



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. 23I-005
Palm Beach Transportation Planning Agency

August 7, 2023

What We Did

The Florida Department of Transportation's (Department) Office of Inspector General conducted an audit of the Palm Beach Transportation Planning Agency (Palm Beach TPA) accounting and financial management policies and processes. Additionally, we evaluated the financial management controls of Department funds to ensure compliance with federal regulations, state statutes, Department guidelines, and Grant Agreement (Agreement) G1O32. This audit was conducted as a part of the fiscal year (FY) 2021-22 audit plan. The scope of this audit consisted of Agreement G1O32 for FYs 2020-22.

What We Found

We determined that the Palm Beach TPA policies and procedures provide sufficient internal controls and oversight structure to support its accounting and financial management processes in accordance with federal regulations, state statutes, Department guidelines, and agreements.

We determined that Palm Beach TPA is not fully implementing the financial management process in accordance with Agreement G1O32. Palm Beach TPA is compliant with the use of the funds allocated and expended for allowable, necessary, reasonable, and allocable costs for Agreement G1O32. Palm Beach TPA could improve the invoicing process to comply with Department regulations, Section 10 (a) - Compensation and Payment of Agreement G1O32, and Title 2, Part 200.303 (a), Code of Federal Regulation (C.F.R.), Internal Controls to ensure proper segregation of duties within the invoice process.

What We Recommend

We recommend that the Office of Policy Planning Metropolitan Planning Administrator work with the District and Palm Beach TPA's management to ensure that invoices comply with the Department's regulations and standards. Additionally, ensure that Palm Beach TPA's financial policies and procedures are reviewed annually, address segregation of duties, and are sufficiently being implemented.

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BACKGROUND AND INTRODUCTION

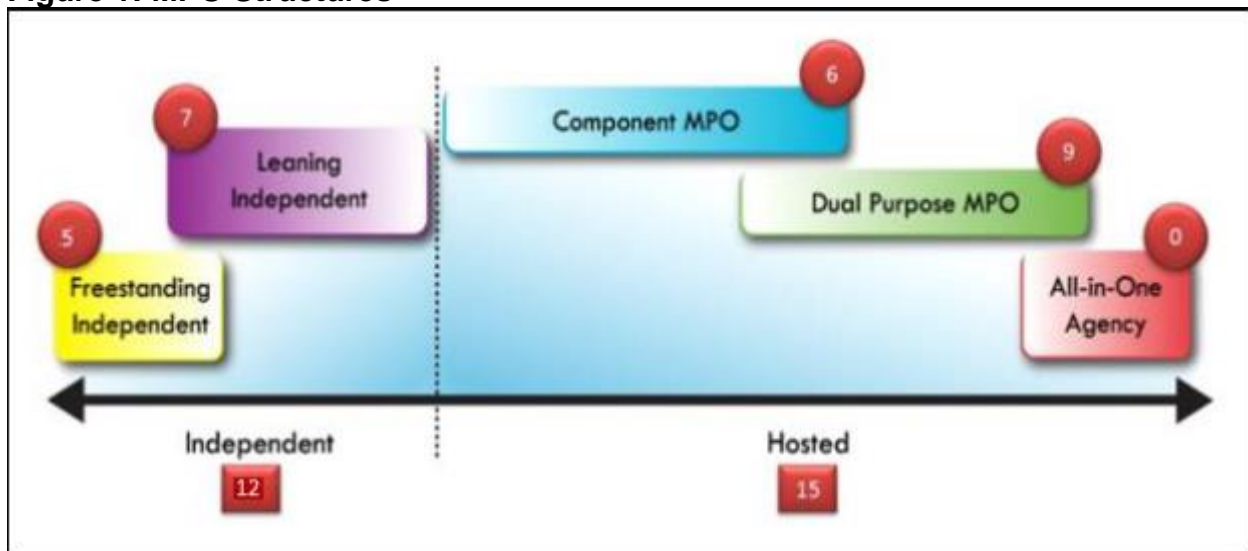
Metropolitan Planning Organizations

In 1973, the Federal-Aid Highway Act mandated the creation or designation of Metropolitan Planning Organizations (MPOs) for urbanized areas with populations greater than 50,000 people. MPOs are federally mandated Transportation Planning Organizations (TPOs), comprised of representatives from local governments and transportation authorities, which help ensure federally funded transportation projects support local priorities. In Florida, MPOs may be referred to interchangeably as MPOs, TPOs, or Transportation Planning Agencies (TPAs).

