

DEPARTMENT OF TRANSPORTATION

COMMISSION

**FOR THE TRANSPORTATION DISADVANTAGED,
PUBLIC-PRIVATE PARTNERSHIPS,
LOANS TO EXPRESSWAY AND
BRIDGE AUTHORITIES, AND
PURCHASING CARDS**

Operational Audit



DEPARTMENT OF TRANSPORTATION

The Department of Transportation is created by Section 20.23, Florida Statutes. The head of the Department is the Secretary, who is appointed by the Governor and subject to confirmation by the Senate. The following individuals served as Secretary.

Ananth Prasad, Secretary	From April 2011
Francis Gibbs, Interim Secretary	From February 2011 to April 2011
Stephanie Kopelousos, Secretary	From January 2007 to February 2011

COMMISSION FOR THE TRANSPORTATION DISADVANTAGED

The Commission for the Transportation Disadvantaged is created by Section 427.012, Florida Statutes, and consists of seven members appointed by the Governor. The Commission members were:

David Darm, Chairman
Mike Willingham, Vice Chairman
Dane Grey
Marion Hart
Michael Horan
Charlotte Temple
Bryan Vaughan
J.R. Harding
Jill Houghton
Walter Schoenig

The head of the Commission is the Executive Director, who is appointed by and serves under the direction, supervision, and control of the Commission. The following individuals served as Executive Director:

Stephen Holmes, Executive Director	From December 2011
Karen Somerset, Interim Executive Director	From August 2011 to December 2011
Bobby Jernigan, Executive Director	From June 2009 to July 2011

The audit team leaders were Josh Barrett and Suzanne Sullenberger, CPA, and the audit was supervised by Jennifer Reeves, CPA. Please address inquiries regarding this report to David R. Vick, CPA, Audit Manager, by e-mail at davidvick@aud.state.fl.us or by telephone at (850)487-4494.

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DEPARTMENT OF TRANSPORTATION

Commission for the Transportation Disadvantaged, Public-Private Partnerships, Loans to Expressway and Bridge Authorities, and Purchasing Cards

SUMMARY

This operational audit of the Department of Transportation (Department) focused on: 1) the Commission for the Transportation Disadvantaged (Commission); 2) public-private partnerships; 3) loans to expressway and bridge authorities; and 4) purchasing cards. In addition, this audit included a follow-up on the findings included in report No. 2011-175. Our audit disclosed the following:

COMMISSION FOR THE TRANSPORTATION DISADVANTAGED

Finding No. 1: The Commission did not comply with certain administrative cost provisions of a Medicaid-funded nonemergency transportation agreement. Specifically, the Commission had not established a methodology to identify administrative costs. Such a methodology was necessary to demonstrate compliance with established administrative cost limits.

Finding No. 2: The Commission did not always follow the requirements of law governing the competitive procurement of contractual services.

Finding No. 3: The Commission's invoice review, approval, and payment processes and established monitoring procedures for planning agencies, Community Transportation Coordinators, and subcontracted transportation providers were not sufficient to ensure that amounts paid were limited to eligible transportation services.

Finding No. 4: The Commission lacked procedures to ensure that its annual report was accurate, complete, and substantiated by appropriate records.

Finding No. 5: Improved information technology controls were needed.

PUBLIC-PRIVATE PARTNERSHIPS

For the activities and transactions tested, Department records demonstrated compliance with governing laws and effective operation of related controls.

LOANS TO EXPRESSWAY AND BRIDGE AUTHORITIES

For the activities and transactions tested, Department records demonstrated compliance with governing laws and effective operation of related controls.

PURCHASING CARDS

Finding No. 6: Department purchasing cards were not always timely canceled upon an employee's separation from the Department.

BACKGROUND

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 Department is created pursuant to Section 20.23(5)(a), Florida Statutes, and operates with a decentralized organizational structure consisting of seven Districts and the Central Office. The Central Office is responsible for establishing Departmental policies, rules, and procedures, and monitoring the implementation of such policies, rules, procedures, and standards, in order to ensure uniform compliance and quality performance by the districts and central office units that implement transportation programs.

