



Florida Department of *TRANSPORTATION*

Office of Inspector General Kristofer B. Sullivan, Inspector General

Audit Report No. 25C-002
Department Value Pricing Pilot Program Financial Review

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Kristofer B. Sullivan
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October 21, 2024

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 was the Department's two toll facilities subject to the financial audit requirements of the VPPP for the period July 1, 2023, to June 30, 2024. The VPPP requirement to verify adequate maintenance of the toll facilities is conducted by the Department's Office of Maintenance for Fiscal Year 2023-24 and is outside the scope of this audit.

What We Found

We determined the Department's use of toll revenues for the two toll facilities tested complied in all material respects with limitations set forth in the VPPP.

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 (OIG) 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, 2023, to June 30, 2024.

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 Title 23 U.S.C. 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 (OOC) 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 OOC confirmed this process was in use for Fiscal Year 2023-24.

Additionally, the OOC provided toll facility expenditure records for the period July 1, 2023, to June 30, 2024, consisting of two toll facilities with 26,416 transactions totaling \$37,954,763. See Figure 1.

Figure 1: Summary of Toll Facility Expenditures

Value Pricing Pilot Program Toll Facilities Summary of Expenditure Transactions July 1, 2023 to June 30, 2024		
Toll Facility	Transaction Count	Dollars
I-95 Express Lanes (Phase 1 and 2)	25,093	\$ 35,232,075
State Road 826 Palmetto Expressway	1,323	\$ 2,722,688
Totals	26,416	\$ 37,954,763

Source: OIG Prepared Schedule

As part of our testing, we reviewed all 13 transactions greater than \$250,000. These transactions represented \$7,175,424 of the total \$37,954,763, or 19 percent. Of the 13 transactions, we judgmentally sampled the supporting documentation for 2 transactions totaling \$991,605 of the total \$7,175,424, or 14 percent.

We also tested the supporting documentation of 51 statistically sampled transactions whose amounts were between \$500 and \$250,000, totaling \$2,375,819. Of the 51 transactions, 48 were associated with the I-95 Express Lanes, totaling \$2,322,927. These lanes were constructed in three phases; Phases 1 and 2 are subject to the VPPP while Phase 3 is subject to 23 U.S.C. Section 129 requirements. Section 129 and VPPP are subject to the same limitations on the use of revenues, with VPPP having an additional requirement. Although the Department’s system that processes tolling activity cannot identify expenditures to a specific phase, the transactions tested complied with

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23 U.S.C. 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.

This report does not contain recommendations as the audit found the transactions were compliant with the applicable 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’s two toll facilities subject to the financial audit requirements of the VPPP for the period of July 1, 2023, to June 30, 2024.

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 October 14, 2024, by email with the following response:

Thank you for sending the draft Section 129, VPPP, and OTRB reports. We have reviewed the P&Ts and have no comments or edits. Please proceed with finalizing the reports.

We very much appreciate the audit team's hard work for the fiscal year 2024 tolling programs certification efforts!

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PROJECT TEAM

Engagement was conducted by:
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Under the supervision of:
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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.