There are 27 MPOs across the state of Florida. Typically, each MPO has been founded by an Interlocal Agreement, executed under Title XI, Chapter 163 of Florida Statutes (F.S.), among the various county, city, and other local governments in the area to be served. Many MPOs also execute a separate service agreement with a participating local government to obtain administrative services or other support (e.g., office space), often at below-market rates. The terms of these arrangements vary widely.

In 2011, the Florida MPO Advisory Council (MPOAC) commissioned the Center for Urban Transportation Research (CUTR) at the University of South Florida to analyze the different organizational structures employed by Florida's MPOs. CUTR classified the MPOs into two categories, hosted and independent, and five subcategories, ranging from being fully independent (freestanding) to being so thoroughly integrated with the host agency that they are nearly indistinguishable from the host (all-in-one agency). Figure 1 illustrates the CUTR classification model, as applied to Florida's MPOs.

Figure 1: MPO Structures



Source: a snapshot of Florida MPOs – MPOAC; modified by the Office of Inspector General (OIG) to include the newest MPO, Heartland Regional TPO.

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The Florida Department of Transportation's (Department) Office of Policy Planning (OPP) uses the CUTR model to classify MPO governance structures.

The MPO carries out four primary activities:

- Develop and maintain a Long-Range Transportation Plan (LRTP), which addresses no less than a 20-year planning horizon.
- Update and approve a Transportation Improvement Program (TIP), a four-year highway and transit improvement program. In Florida, MPOs are required to develop and adopt a TIP annually that includes a five-year program of projects. The fifth year is included for illustrative purposes.
- Develop and adopt a Unified Planning Work Program (UPWP), which identifies the MPOs budget and planning activities that are to be undertaken in the metropolitan planning area.
- Prepare a Public Participation Plan, which describes how the MPO involves the public and stakeholder communities in transportation planning. The MPO also must periodically evaluate whether its public involvement process continues to be effective.

The primary duties of the MPO are to be accomplished and identified in a written agreement and executed as an interlocal agreement.

Palm Beach Transportation Planning Agency (Palm Beach TPA)

Palm Beach is a federally mandated public agency that works with partners across Palm Beach County, Florida, and the United States to plan, prioritize, and fund the transportation system.

Palm Beach was previously hosted by the Palm Beach County Board of Commissioners. The MPO became independent from its host in October 2019 and operates as Palm Beach TPA. Palm Beach TPA is responsible for the federal transportation process of planning and programming for Palm Beach County. Palm Beach County has a population of 827,494 people within 39 municipalities and 639,000 people in unincorporated Palm Beach County. Palm Beach transportation system projects and services are to be funded with Federal and State transportation dollars. Proposed projects and programs move through a planning process where they are prioritized and funded for implementation in Palm Beach TPA's adopted 5-year TIP.

Palm Beach TPA has a mission to collaboratively plan, prioritize, and fund the transportation system. The TPA's vision is for a safe, efficient, and connected multimodal transportation system.

Palm Beach TPA is part of a larger organization, which serves as the MPO for that part of the Miami Urbanized Area Transportation Management Area (TMA) within Palm Beach County. The TMA is part of the Southeast Florida Transportation Council

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(SEFTC). The TMA entered into an Interlocal Agreement on January 9, 2006, to create the Southeast Florida Transportation Council for Regional Transportation Planning and Coordination in South Florida. SEFTC allows the combined MPOs to come together and formally discuss policy coordination and undertakes regional planning efforts for all transportation modes including:

- Regional transportation plans covering the tri-county region;
- Regional project prioritization;
- Regional transit and freight systems;
- Regional public involvement;
- Regional performance measurement; and
- Regional transportation improvement program.

Palm Beach TPA's number of governing members is determined by the Interlocal Agreement. Palm Beach TPA's governing board consists of 21 members that are elected locally. The governing board consists of 5 county commissioners, 1 port commissioner, and 15 elected officials from the largest 13 municipalities that make up Palm Beach County. The Governing Board's regular meetings are held on the third Tuesday of each month.

Palm Beach TPA's Relationship with the Department

The Department works closely with all 27 MPOs throughout the State of Florida. Palm Beach is located in District Four. The Department works with the MPOs through the OPP. The OPP oversees a wide range of planning, policy, and research activities to advance Florida's statewide transportation system. The Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA) provide the bulk of grant funds to Palm Beach TPA. The FHWA federal funds are passed through the Department to Palm Beach TPA to help carry out the completion of transportation related issues. These tasks are laid out in the UPWP. State and federal laws for transportation planning are accomplished by the MPO agreement. The MPO agreement establishes a relationship between the MPO and the Department. Palm Beach TPA has 5 current agreements with the Department. For this audit, G1O32 is budgeted for \$6,187,216.00.