FINDINGS AND RECOMMENDATIONS**Commission for the Transportation Disadvantaged**

The Commission is the State-level policy board responsible for the implementation and oversight of coordinated transportation services. The Commission's mission is to develop a State-coordinated transportation services program through qualified community transportation coordinators or transportation operators to ensure the availability of efficient, cost-effective, and quality transportation services for transportation disadvantaged persons. Transportation disadvantaged persons are defined as those persons who because of physical or mental disability, income status, or age, are unable to transport themselves or to purchase transportation and are, therefore, dependent upon others to obtain access to health care, employment, education, shopping, social activities, or other life-sustaining activities; or children who are handicapped or meet other qualifying conditions specified in law.¹ According to the 2011 Commission Annual Performance Report, over 700,000 Floridians were provided transportation disadvantaged services consisting of approximately 51.1 million trips during the 2010-11 fiscal year. Funding to provide transportation disadvantaged services is derived from a variety of Federal and State programs and is distributed by the Commission.

Pursuant to law,² the Commission was assigned to the Department for administrative and fiscal accountability purposes. In all other capacities the Commission is to function independently of the control, supervision, and direction of the Department. The Commission consists of seven members appointed by the Governor, and the Commission employs an executive director who is appointed by and serves under the direction, supervision, and control of the Commission. As of August 2012, the Commission had 16 full-time equivalent employee positions.

To assist with program implementation, the Commission contracts with a Community Transportation Coordinator (CTC) in each county. Under the contracts, each CTC is responsible for the actual arrangement or delivery of the transportation services for eligible individuals. The CTC, through a competitive procurement process, may contract with local transportation operators to provide the transportation services, or may elect to directly provide the transportation services. The Commission provides funding to CTCs through the award of planning grants and trip and equipment grants. The Commission employed four project managers who were responsible for monitoring the 38 planning agencies and the 67 CTCs to ensure that applicable deliverables and other grant requirements were met. Additionally, the project managers were responsible for providing training and technical assistance to all CTCs, planning agencies, and subcontracted transportation providers regarding applicable requirements.

The Commission also contracts with a designated planning agency³ for each service area of the State. Each planning agency is responsible for establishment of a local coordinating board (LCB) that is responsible for oversight and evaluation of applicable CTCs. The LCBs are to also provide assistance to the CTCs by identifying local service needs and providing information, advice, and direction on the coordination of services. The Commission provides funding to the planning agencies to assist the agencies in meeting their required statutory and contracted duties, such as recommending CTCs, providing the LCBs with sufficient staff support and resources for oversight of the CTCs, developing and annually updating by-laws and grievance procedures, and submitting annually required reports to the Commission.

¹ Sections 427.011(1) and 411.202, Florida Statutes.

² Section 427.012, Florida Statutes.

³ Planning agencies include metropolitan planning organizations and designated official planning agencies, as described in Section 427.015, Florida Statutes.

The Commission is funded from multiple sources including: Federal funds received from the Medicaid Program,⁴ State funds of \$1.50 from each private automobile and light truck registration,⁵ \$5 from each temporary disability parking permit,⁶ \$1 voluntary donations added to the vehicle registration fee,⁷ 15 percent of the funds designated for the public transit block grant program,⁸ and other miscellaneous State funds.

According to State accounting records, the Commission's expenditures totaled \$105,498,200 and \$94,540,940, respectively, for the 2010-11 and 2011-12 fiscal years. The Commission's expenditures were primarily composed of payments to CTCs for trip and equipment grants, to planning agencies for planning grant agreements, and to subcontracted transportation providers for Medicaid nonemergency transportation (NET) services.

