with the Field Consultant to complete an annual review of the inventory. The Department ensures compliance with Section 479.02(8), F.S., which requires that the ODA inventory be updated every two years, by contracting with the Field Consultant to complete a review annually.

The Department also ensures that the inventory review is comprehensive and conducted timely by receiving and maintaining monthly invoice reports from the Field Consultant.

The Administrator of Field Operations monitors the progress of the Field Consultant by keeping track of which sections have been inventoried and which sections still need to be inventoried. Additionally, the Department completes semi-annual QARs of the sections inventoried by the Field Consultant to ensure the data is valid.

We have no further recommendation at this time, as we found the area under review to be in compliance.

Finding 3 – Field Consultant's Quality Control Plan (Compliant)

We determined the Quality Control Plan (QCP) maintained by the Field Consultant is in compliance with Contract BE273, and is adequate to ensure consistent and accurate measurements of field data.

Contract BE273 requires the consultant to "maintain a quality control plan and report on the quality throughout the life of the contract."

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Based on our review of the current QCP, the plan establishes a standard for equipment calibration, work assignments, training, and project management responsibilities. Additionally, the Field Consultant reports on the quality of the measurements by submitting a Quality Control Statement to the Department on a monthly basis.

We have no further recommendation at this time, as we found the area under review to be in compliance.

Finding 4 – Permit Applications (Compliant)

We determined the permit application process utilized is in compliance with Section 479.07(4), F.S., and is adequate to ensure timely application processing and compliance with statutory requirements.

Section 479.07(4), F.S., states:

An application for a permit shall be acted on by granting, denying, or returning the incomplete application within 30 days after receipt of the application by the Department.

Applications for ODA permits are submitted to the Department via mail; currently, the program does not have the capability to process electronic applications. Based on our review of the field sheets⁴ and discussion with ROW management, the permit application review process is comprehensive and includes three levels of review from the ODA Manager, the Administrator of Field Operations, and the Field Consultant.⁵

There were 614 incoming permit applications received from July 1, 2018, through June 30, 2020, which we reviewed in detail. Of the 614 applications, 100 percent were in compliance with the statutory requirement and were acted upon within 30 days of receipt.

The average amount of time taken to act upon an application was approximately 10.6 days. Over 50 percent of the incoming permit applications were also acted upon within 10 days of receipt, as shown in Table 1.

Table 1: Number of Days to Initially Act Upon New Permit Application

Number of Days	Number of Applications	Percent of Applications
0-10	325	52.93%
11-20	184	29.97%
21-30	105	17.10%
Total:	614	100.00%

Source: Auditor created based on data obtained from ODA.net

⁴ Worksheet utilized by the field consultant to conduct a review of the field, within 21 days of the application receipt.

⁵ See Attachment 1 for a flowchart of the application process for approved permits, as verified by ROW management.

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We have no further recommendation at this time, as we found the area under review to be in compliance.

Finding 5 – Central Office’s Quality Assurance Reviews (Compliant)

We determined the QARs were conducted in a timely manner (at least semi-annually), as required in the ROW Manual.

We also determined the QAR process utilized by ROW is adequate to ensure efficient controls and oversight, and it is comprehensive covering multiple counties in all the state’s five regions.⁶

The ROW Manual, Section 1.5.13.2, states in part:

At least semi-annually, in each of the five (5) Regions of the State, the Department’s quality assurance review team will randomly select RCI sections that have been recently been inventoried by the Consultant and conduct a quality assurance review to check information that has been provided by the Consultant...A random sampling of the Field Sheets submitted by the Consultant will also be reviewed for accuracy.

Currently, the QAR is comprised of two parts:

1. an inventory review; and
2. a field sheet review.

Inventory Review. The Inventory Review is conducted by the Department’s Regional Inspectors. There are five Inspectors, each covering one of the state’s five regions.

Although the ROW Manual states that the QAR team randomly selects the RCI section for the review, the current QAR process contains a manual selection of RCI sections.⁷ The Administrator of Field Operations manually selects the sample to be reviewed as part of the QAR by selecting sections that have many structures, ideally 150 to 250 sections, which include sections in multiple counties in all 5 regions.

The sample only includes sections that were inventoried by the Field Consultant in the most recent quarter; this is to ensure the Department is reviewing the most up-to-date data. The manual selection is preferable to a true random sample to conserve the Department’s resources. In other words, to avoid sending an Inspector to an area with only a small number of signs.

Field Sheet Review. The field sheet reviews are completed by the Field Consultant as part of the permit application process. Each Field Sheet contains approximately 22

⁶ See Attachment 2 for a map of the state’s five regions.