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RESULTS OF REVIEW

We conducted an audit of Palm Beach TPA with the following objectives:

1. Determine whether internal controls are sufficient to ensure monitoring and oversight of the Department's funds to comply with federal regulations, state statutes, Department guidelines, and Agreement G1032.
2. Determine if the Palm Beach TPA has complied with federal, state, and the Department's financial management requirements.

Finding 1 – Internal Controls and Oversight of Department Funds

We determined that the Palm Beach TPA policies and procedures provide sufficient internal controls and oversight structure to support its accounting and financial management processes in accordance with federal regulations, state statutes, Department guidelines, and agreements.

Palm Beach TPA policies and procedures were reviewed for statutory criteria requirements, procedures to guide processes, and language to address internal controls following general accounting principles. Additionally, the consultant and vendor agreements reviewed complied with laws, regulations, and Department guidelines.

The following criteria were reviewed:

- Title 2, Part 200, Code of Federal Regulation (C.F.R.)- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D-Post Federal Award Requirements, subsection 302 Financial management;
- 2 C.F.R. 200.303 (a)-(d) Internal controls;
- Subsection 339.175(6)(h), F.S. (2022); and
- Grant Agreement G1032 Metropolitan Planning Organization Agreement
- Metropolitan Planning Organization (MPO) Handbook.

We reviewed the following documents provided by Palm Beach TPA to determine sufficiency:

- 2021/2022 Continuity of Operations Plan (COOP);
- MPO Joint Certification – calendar year 2020;
- Grant Reimbursement Workflow;
- Personnel Handbook;
- TPA Financial Policies;
- TPA Procurement Policy;
- Quality Assurance or Continuing Improvement Plan;
- Accounting System Manual;

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- Memo Training Plan;
- Memo Succession Plan;
- TPA Software Systems;
- FDOT Active Agreements; and
- 2022 General Ledger.

The complete criteria detail reviewed for this finding can be found in Attachment 1.

We observed an opportunity for Palm Beach TPA to improve its Training and Succession Plan, by providing a detailed plan for the continuity of operations.

There are no recommendations for this finding.

Finding 2 – Financial Management Controls

We determined that Palm Beach TPA is not fully implementing the financial management process in accordance with Agreement G1O32. Palm Beach TPA is compliant with the use of the funds allocated and expended for allowable, necessary, reasonable, and allocable costs for Agreement G1O32. Palm Beach TPA could improve the invoicing process to comply with Department regulations, Agreement G1O32, Section 10 (a) - Compensation and Payment, and 2 C.F.R. 200.303 (a) Internal Controls to ensure proper segregation of duties within the invoice process.

The criteria used to evaluate Palm Beach TPA's compliance with federal and state regulations and Department policies are as follows:

- 2 C.F.R. 200.305 Federal Payments;
- 2 C.F.R. 200.308 Revision of budget and program plans;
- 2 C.F.R. 200.405 Allocable costs;
- 2 C.F.R. 200.413 Direct costs;
- Subsection 112.061, F.S. (2022);
- Reference Guide for State Expenditures;
- Disbursement Handbook for Employees and Managers; and
- Grant Agreement G1032 Metropolitan Planning Organization Agreement.

The Department shall reimburse Palm Beach TPA for costs incurred to perform services satisfactorily during a monthly or quarterly period following the Scope of Work, Exhibit "A" and Section 10 (a) - Compensation and Payment, in accordance with Agreement G1O32. Reimbursement is limited to the maximum amount authorized by the Department. Requests for reimbursement by the MPO shall include an invoice, an itemized expenditure report, and a progress report for the period of services being billed that are acceptable to the Department. The MPO shall use the format for the invoice, itemized expenditure report, and progress report that is approved by the Department. The MPO shall provide any other data that FHWA or the Department requires to justify and support the requested payment.

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The complete criteria detail reviewed for this finding can be found in Attachment 1.

Invoice Sampling, Submittal Compliance, and Reconciliation

The District Four, Metropolitan Planning Liaison provided invoice packages for Agreement G1O32. There was a total of seventeen invoices submitted for the Agreement period of 07/01/2020 - 06/30/2022. We reviewed all seventeen invoice packages checklist, cover page, and itemized detail report against the criteria listed in the Agreement, MPO Handbook, and UPWP.