Finding No. 1: Medicaid Non-Emergency Transportation Services Grant Agreement

The Commission executed a grant agreement with the Agency for Health Care Administration (AHCA) in December 2008 to provide eligible Medicaid beneficiaries with NET services.⁹ Pursuant to this agreement,¹⁰ AHCA was to provide \$65.4 million and \$60.8 million to the Commission for NET services for the 2010-11 and 2011-12 fiscal years, respectively.

Our audit included gaining an understanding of the contract between the Commission and AHCA. The grant agreement, and applicable amendments for the 2010-11 and 2011-12 fiscal years, established various requirements relating to the control of administrative costs, including:

- Commission administrative costs were to be limited to 5 percent of the amount received annually from AHCA during the 2010-11 and 2011-12 fiscal years. Only those costs incurred in managing NET services were to be identified as administrative costs of the agreement.
- The Commission was required to complete a reconciliation of funds received to the related expenses incurred and provide a demonstration that administrative costs had been limited to no more than 5 percent. The written reconciliation was due to AHCA by November 30th of each year. Effective July 2011, the agreement included directions that the reconciliation should include all agreement-related income, administrative and transportation service expenditures, reserve funds, and any unexpended or unencumbered agreement funds for the prior State fiscal year and should include sufficient detail to demonstrate compliance with the administrative costs limit.

According to Commission personnel, the reconciliations for the 2010-11 and 2011-12 agreement years were not completed and no methodology had been established to separately account for and report the administrative expenditures applicable to administering NET services. Similar findings were noted in report No. 2012-142, finding number FA 11-065.

⁴ Catalog of Federal Domestic Assistance (CFDA) Nos. 93.720, 93.775, 93.776, 93.777, and 93.778.

⁵ Authorized by Section 320.03(9), Florida Statutes.

⁶ Authorized by Section 320.0848(4)(c)(2), Florida Statutes.

⁷ Authorized by Section 320.02(14), Florida Statutes.

⁸ Section 341.052(5), Florida Statutes.

⁹ AHCA received waivers applicable to Sections 1115(a)(1) and 1915(b)(4) of the Social Security Act for the provision of transportation disadvantaged services in the State. These waivers allowed the State to restrict the provider from whom or through whom Medicaid clients can obtain NET services. Medicaid clients were to receive NET services only through authorized transportation providers for each county or multi-county region, rather than be allowed choice of any transportation provider. Effective December 2011, managed care organizations (MCOs) were to provide some NET services previously provided by the Commission. At the time of audit, the funding allocation and the extent of services to be provided by MCOs had not been determined.

¹⁰ Pursuant to amendment No. 5, the agreement was effective through August 2012.

Absent the identification of applicable administrative costs and the completion of reconciliations, as described in the grant agreement, the Commission cannot demonstrate compliance with the administrative costs limit related to the Medicaid NET services grant agreement and cannot demonstrate whether or not surplus funds are due to AHCA.

Recommendation: We recommend that the Commission ensure compliance with the administrative provisions of the Medicaid NET services grant agreement with AHCA.

Finding No. 2: Procurement of Contractual Services

Fair and open competition is a basic tenet of public procurement. Such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. Chapter 287, Florida Statutes, specifies the system of uniform procedures to be utilized in managing and procuring commodities and contractual services for State agencies. Documentation of the acts taken and effective monitoring mechanisms are important means of curbing improprieties and establishing public confidence in the process by which commodities and contractual services are procured.

Pursuant to law,¹¹ when the purchasing price of commodities or contractual services exceeds the Category II threshold (i.e., \$35,000), the procurement is to be made through the use of competitive sealed bids, competitive sealed proposals, or competitive sealed replies, unless the agency head determines in writing that an immediate danger to the public health, safety, or welfare, or other substantial loss to the State requires emergency action or an exemption is otherwise provided in law. Examples of exemptions from the competitive procurement requirements described in law include the procurement of health services and services by governmental agencies, and when there are insufficient responses to a solicitation. If the purchase of contractual services exceeds \$35,000 and such services are not competitively procured, an agency must document that the payment is not in excess of the competitive prevailing rate for those services, unless the purchase is expressly authorized in the General Appropriations Act.¹²

In April 2011, the Commission entered an agreement with a contractor for the conduct of quality assurance reviews of 27 CTCs and 4 subcontracted transportation providers. The purpose of the reviews was to evaluate compliance with requirements for NET services funding. Various rates were specified in the contract, ranging from \$52 to \$210 per hour, depending upon the expertise level required by personnel providing the service. The contract price was \$196,000 and that amount was paid from the Medicaid NET services contract proceeds.