⁷ As discussed with ROW management.

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items that are reviewed by the Field Consultant. ROW reviews this information for accuracy as compared to the permit application and to iView (a software used by the Department that is similar to Google Earth).

Although the ROW Manual states that a random sampling is utilized to review the Field Sheets, 100 percent of the Field Sheets completed by the Field Consultant are reviewed. The results of this review are maintained in an Excel Spreadsheet by the program's Administrator of Field Operations and are included on the QAR report issued to the Field Consultant.

We also reviewed the two QARs completed by Central Office in fiscal year (FY) 2019-20 and determined the QARs were in compliance with all applicable criteria. The QARs were comprehensive and included a large sample in all the state's regions. The results of both QARs reviewed exceeded the acceptable level of quality and accuracy of 95 percent, as shown in Table 2.

However, as an opportunity for improvement, the ROW Manual, Section 1.5, could be updated to reflect the current sampling methodology used to conduct QARs.

Table 2 – Results of FY 2019-20 QARs

QAR	Inventory Category					Field Sheet Category		
	Number of Regions	Number of Counties	Number of Structures Reviewed	Number of Deficiencies	Accuracy Rating	Number of Permits Reviewed	Number of Deficiencies	Accuracy Rating
July 2, 2019	5	11	1033	36	96.52%	1584	14	99.12%
May 7, 2020	5	14	781	27	96.54%	2772	29	98.95%

Source: Auditor created based on the QAR documentation provided by ROW management.

Finding 6 – Payment Processing

We determined the ODA program payment processing controls should be improved to ensure timely processing of payments.

The ROW Manual, Section 1.3.2.3.2, states:

Deposits must be verified and forwarded to the Cashier's Office the next business day.

During our review, we noted instances where there were delays in forwarding payments to the Cashier's Office within one business day of the invoice being generated.

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During the period of July 1, 2018, through June 30, 2020, there were 2,708 payments deposited for the ODA program. Of the total population, we randomly selected 20 payments, or 0.7 percent,⁸ for detailed review.

Of the sampled 20 payments, 13 were in compliance with ROW Manual⁹ and were entered into the RPS within 1 day of generating the invoice in ODA.net. The remaining 7, or 35 percent of our sample and 0.2 percent of the total population, were not forwarded to the Cashier's Office within one business day of the invoice being generated. The 7 transactions that were not in compliance amounted to \$1,273.00.

ROW management explained that the reason for the non-compliance was due to the transactions occurring during a period when the staff member in charge of these payments was on approved Family Medical Leave Act. All instances of non-compliance that we noted occurred during a period between September 2018 to February 2019.

We recommend the Director of ROW continue their efforts to procure and implement an automated system for payment processing, to improve the overall efficiency and mitigate the existing risks related to manual procedures.

In the interim, **we recommend** the Director of ROW implement a contingency plan for processing of payments to ensure payments are processed in a timely manner.

⁸ The sample was obtained manually as there is not a report available that includes information from both ODA.net and Receipt Processing System (RPS), the Department's web-based system that processes receipts including tracking, transmitting, and depositing. Therefore, to determine the number of days between invoice generation and input to RPS, screenshots from the two systems were required to be provided by ODA staff, and the dates obtained from a manual review of the screenshots. For this reason, a sample of only 20 payments, or 0.7 percent of the population, was selected for review.

⁹ The ROW Manual 1.3.2.3.2 states that deposits "must be verified and forwarded to the Cashier's Office the next business day".

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APPENDIX A – Purpose, Scope, and Methodology

The **purpose** of this engagement was to evaluate the Department’s Outdoor Advertising program and its adherence to applicable laws, policies, and procedures.

The **scope** of this audit included records, reports, and documentation related to the Department’s ODA program for FYs 2018-19 and 2019-20.

The **methodology** included:

- reviewing applicable federal and state laws and Department manuals, policies, and procedures;
- interviewing appropriate Department employees;
- reviewing Department ODA inventory records;
- reviewing the agreement between the Department and the external Field Consultant;
- reviewing the permit application review process; and
- reviewing a sample of payments processed by the ODA program.

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APPENDIX B – Management Response

Derrick Brown, Deputy Director of the Office of Right of Way (ROW), provided the following response by email on October 28, 2020:

Finding: We determined the ODA program payment processing controls should be improved to ensure timely processing of payments.

Recommendation: We recommend the Director of ROW continue their efforts to procure and implement an automated system for payment processing, to improve the overall efficiency and mitigate the existing risks related to manual procedures.

In the interim, we recommend the Director of ROW implement a contingency plan for processing of payments to ensure payments are processed in a timely manner.

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

Corrective Action: Continue procurement and subsequently implementation of an automated system for payment processing.

For the interim basis, ROW has already developed and implemented a contingency plan which will ensure processing payments in a timely manner.

Estimated Completion Date: June 30, 2023

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Derrick Brown, Deputy Director, Office of Right of Way

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PROJECT TEAM

Engagement was conducted by:
Shelby Altomari, Auditor

Under the supervision of:
Linda Tan, Senior Audit Supervisor for Performance
Amy Furney, Deputy Audit Director for Performance and Information Technology
Joseph W. Gilboy, Director of Audit

Approved by:
Kristofer B. Sullivan, Inspector General

STATEMENT OF ACCORDANCE

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

The Office of Inspector General's mission is to provide independent and objective investigative and audit services that promote accountability, integrity, and efficiency within the Florida Department of Transportation and its partners.

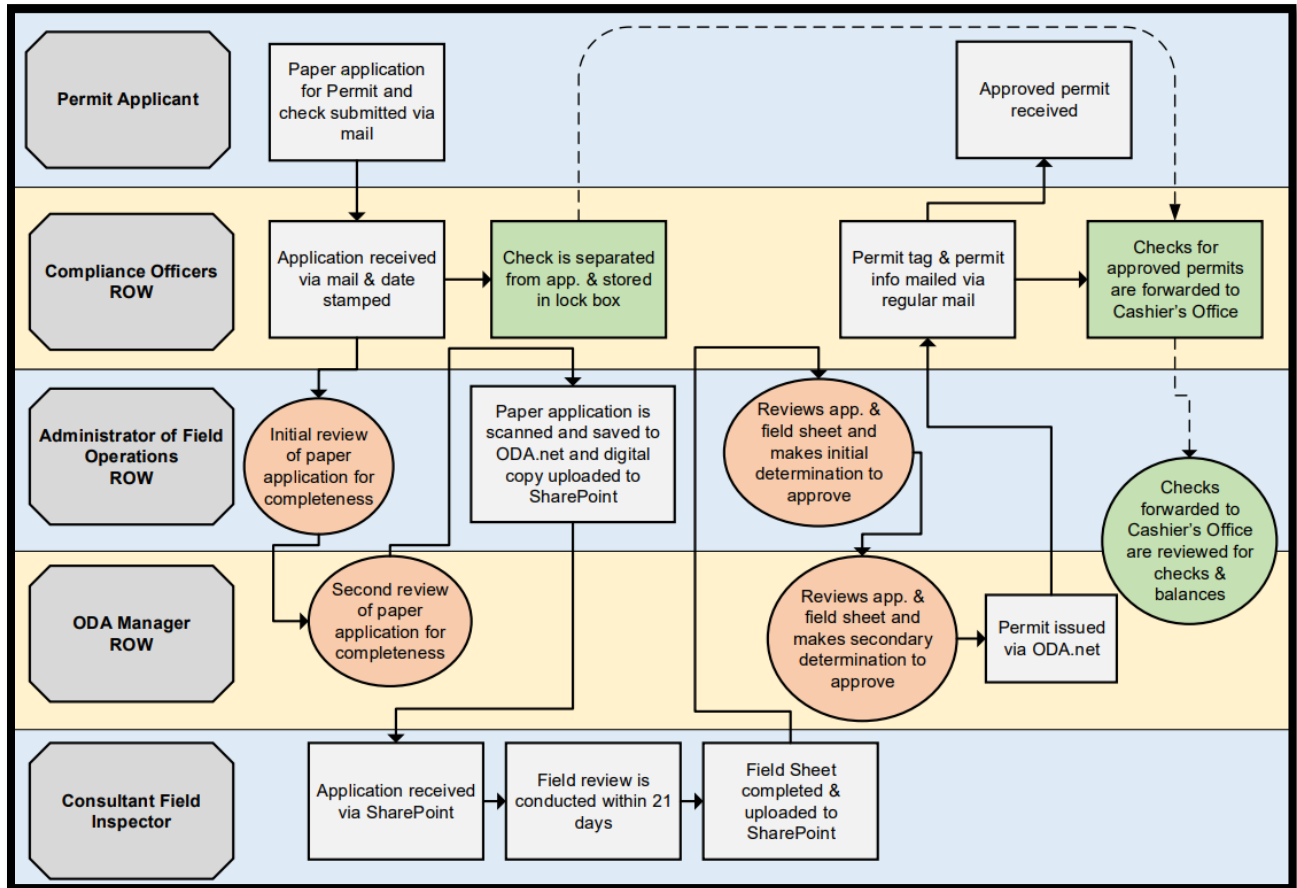
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Please address inquiries regarding this report to the Department's Office of Inspector General at (850) 410-5800.

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ATTACHMENT 1 – Application Process for Approved Permits

The flowchart below illustrates the process by which applications for ODA permits (Form 575-070-04) are received and reviewed by ROW.

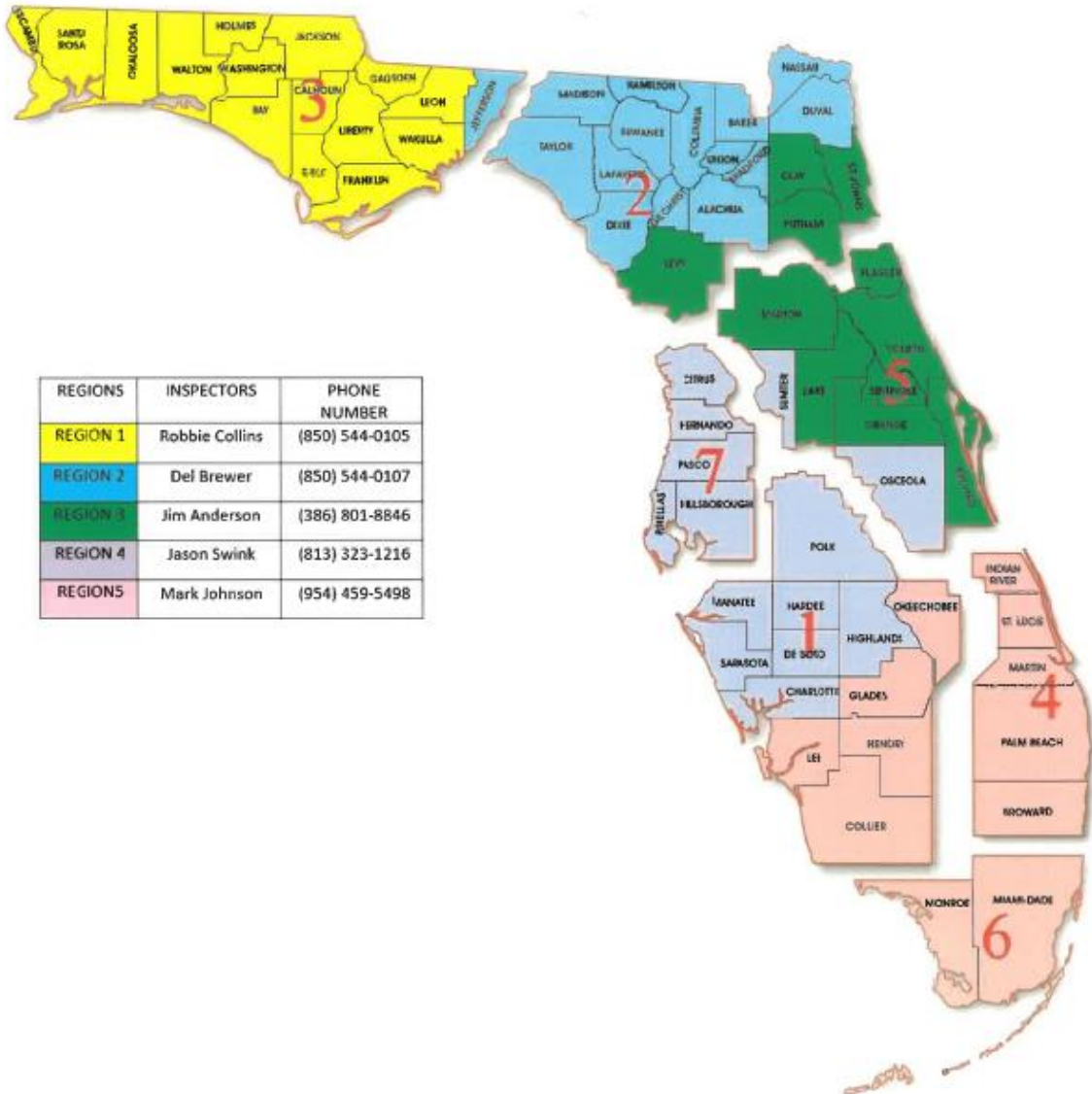


Source: Auditor created, as verified by ROW management.

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ATTACHMENT 2 – Regions Map

The map below shows the regions of the state assigned to the Department’s five Outdoor Advertising Inspectors.



Source: Obtained from ROW management.