To test compliance with the reimbursed amount to Palm Beach TPA of \$1,898,479.93, we selected invoices using an interval sampling process for Agreement G1O32 for fiscal years (FYs) 2020-22. We selected every third invoice out of the seventeen invoices for additional detailed review, for a total of seven invoices reviewed for this audit. For each invoice, we tested against the UPWP Six Tasks,¹ expenses, and supporting documentation for compliance with 2 C.F.R. 200, Subsections 403, 404, and 405. We determined that each expense on the seven invoices was allowable as per 2 C.F.R. 200.403, reasonable as per 2 C.F.R. 200.404, allocable as per 2 C.F.R. 200.405, and necessary as per 2 C.F.R.200.405(a)(3). We also verified the total amounts reflected on the invoice packages match the amounts in the Florida Accountability Contract Tracking System (FACTS).

Section 10 (a) - Compensation and Payment of Agreement G1O32 required Palm Beach TPA to submit cost reimbursement invoices no more than once per month but at least one time per quarter. We observed that billing for this UPWP was submitted both quarterly and monthly. We identified that 7 of the 8 quarter periods were submitted in compliance with the Agreement as illustrated in Table 1. A quarter was deemed not applicable if there were no deliverables.

¹The Palm Beach TPA UPWP Six Tasks are to engage the public, plan the system, prioritize funding, implement projects, collaborate with partners, and administer the agency.

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Table 1 - Grant G1032 Invoice Compliance with Agreement Requirements

Quarter Period (FY)	Invoice Period	Quarter End Month Due	Invoice Submitted (Inv. #)	Date Invoice Received by District Four	Quarterly Invoice Submittal Compliance
Quarter 1 (FY20/21)	07/01/2020 09/30/2020	September 2020	Yes (#1)	12/4/2020	Yes
Quarter 2 (FY20/21)	09/01/2020 10/31/2020	December 2020	Yes (#2)	1/25/2021	Yes
Quarter 3 (FY20/21)	10/01/2020 03/31/2021	March 2021	Yes (#3)	3/29/2021	Yes
			Yes (#4)	4/26/2021	
			Yes (#5)	7/6/2021	
Quarter 4 (FY20/21)	08/11/2020 06/30/2021	June 2021	Yes (#6)	8/26/2021	Yes
			Yes (#7)	9/2/2021	
			Yes (#8)	9/17/2021	
Quarter 1 (FY21/22)	07/01/2021 09/30/2021	September 2021	Yes (#9)	11/3/2021	Yes
			Yes (#10)	11/24/2021	
			Yes (#11)	12/16/2021	
Quarter 2 (FY21/22)	07/01/2021 12/31/2021	December 2021	Yes (#12)	1/21/2022	Yes
			Yes (#13)	3/17/2022	
Quarter 3 (FY21/22)	10/01/2021 03/31/2022	March 2021	Yes (#14)	6/6/2022	Yes
			Yes (#15)	7/21/2022	
Quarter 4 (FY21/22)	11/01/2020 06/30/2022	June 2021	Yes (#16)	10/13/2022	No
			Yes (#17)	10/28/2022	

Source: Created by OIG Auditor from Palm Beach TPA invoices submitted to District Four

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Three of the seven invoices selected for additional testing had either description errors on the invoice cover page and/or the amounts in the Itemized Expenditure Detail Reports and canceled check amounts did not reconcile with the reimbursed amounts. The following errors were noted:

Invoice 1 packet contained minor administrative errors.

The invoice summary page 33 and the TPA Contractor Travel Form page 2 listed the previous year's agreement G0Y84, instead of the current year's Agreement G1O32.

Invoice 10 packet contained check #1273 which is referenced in multiple invoice packets.

Invoice period 8/1/2021 - 8/31/2021, included canceled check #1273 dated 10/29/2021 in the amount of \$3,225.36 as the supporting documentation for cost reimbursement. The canceled check was written to cover payments in invoice packets 9 and 11. A notation documented on the consultant summary form with a copy of the canceled checks should have been included in the invoice packets below:

- Invoice 244513 was in packet 9. The invoice was dated 08/25/2021 for reimbursement of \$667.44 for the service period of 7/10/2021 - 7/15/2021.
- Invoice 244514 was in packet 9. The invoice was dated 8/25/2021 for reimbursement of \$422.60 for the service period of 7/30/2021.
- Invoice 246228 was in packet 11. The invoice was dated 10/7/2021 for reimbursement of \$593.28 for the service period of 9/15/2021 - 9/29/2021.
- Invoice 246229 was in packet 11. The invoice was dated 10/7/2021 for reimbursement of \$899.32 for the service period of 9/06/2021 - 9/10/2021.

Invoice 13 packet contained travel reimbursements from previous quarters.

The service period for payroll was 11/01/2021-12/31/2021; however, the range was back dated to include travel reimbursements dated from 7/01/2021-12/31/2021.

The overall grant agreement amount was not impacted, but submitting late or unsupported reimbursement invoices can cause a delay in processing payments.

The contract closeout letter had a remaining balance of \$681,962.02 that will carry over to the next UPWP. The remaining funds at close out totaled \$469,970.72 in Planning funds (PL) and \$211,991.30 in Urban funds (SU). Due to the change in leadership and a few other transitions in staff, they were unable to accomplish some of the new tasks they set out to do, including additional major corridor studies (other 561 corridors) and a few Palm Beach TPA transition items such as additional building work and administrative/finance improvements, including an accounting system.

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Segregation of Duties

Palm Beach TPA transitioned from hosted² to independent³ on October 1, 2019. This impacted the operation of governance under the new direction of the TPA, pre, and post-transfer of the host entity. Based upon interviews with Palm Beach TPA staff regarding their processes and a review of how Palm Beach TPA created the invoice packages, Palm Beach TPA did not initially have segregation of duties due to staff turnover. The Chief Financial Officer assumes responsibility for assembling, reconciling, reviewing, and signing the invoice package. With only one employee assuming the duties of creating the invoice package, the risk of not detecting errors before submission to District Four is higher. Additional staff have been hired in the finance department as of December 2022, to assist with financial operations.

We recommend that the Office of Policy Planning Metropolitan Planning Administrator work with District and Palm Beach TPA's management to ensure that invoices comply with the Department's regulations and standards. Additionally, ensure that Palm Beach TPA's financial policies and procedures are reviewed annually, address segregation of duties, and are sufficiently being implemented.

² Hosted MPOs are typically affiliated with another governmental agency, such as a county or regional planning office.

³ The independent MPOs meet all of its operating needs.

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APPENDIX A – Purpose, Scope, and Methodology

The **purpose** of this engagement was to determine if Palm Beach TPA was implementing Department financial management processes, in accordance with federal and state statutes, and Agreement G1O32.

The **scope** of this audit was Federal Highway Administration (FHWA) Planning (PL) and Urban (SU) funds of the Palm Beach TPA Agreement G1O32 for fiscal years 2020-22.

The **methodology** included a walkthrough of the Palm Beach TPA invoicing process, as well as:

- Reviews of statutes, regulations, policies, and procedures:
 - Uniform Grant Guidance (2 C.F.R. 200); and
 - Federal and State statutes.
- Documentation reviews:
 - Department MPO Program Management Handbook;
 - Interlocal Agreement for Staffing and Support Services by and between Palm Beach TPA Metropolitan Planning Organization;
 - Uniform Planning Work Program for Grants G1O32 (FYs 2020-22);
 - Grants G1O32, UPWP amendments and modifications, and invoices with supporting documentation for expenses billed to the Department;
 - TPA By-Laws;
 - Single Audit Reports for Palm Beach for 2019, 2020, and 2021;
 - MPO fiscal years 2020, 2021, and 2022 Budget;
 - Palm Beach TPA Chart of Accounts;
 - Palm Beach TPA Travel Policy; and
 - Department MPO/TPA Agreements Indirect Method of Compensation.
- Interviews with staff members:
 - Department District Four Staff; and
 - Palm Beach TPA Staff.

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APPENDIX B – Affected Entity Response



TO: Florida Department of Transportation
Office of Inspector General
c/o Jessica Mobley

FROM: Palm Beach Metropolitan Planning Organization DBA Palm Beach Transportation Planning Agency (TPA)
Valerie Neilson, AICP
TPA Executive Director

SUBJECT: Palm Beach TPA Response to Draft Audit Report

DATE: June 2, 2023

Dear Ms. Mobley,

For the fiscal years of 2020-2022 the FDOT OIG conducted an audit of TPA's accounting and financial management policies and processes. The FDOT OIG evaluated the financial management controls of Department funds to ensure compliance with federal regulations, state statutes, Department guidelines, and Grant Agreement G1O32.

Pursuant to the provisions of Section 20.055(6)(e), Florida Statute, the TPA is in receipt of a draft audit report. Furthermore, the agency has provided a written response to the report as related below.

Finding 1. Internal Controls and Oversight of Department Funds

We determined that the Palm Beach TPA policies and procedures provide sufficient internal controls and oversight structure to support its accounting and financial management processes in accordance with federal regulations, state statutes, Department guidelines, and agreements.

Palm Beach TPA policies and procedures were reviewed for statutory criteria requirements, procedures to guide processes, and language to address internal controls following general accounting principles. Additionally, the consultant and vendor agreements reviewed complied with laws, regulations, and Department guidelines.

We observed an opportunity for Palm Beach TPA to improve its Training and Succession Plan, by providing a detailed plan for the continuity of operations.

There are no recommendations for this finding.

Palm Beach TPA Response to Finding 1.

The TPA uses every opportunity to improve its policies and processes to maintain compliance with applicable laws, regulations, and guidelines. As suggested, the TPA will undertake the process of completing a written and detailed Training and Succession Plan in the interest of continuity of business and operations.

Finding 2.

We determined that Palm Beach TPA is not fully implementing the financial management process in accordance with Agreement G1O32. Palm Beach TPA is compliant with the use of the funds allocated and expended for allowable, necessary, reasonable, and allocable costs for Agreement G1O32. Palm

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Beach TPA could improve the invoicing process to comply with Department regulations, Agreement G1032, Section 10 (a) - Compensation and Payment, and 2 C.F.R. 200.303 (a) Internal Controls to ensure proper segregation of duties within the invoice process.

The Department shall reimburse Palm Beach TPA for costs incurred to perform services satisfactorily during a monthly or quarterly period following the Scope of Work, Exhibit "A" and Section 10 (a) - Compensation and Payment, in accordance with Agreement G1032. Reimbursement is limited to the maximum amount authorized by the Department. Requests for reimbursement by the MPO shall include an invoice, an itemized expenditure report, and a progress report for the period of services being billed that are acceptable to the Department. The MPO shall use the format for the invoice, itemized expenditure report, and progress report that is approved by the Department. The MPO shall provide any other data that FHWA or the Department requires to justify and support the requested payment.

Invoice Sampling, Submittal Compliance, and Reconciliation

The District Four, Metropolitan Planning Liaison provided invoice packages for Agreement G1032. There was a total of seventeen invoices submitted for the Agreement period of 07/01/2020 - 06/30/2022. We reviewed all seventeen invoice packages checklist, cover page, and itemized detail report against the criteria listed in the Agreement, MPO Handbook, and UPWP.

To test compliance with the reimbursed amount to Palm Beach TPA of \$1,898,479.93, we selected invoices using an interval sampling process for Agreement G1032 for fiscal years (FY) 2020-22. We selected every third invoice out of the seventeen invoices for additional detailed review, for a total of seven invoices reviewed for this audit. For each invoice, we tested against the UPWP Six Tasks, 1 expenses, and supporting documentation for compliance with 2 C.F.R. 200, Subsections 403, 404, and 405. We determined that each expense on the seven invoices was allowable as per 2 C.F.R. 200.403, reasonable as per 2 C.F.R. 200.404, allocable as per 2 C.F.R. 200.405, and necessary as per 2 C.F.R. 200.405(a)(3). We also verified the total amounts reflected on the invoice packages match the amounts in the Florida Accountability Contract Tracking System (FACTS).

Section 10 (a) - Compensation and Payment of Agreement G1032 required Palm Beach TPA to submit cost reimbursement invoices no more than once per month but at least one time per quarter. We observed that billing for this UPWP was submitted both quarterly and monthly. We identified that 7 of the 8 quarter periods were submitted in compliance with the Agreement as illustrated in Table 1. A quarter was deemed not applicable if there were no deliverables.

Three of the seven invoices selected for additional testing had either description errors on the invoice cover page and/or the amounts in the Itemized Expenditure Detail Reports and canceled check amounts did not reconcile with the reimbursed amounts.

The following errors were noted:

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Invoice 13 packet contained travel reimbursements from previous quarters.

The service period for payroll was 11/01/2021-12/31/2021; however, the range was back dated to include travel reimbursements dated from 7/01/2021- 12/31/2021.

The overall grant agreement amount was not impacted, but submitting late or unsupported reimbursement invoices can cause a delay in processing payments.

The contract closeout letter had a remaining balance of \$681,962.02 that will carry over to the next UPWP. The remaining funds at close out totaled \$469,970.72 in Planning funds (PL) and \$211,991.30 in Urban funds (SU). Due to the change in leadership and a few other transitions in staff, they were unable to accomplish some of the new tasks they set out to do, including additional major corridor studies (other 561 corridors) and a few Palm Beach TPA transition items such as additional building work and administrative/finance improvements, including an accounting system.

Segregation of Duties

Palm Beach TPA transitioned from hosted² to independent³ on October 1, 2019. This impacted the operation of governance under the new direction of the TPA, pre, and post-transfer of the host entity. Based upon interviews with Palm Beach TPA staff regarding their processes and a review of how Palm Beach TPA created the invoice packages, Palm Beach TPA did not initially have segregation of duties due to staff turnover. The Chief Financial Officer assumes responsibility for assembling, reconciling, reviewing, and signing the invoice package. With only one employee assuming the duties of creating the invoice package, the risk of not detecting errors before submission to District Four is higher. Additional staff have been hired in the finance department as of December 2022, to assist with financial operations. We recommend that the Office of Policy Planning Metropolitan Planning Administrator work with District and Palm Beach TPA's management to ensure that invoices comply with the Department's regulations and standards. Additionally, ensure that Palm Beach TPA's financial policies and procedures are reviewed annually, address segregation of duties, and are sufficiently being implemented.

Palm Beach TPA Response to Finding 2.

Per the finding, the TPA will make efforts to improve the standardization of the Contractor Travel Forms to ensure that the correct agreement ID is reflected on the Forms submitted for reimbursement. To facilitate this, the TPA will undertake a review of it's working/template forms to ensure that:

1. Forms that have been superseded are archived appropriately and are not available for staff use.
2. Proper separation of working/template forms in electronic formats to avoid accidental misuse of an agreement form.

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Additionally, when reporting on the status of cancelled checks, the TPA will include proper documentation and notations including the invoice numbers, amounts, dates, and service period that are relevant to any cancelled checks.

To support the Finance department in processing timely payments and reimbursements the TPA has hired additional staff to ensure reimbursements are processed and grant reimbursement invoices are submitted in a timely manner. The Finance department expects to be fully staffed by June 2023.

Due to the changes in leadership, transitions in staff, and deficiencies in staffing, some large projects contained in the prior UPWP could not be accomplished by the end of the cycle. Since that time, the TPA has fully established a new Executive Director, Deputy of Multimodal, and restructured and hired additional staff within the Finance department. With the increased stability in staffing, the TPA is better equipped to manage large projects such as major corridor studies, building facilities affairs, and administrative/finance improvements, including an accounting system in the current UPWP cycle.

To facilitate proper segregation of duties, the TPA procedure for compiling, reconciling, reviewing, and signing the grant reimbursement invoice package requires three TPA staff members instead of one. One staff member will compile the invoice and support, a second staff member will conduct a documented, signed, and dated review, and the Executive Director will conduct a final review and sign/approve the document. We anticipate that this will reduce the risk and occurrence of errors when submitting to District Four.

The TPA appreciates any opportunity to work with Office of Policy Planning and the District to receive trainings and recommendations to ensure that grant reimbursement invoices comply with regulations and standards.

Finally, the TPA will review the financial policies annually to ensure that the agency is following and sufficiently implementing the most recent available standards addressing segregation of duties.

Thank you,

A handwritten signature in blue ink, appearing to read "Valerie Neilson".

Valerie Neilson, AICP
TPA Executive Director

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APPENDIX C – Management Response

On July 28, 2023, the OIG received an email response from Jennifer Fortunas, Director, Office of Policy Planning:

Finding 1 – Internal Controls and Oversight of Department Funds

Finding: We determined that the Palm Beach TPA policies and procedures provide sufficient internal controls and oversight structure to support its accounting and financial management processes in accordance with federal regulations, state statutes, Department guidelines, and agreements.

Recommendation: There are no recommendations for this finding.

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

Corrective Action: N/A no recommendation

Estimated Completion Date: N/A no recommendation

Finding 2 – Financial Management Controls

Finding: We determined that Palm Beach TPA is not fully implementing the financial management process in accordance with Agreement G1O32. Palm Beach TPA is compliant with the use of the funds allocated and expended for allowable, necessary, reasonable, and allocable costs for Agreement G1O32. Palm Beach TPA could improve the invoicing process to comply with Department regulations, Agreement G1O32, Section 10 (a) - Compensation and Payment, and 2 C.F.R. 200.303 (a) Internal Controls to ensure proper segregation of duties within the invoice process.

Recommendation: We recommend that the Office of Policy Planning Metropolitan Planning Administrator work with District and Palm Beach TPA's management to ensure that invoices comply with the Department's regulations and standards. Additionally, ensure that Palm Beach TPA's financial policies and procedures are reviewed annually, address segregation of duties, and are sufficiently being implemented.

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

Corrective Action: The Office of Policy Planning Metropolitan Planning Administrator will work with District metropolitan planning organization (MPO) liaison and the Palm Beach TPA's management to provide a finance workshop which would contain a section on invoices and how to comply with the Department's regulations. The District and Office of Policy Planning Metropolitan Planning Administrator will review the Palm Beach TPA's financial policies and procedures annually for segregation of duties and sufficient implementation, as part of the FDOT Joint State-MPO Certification review and

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Risk Assessment of the FDOT Joint Certification Document (see MPO Handbook Chapter 7). The results of this risk assessment will determine the minimum frequency by which the MPO's supporting documentation for their invoices is reviewed by District MPO Liaison for the upcoming year.

Estimated Completion Date:

Finance Workshop conducted November 2023.

Annual review of Palm Beach TPA's financial policies and procedures by July 1 of each year starting in 2024.

Monitoring Phase of risk assessment June 1 of upcoming year to June 1 of year 2 with upcoming year starting the certification year on January 1, 2024.

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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 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.

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ATTACHMENT 1 – Criteria Summaries

The following criteria are summaries used for this engagement.

2 C.F.R. 200.302 Financial Management: Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

2 C.F.R. 200.303 (a) – (d) Internal Controls: Non-Federal entity is responsible for:

- (a) Establish 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).
- (b) Comply with U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations, and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

2 C.F.R. 200.305 Federal Payments: Guidelines Non-Federal entity must follow to ensure timely payments. Payments may not be withheld without specific condition including project objective noncompliance or indebtedness to the Federal Government. Use of OMB approved form is required when requesting advance payment or reimbursements on allowable expenditures.

2 C.F.R. 200.308 Revision of Budget and Program Plans: Deviations from approved budget, project scope, or objective must be reported and receive prior approval to include:

- change in project scope or objective;
- key personnel change (listed in application);
- disengagement from project over three months or 25% reduction in time devoted to project;
- inclusion of costs requiring prior approval; and
- transfer of funds budgeted for participant support cost.

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2 C.F.R. 200.405 Allocable Costs: The standard to determine if a cost is allocable by examining if the goods or services were chargeable according to the benefit received. Allocation between two projects: Direct Cost allocation principles apply if a cost benefits two or more projects and the proportions are easily determined. The cost must be allocated based on the proportional benefit. If the costs cannot be easily determined, then the allocation may be based on any reasonable documented basis.

2 C.F.R. 200.413 Direct Costs: Direct cost can be identified by specific final cost object or whose costs can be directly assigned to an activity. Direct costs that identify with the award rather than the nature of goods or service involved is the determining factor to distinguish direct cost from indirect costs. This section provides guidance for the treatment of salaries, utilities, office space, etc.

Section 112.061, F.S. Per Diem and Travel Expenses (2020): To prevent inequities, conflicts, inconsistencies, and lapses in the numerous laws regulating or attempting to regulate travel expenses of public officers, employees, and authorized persons in the state.

Section 215.97, F.S. Single Audit Act (2020): Establishes uniform state audit requirements for state financial assistance provided by state agencies to nonstate entities to carry out state projects.

Section 339.175(6)(h), F.S. Training (2020): In order to enhance their knowledge, effectiveness, and participation in the urbanized area transportation planning process, each M.P.O. shall provide training opportunities and training funds specifically for local elected officials and others who serve on an M.P.O. The training opportunities may be conducted by an individual M.P.O. or through statewide and federal training programs and initiatives that are specifically designed to meet the needs of M.P.O. board members.

Disbursement Handbook for Employees and Managers: To provide guidance and information required for state disbursement, on the Department's management of Standard Operating Procedures (SOP).

Grant Agreement G1032 Metropolitan Planning Organization Agreement: This Public Transportation Grant Agreement is between the State of Florida, the Department of Transportation ("Department"), and the Palm Beach Transportation Planning Agency ("Agency") for funding to carry out the Federal Highway Administration (FHWA) portion of the Metropolitan Planning Process and accomplish the transportation planning requirements of state and federal law.

Contract Exhibits A-Unified Planning Work Program (UPWP), B-Federal Financial Assistance (Single Audit Act), and C-Title VI Assurances.

MPO Handbook 3.10 MPO Invoicing: The MPO Agreement requires MPOs to submit invoices to FDOT on a quarterly or monthly basis. At a minimum, the invoice package

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shall include an invoice (with the prescribed format), an itemized expenditure detail report, and a progress report.

MPO Handbook 3.10.2 Itemized Expenditure Detail Report: No prescribed format for itemized expenditure detail report but must reflect certain criteria (outlined in the Handbook).

MPO Handbook 3.10.3 Progress Report: Progress reports are to be used to monitor the implementation of the UPWP and must be accompanied by each invoice an MPO submits to the District.

Reference Guide for State Expenditures: Provide state agencies guidance regarding the requirements applicable to the disbursement of funds from the State Treasury.