As part of our audit, we made inquiries of Commission personnel and reviewed applicable procurement records. Our audit disclosed that, contrary to the requirements of Chapter 287, Florida Statutes, the contract for the quality assurance reviews had not been competitively procured. Commission records did include a note indicating that the procurement was exempt from competitive procurement requirements pursuant to Chapter 427, Florida Statutes. However, the note did not provide a specific section reference or additional explanation, and we could not locate in Chapter 427, Florida Statutes, provisions exempting such contractual services from competitive procurement requirements. We were also provided with no evidence that the Commission had documented that the payment was not in excess of the competitive prevailing rate for those services.

Recommendation: We recommend that the Commission ensure all contractual procurements are made in compliance with law.

¹¹ Sections 287.017 and 287.057(3)(a), Florida Statutes.

¹² Sections 287.057(10) and 216.3475, Florida Statutes, and Chief Financial Officer (CFO) Memorandum No. 3 (2009-2010) (Superseded by CFO Memorandum No. 2 [2012-13]).

Finding No. 3: Oversight Responsibilities

Payments for trip and equipment grants were to be based on rates established in the grant agreement and those rates varied based on the trip type, such as those for ambulatory clients or wheelchair bound clients, and could include additional rates for mileage, but were not to exceed the total allocation described in the grant agreement. Payments for planning grants were to be based on the various deliverables established in the grant agreement. Payments for NET services were to be based on rates established in the Medicaid NET services grant agreement. The NET rates were to be based upon a formula including factors such as, county size (square feet), the county population, and the number of trips and miles traveled in the prior year.

Trip and equipment grants, between the Commission and CTCs, and planning grants, between the Commission and planning agencies, required all costs invoiced to the Commission to be supported by detailed records sufficient to evidence the allowability of the charges, including the nature and date of the services rendered or costs incurred, and the provision of deliverables. Examples of required detailed records applicable to trip and equipment grants included: invoices, time records, driver's manifests, vehicle titles, and contracts. Examples of required detailed records and deliverables applicable to the planning grants included: updated by-laws, grievance procedures, the local coordinating board membership roster, and a Transportation Disadvantaged Service Plan. Pursuant to the Medicaid NET services grant agreement, payments to CTCs and subcontracted transportation providers were to be supported by information input into the CTDFL System, a Web-based system utilized by the CTCs for checking Medicaid eligibility for clients requesting Medicaid NET services, and by CTCs and subcontracted transportation providers to summarize NET trip information and costs for billing purposes.

We performed procedures to evaluate Commission policies, procedures, and processes governing the review, approval, and payment of invoices and the monitoring of the CTCs, planning agencies, and subcontracted transportation providers. Those procedures included:

- To gain an understanding of the processes used to review and approve invoices for payment, we interviewed Commission personnel, reviewed policies and procedures, and examined grant agreements, voucher packages, State accounting records, and other supporting records. We also performed tests of 140 Commission expenditures incurred during the period July 2010 through January 2012, totaling \$14.7 million. These expenditures were composed of: 47 payments, totaling \$8.3 million for NET services; 43 payments, totaling \$5 million, to CTCs related to trip and equipment grants; 29 payments, totaling \$1.1 million, to CTCs related to indirect costs for trip and equipment grants; and 21 payments, totaling \$335,443, to counties related to Commission planning grants.
- To gain an understanding of the scope of the monitoring performed during the period July 2010 through December 2011, we reviewed the Commission's agreement with the contractor selected to perform quality assurance reviews of CTCs and subcontracted transportation providers, and the monitoring checklist approved by the Commission for use by the contractor. We also interviewed key Commission personnel to identify the nature and extent of any additional monitoring activities utilized by the Commission to evaluate CTC compliance with applicable laws, rules, and regulations; whether program objectives were met; and whether efficient processes were utilized. Additionally, we examined electronic records of the quality assurance reviews conducted for 13 CTCs and 2 subcontracted transportation providers.

Our tests disclosed that the Commission lacked effective processes to ensure appropriate oversight of amounts paid to entities receiving funds for transportation disadvantaged services and, therefore, lacked assurance that such payments were allowable, necessary, and made in compliance with applicable laws, rules, regulations; and contractual requirements. Policies and procedures did not require that the Commission review, as applicable, plans, reports, and records in determining the amounts due pursuant to planning grant and NET contracts. Specifically:

- For 72 items, totaling \$6.1 million, related to trip and equipment grants, payments were made based on summary information provided by the CTCs. Records to support that trips were provided to eligible individuals, within applicable service areas, and were in compliance with applicable laws, rules and regulations were not reviewed by the Commission.
- For 21 items, totaling \$335,443, related to planning grants, payments were made based on invoiced amounts, without evidence of, for example, completion of deliverables, such as transportation disadvantaged service plans and updated by-laws and grievance procedures.
- Quality assurance reviews, completed by a contractor, as described in finding No. 2, were documented through the use of a checklist approved by the Commission. The methodology of the quality assurance reviews included inquiries of CTC management, the use of questionnaires for information gathering, review of policies and procedures, and a ride-along to gain an understanding of the process. However, the reviews did not include an examination of source documentation for amounts invoiced to the Commission. For 47 payments totaling \$8.3 million for NET services, payment was made based on client trip totals entered in the CTDFL System by transportation providers. Information Technology (IT) control deficiencies were noted for the CTDFL System which could potentially compromise the reported information (See finding No. 5). Similar findings were noted in report No. 2012-142, finding No. FA 11-065.

Absent improvements in the oversight of CTCs, planning agencies, and subcontracted transportation providers, the Commission lacks assurance that moneys were spent as authorized and in compliance with applicable, laws, rules, regulations, and contractual requirements.

Recommendation: We recommend that the Commission establish policies, procedures, and processes to strengthen oversight of entities receiving funds for transportation disadvantaged services.

Finding No. 4: Annual Report

The Commission is required to submit an annual report¹³ to the Governor, the President of the Senate, and the Speaker of the House of Representatives each year by January 1st. The report is to include a summary of the Commission's accomplishments for the preceding State fiscal year, the most current operational statistics for transportation disadvantaged services, any identified unmet needs, and the financial status of the Transportation Disadvantaged Trust Fund.

To facilitate collection of the required data for the report from the CTCs, the Commission developed the Annual Operating Report (AOR) System, a Web-based system, for electronic reporting, collection and compilation of the CTC data. The AOR System, maintained by an outside entity, under contract with the Commission, is used by the CTCs to report summary level information relating to income, expenses, and trips, such as total trip miles. The planning agencies are responsible for reporting the data through the AOR System, by September 15th, annually.¹⁴ Examples of required information are: number of one-way passenger trips by type of service, by funding source, and by participant type; complaints involving timeliness, vehicle condition, quality of service, and personnel behavior; mileage information; number of accidents; employee information; and revenue and expense information. IT control deficiencies related to the AOR System are noted in finding No. 5.

According to Commission instructions, CTCs are to maintain supporting documentation which is subject to review by the Commission. Based on inquiries of Commission personnel, the Commission had not fully evaluated the supporting documentation for the information reported in the 2011 annual report. Instead, the project managers' reviews of the reports were limited to checks for completeness. An analysis of reported information, such as a

¹³ Section 427.013(13), Florida Statutes, and Commission Rule 41-2.007, Florida Administrative Code.

¹⁴ Section 427.0155(2), Florida Statutes, and Commission Rule 41-2.007, Florida Administrative Code.

comparison of current year to prior year reported amounts, or comparisons of the information by each CTC was not completed. Additionally, the periodic quality assurance reviews of the CTCs did not include procedures to evaluate whether the reports were accurate and supported by appropriate documentation.

Absent the review of supporting documentation of CTC information used to compile the annual report, the Commission lacks sufficient assurance that information, which may be used by the Governor and the Legislature for funding and policy decisions, is accurate and complete.

Recommendation: We recommend that the Commission establish and implement policies and procedures to ensure that information reported in the annual report is accurate, complete, and supported by appropriate documentation.

Finding No. 5: Information Technology Controls

IT controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. During our audit, we identified the need for enhancements to the Commission's IT control practices relating to the CTDFL and AOR Systems. To avoid the possibility of compromising Commission information, specific details of these matters are not disclosed in this report. However, the appropriate Commission personnel have been notified of these issues.

Recommendation: We recommend that the Commission ensure that appropriate IT controls are implemented.

Public-Private Partnerships

Public-private partnerships are contractual agreements between a public transportation agency and a private sector entity that provide for private sector participation in the delivery and financing of transportation projects. The Federal Highway Administration encourages the consideration of public-private partnerships in the development of transportation improvements.

State law¹⁵ specifies that the Legislature finds and declares that there is a public need for the rapid construction of safe and efficient transportation facilities for the purpose of traveling within the State, and that it is in the public's interest to provide for the construction of additional safe, convenient, and economical transportation facilities. The law provides that before approval of a public-private partnership, the Department must determine that the proposed project:

- Is in the public's best interest.
- Would not require State funds to be used unless the project is on the State Highway System.
- Would have adequate safeguards in place to ensure that no additional costs or service disruptions would be realized by the traveling public and residents of the State in the event of default or cancellation of the agreement by the Department.
- Would have adequate safeguards in place to ensure that the Department or the private entity has the opportunity to add capacity to the proposed project and other transportation facilities serving similar origins and destinations.
- Would be owned by the Department upon completion or termination of the agreement.

¹⁵ Section 334.30, Florida Statutes.

During the period July 2010 through April 2012, the Department had under contract, ten public-private partnership projects with estimated construction costs totaling \$3.98 billion, and four other potential public-private partnership projects in various stages of the procurement process with estimated construction costs totaling \$424.7 million. Our audit included tests of selected Department actions for six public-private partnership projects with estimated costs totaling approximately \$1.4 billion, and procurement records for two proposed projects, with estimated costs totaling \$200.5 million. The audit procedures described under the **OBJECTIVES, SCOPE, AND METHODOLOGY** heading of this report disclosed that for the activities and transactions tested, Department records demonstrated compliance with governing laws and effective operation of related controls.

Loans to Expressway and Bridge Authorities

Chapter 348, Florida Statutes, provides for the creation of expressway and bridge authorities as independent entities which can issue bonds to finance transportation project construction. These expressway and bridge authorities may also secure additional financial agreements through the Department, including lease-purchase agreements, State Infrastructure Bank (SIB) loans, and Toll Facilities Revolving Trust Fund (TFRTF) loans. A brief description of these financing arrangements follows:

- The Department has, over the years, entered into lease-purchase agreements with legislatively-authorized expressway and bridge authorities throughout the State. Under lease-purchase agreements, the Department may provide financial support to pay the operations and maintenance costs for an authority’s toll facilities, thereby enabling the gross toll revenues collected by the authority to be primarily used to pay debt service costs. Upon completion of the lease-purchase agreement, ownership of the facility is to be transferred to the State, and the Department retains all operations and maintenance responsibility.
- Pursuant to Section 339.55, Florida Statutes, a revolving loan and credit enhancement program through SIB was authorized to leverage funds to improve project feasibility. Loans are made to governmental units and private entities for the construction or improvement of transportation facilities on, or improving mobility on, the State Highway System. Projects increasing mobility on the State’s transportation system, for example, those providing intermodal connectivity with airports, seaports, rail, and other terminals, may also participate. Loan repayments are to be used by SIB to make new loans.
- The TFRTF was created by Section 338.251, Florida Statutes, for the purpose of encouraging and enhancing the financial feasibility of revenue-producing road projects. Interest free loans are provided as seed money to pay initial development and enhance the financial feasibility of projects. Initial development costs include costs such as those relating to environmental impact studies, financial advisory services, engineering and design, and advance right-of-way purchases.

The Department had outstanding loans with eight expressway and bridge authorities, totaling \$578.2 million as of February 2012. Our audit included examination of Department actions for 3 loans from the TFRTF, totaling \$27.4 million; 2 SIB loans, totaling \$124.5 million; and 2 lease-purchase agreements with amounts due totaling \$413.9 million. The audit procedures described under the **OBJECTIVES, SCOPE, AND METHODOLOGY** heading of this report disclosed that for the activities and transactions tested, Department records demonstrated compliance with governing laws and effective operation of related controls.

Purchasing Cards

Finding No. 6: Cancellation of State Purchasing Cards

The State’s Chief Financial Officer administers the State purchasing card (PCard) program. Each agency that participates in the State’s PCard program is responsible for ensuring proper accountability measures and controls are in place. The Department’s PCard Administrators are responsible for coordinating, monitoring, and overseeing the

program and are assigned to the Central Office, each district, and the Turnpike Enterprise. The Department's PCard procedure provided that the supervisors of terminated employees were responsible for immediately notifying the applicable PCard Administrator of terminations and for collecting the PCard from the terminated employee. Additionally, PCard Administrators received weekly termination reports. The PCard Administrators were required to review these reports to identify cardholders for whom cancellation of a PCard account was necessary.

To test the timeliness with which PCard accounts were canceled, we reviewed the records for 294 cardholders who terminated employment with the Department during the period July 2010 through January 2012. We identified 25 terminated employees for whom the amount of time taken to cancel the card was excessive, ranging from 8 to 234 days after the date of the employee's separation. According to the Department, the delays were caused by untimely notifications by applicable supervisors and programming errors which caused termination reports to be incomplete. Although addressed in the Department's PCard procedure, the Department's exit review form did not include provisions directing supervisors to notify PCard Administrators of employee terminations. In January 2012, subsequent to our inquiries, the Department updated the exit interview form to include such provisions.

Our audit tests disclosed no PCard charges after the employee cardholders' termination dates. However, the untimely cancellation of PCard accounts does increase the risk of unauthorized PCard usage.

Recommendation: We recommend that the Department monitor the effectiveness with which its PCard cancellation procedures reasonably ensure PCards are timely canceled upon an employee's separation from the Department.

PRIOR AUDIT FOLLOW-UP

The Department had taken, or was in the process of taking, corrective actions for the findings included in audit report No. 2011-175.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on management's controls related to 1) Commission policies, procedures, and processes established for oversight of entities that receive funds from the Commission for transportation disadvantaged services, compliance with the Medicaid NET services grant agreement with AHCA, and access and application controls for applicable information technology systems; 2) public-private partnerships; 3) loans to expressway and bridge authorities; and 4) selected administrative processes applicable to purchasing cards. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic,

efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.

- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To determine whether the management had corrected, or is in the process of correcting, all deficiencies disclosed in our audit No. 2011-175.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we:

Commission for the Transportation Disadvantaged

- Reviewed applicable laws, rules, regulations, Commission policies and procedures, and interviewed Commission personnel to gain an understanding of the Commission's organizational and operating structure.
- Obtained an understanding of how the Commission used the CTDFL and AOR Systems. We gained an understanding and performed tests of key IT controls applicable to these two systems.
- Tested 146 items, totaling \$14.9 million, made during the period July 2010, through January 2012, to evaluate whether the expenditures were allowable, supported by applicable documentation, recorded correctly, paid from approved funds, and made in accordance with applicable laws, rules, and regulations. These 146 expenditures were comprised of: 47 payments totaling \$8,336,557, for NET services; 43 payments to CTCs

related to trip and equipment grants; 21 payments, totaling \$335,443, to counties related to CTD planning grants, 29 payments to CTCs for indirect costs, and 6 items, totaling \$136,627, for various administrative expenditures.

- Analyzed Commission expenditures, for the period July 2010 through January 2012 to evaluate whether the Commission had paid unallowable items, such as charges for lobbying services.
- Performed inquiries and examined Commission records to gain an understanding of the process used to award funds to CTCs, including the role of the planning agencies in the selection of the CTCs. We reviewed the memorandum of agreements for 20 CTCs, applicable to the period January 2012 through June 2016 to determine whether the agreement had been executed in accordance with the *CTD Instruction Manual for the Memorandum of Agreement and the Transportation Disadvantaged Service Plan* and applicable laws, rules, and regulations.
- Performed inquiries and examined Commission records, applicable to 13 CTCs and 2 subcontracted transportation providers, to evaluate whether controls had been established to ensure that required audit reports were timely obtained and reviewed for those entities that received \$500,000 or more in State or Federal Funds during two fiscal year periods ending in 2010 and 2011 and that appropriate follow-up actions were taken by the Commission when appropriate.
- Reviewed the Commission's contract with the contractor selected to perform quality assurance reviews of CTCs and subcontracted transportation providers, and the monitoring checklist approved for use by the firm to gain an understanding of the scope of the quality assurance reviews performed during the period July 2010 through December 2011. Interviewed key Commission personnel to identify the nature and extent of additional monitoring activities utilized by the Commission to evaluate compliance with applicable laws, rules, and regulations, and whether program objectives were met and efficient processes utilized.
- Examined electronic records of the quality assurance reviews for 13 CTCs and 2 subcontracted transportation providers, conducted by the designated public accounting firm during the period July 2010 through December 2011. Determined whether the Commission-approved checklist had been completed, whether the report was supported by the workpapers and all applicable findings had been communicated to the entity and the Commission.
- Examined Commission records to determine whether corrective action plans, related to the quality assurance reviews, had been timely obtained from 13 CTCs and 2 subcontracted transportation providers, and reviewed by the Commission.
- Reviewed Commission records applicable to 46 planning grants, totaling \$1.1 million, awarded to 12 designated planning organizations. Determined whether a grant agreement was approved and executed in accordance with applicable instructions, laws, rules, and regulations.
- Examined Commission records applicable to the Commission's oversight of 46 CTCs and the related 12 designated planning organizations and 12 local coordinating boards for the 2010-11 and 2011-12 fiscal years, regarding selection of CTCs, conduct of public meetings, grievance procedures, and required reports.
- Identified the reports required by law or rule to be submitted by the Commission and gained an understanding of the Commission's processes to accumulate and report the required information.
- Performed inquiries and reviewed Commission records to determine whether the Commission complied with provisions of the Medicaid NET services grant agreement. Specifically, we made inquiries, regarding the establishment of a cost allocation methodology to track administrative costs related to the agreement and to demonstrate that established thresholds had not been exceeded, and the completion of an annual reconciliation of funds received pursuant to the agreements and the related expenses to identify whether any surplus funds were due and paid, if applicable, to AHCA.

Public – Private Partnerships

- Reviewed applicable laws, rules, regulations, and Department policies and procedures, and interviewed Department personnel to gain an understanding of the Department's processes related to public-private partnerships.

- Examined Department records for six public-private partnership projects with estimated costs totaling approximately \$1.4 billion to determine whether Department records were available in support of the Department's conclusions that the projects:
 - Were in the public's best interest.
 - Would not require State funds be used, unless the project is on the State Highway System.
 - Were advanced from projects included in the Department's adopted 5-year work program, and that applicable procedures and processes were followed in evaluating, selecting, and approving the projects to be advanced as public-private partnerships.
- