



Florida Department of **TRANSPORTATION**

Office of Inspector General **Kristofer B. Sullivan, Inspector General**

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Kristofer B. Sullivan

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Audit Report No. 23C-012
Value Pricing Pilot Program Financial Review

November 20, 2023

What We Did

At the request of the Florida Department of Transportation's (Department) Office of the Comptroller, the Office of Inspector General conducted an independent audit of Department owned toll facility records to verify financial compliance with requirements concerning the limitations on use of revenues as outlined in Section 1012(b) of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), Public Law 102-240, which establishes the Value Pricing Pilot Program (VPPP).

The scope of the audit included the Department's two toll facilities subject to the financial audit requirements of the VPPP for the period July 1, 2022, to June 30, 2023. The VPPP requirement to verify adequate maintenance of the toll facilities is conducted by the Department's Office of Maintenance for Fiscal Year 2023 and is outside the scope of this audit.

What We Found

We determined the Department's use of toll revenues complied in all material respects with limitations set forth in the VPPP. Of the 25,844 transactions reported for two toll facilities, we reviewed all 52 transactions greater than \$250,000, their accounting system object code, description, and vendor. These transactions represented \$26,993,599 of the total \$42,436,587, or 64 percent. Of the 52 transactions, we tested the supporting documentation for a judgmental sample of five transactions totaling \$2,196,225 of the total \$26,993,599, or 8 percent.

We also tested the supporting documentation for a statistical sample of 62 transactions totaling \$2,437,178, whose amounts were between \$500 and \$250,000.

What We Recommend

This report does not contain recommendations as the audit found the transactions were compliant with the applicable VPPP governing requirements.

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BACKGROUND AND INTRODUCTION

At the request of the Florida Department of Transportation's (Department) Office of the Comptroller, the Office of Inspector General conducted an independent audit of Department owned toll facility records to verify financial compliance with requirements concerning the limitations on use of revenues as outlined in Section 1012(b) of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), Public Law 102-240, which establishes the Value Pricing Pilot Program (VPPP).

The scope of the audit was the two toll facilities owned by the Department subject to the financial audit requirements of the VPPP for the period July 1, 2022, to June 30, 2023.

The compliance requirements for Department owned toll facilities subject to VPPP are outlined in Section 2 of the VPPP Memorandums of Understanding (MOU) between the Federal Highway Administration (FHWA) and the Department:

- (2) Section 1012(b) of the ISTEA, as amended, FDOT will use all revenues received from the operation of the Facility for the operating costs of the project (including project implementation; mitigation measures to deal with adverse financial effects on low-income drivers; the proper maintenance of the facility; any reconstruction, rehabilitation, restoration, or resurfacing of the facility; any debt service incurred in implementing the project; reasonable return on investment of any private person financing the project). There is not a priority in the uses of the project operating costs and any revenues in excess of these costs may be used by FDOT for other projects eligible for assistance under Title 23, United States Code.

Additionally, Section 4 of the VPPP MOUs states:

- (4) That FDOT agrees, upon reasonable notice, to make all of its records pertaining to the Facility subject to audit by the FHWA. The FDOT agrees to annually audit the records of the Facility subject to audit by the FHWA. The FDOT agrees to annually audit the records of the Facility for compliance with the provisions of this Agreement and report the results thereof to FHWA. In lieu of the FDOT performing said audit, a report of the State Auditor or an independent auditor furnished to FHWA may satisfy the requirement of this section.

The following Department owned toll facilities and associated records are subject to the financial audit requirements of the VPPP:

1. I-95 Express Lanes (Phases 1 and 2)
2. State Road 826 Palmetto Expressway

The I-95 Express Lanes Phases 1, and 2 were built under the Value Pricing Pilot Program (VPPP) and include Miami Dade County and a part of Broward County. Phase 3 is a facility subject to Section 129(a)(3) requirements.

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RESULTS OF REVIEW

We found the governance of toll facility expenditures were outlined in a September 23, 2020, memorandum from the Department's Office of the Comptroller to the Federal Highway Administration (FHWA). The memorandum states in part:

FDOT has a process whereby prior to obligating, the use of those revenues are requested by the district, reviewed for compliance by the Federal Aid Office, reviewed for financial soundness by the Office of Comptroller and Office of Work Program and Budget, and approved/disapproved by the Assistant Secretary of Finance and Administration.

The Project Finance Office confirmed this process was in use for Fiscal Year 2022-23.

Additionally, the General Accounting Office provided toll facility expenditure records for the period July 1, 2022, to June 30, 2023. The expenditure population for the two facilities was 25,844 transactions totaling \$42,436,587. See Figure 1.

Figure 1: Summary of Toll Facility Expenditures

Value Pricing Pilot Program Toll Facilities Summary of Expenditure Transactions July 1, 2022 to June 30, 2023		
Toll Facility	Transaction Count	Dollars
I-95 Express Lanes (All Phases)	22,876	\$ 36,297,896
State Road 826 Palmetto Expressway	2,968	6,138,691
Totals	25,844	\$ 42,436,587

Source: OIG Prepared Schedule

We reviewed all 52 transactions greater than \$250,000, their accounting system object code, description, and vendor. These transactions represented \$26,993,599 of the total \$42,436,587, or 64 percent. Of the 52 transactions, we tested the supporting documentation for a judgmental sample of five transactions totaling \$2,196,225 of the total \$26,993,599, or 8 percent.

We also tested the supporting documentation for a statistical sample of 62 transactions totaling \$2,437,178 whose amounts were between \$500 and \$250,000. Of the 62 transactions, we reviewed 50 of these transactions totaling \$1,962,499, associated with the I-95 Express Lanes. These lanes were constructed in three phases; Phases 1 and 2 are subject to the Value Pricing Pilot Program while Phase 3 is subject to Section 129, of Title 23 U.S.C., requirements. The Department system that houses tolling activity cannot identify expenditures to a specific phase. Section 129 and VPPP are subject to the same limitations on the use revenues, with VPPP having an additional requirement.

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Regardless of the expenditure phase, the transactions tested were in compliance with Section 129(a)(3) and VPPP. The sampling of transactions to support the determination followed acceptable auditing practices associated with the scope.

As a result of the review, **we determined** the Department's use of toll revenues complied in all material respects with limitations set forth in the VPPP governing requirements.

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APPENDIX A – Purpose, Scope, and Methodology

The **purpose** of this engagement was to determine if the Department complied with VPPP.

The **scope** of this audit includes the expenditures assigned to the Department toll facilities subject to the financial audit requirements of the VPPP for the period of July 1, 2022, to June 30, 2023.

The **methodology** included:

- verifying the Department owned toll facilities subject to VPPP governance with the Project Finance Office;
- reviewing applicable laws, statutes, and Department Memorandum of Understandings with Federal Highway Administration; and
- examining and testing transactions for VPPP compliance.

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APPENDIX B – Management Response

The Office of the Comptroller, Project Finance Office responded on November 6, 2023, by email with the following response:

Thank you for the opportunity to review the two P&T reports for the Section 129 and the Value Pricing Pilot Program tolling programs. We do not have a response to either report.

We do have one minor edit: 1) add I-95 Express Phase 3 to the list of facilities reviewed under the Section 129 audit, and 2) specify that the review covered I-95 Express Phases 1 and 2 under the VPPP audit. Phase 3 is under a Section 129 MOA and Phases 1 and 2 are covered by a VPPP agreement.

The OIG addressed the requested edits within the body of the report.

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PROJECT TEAM

Engagement was conducted by:
Corbitt Lyons, Staff Auditor

Under the supervision of:
Luis Camejo, Senior Audit Supervisor
Ryan Moore, Deputy Audit Director for Contracts
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.

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.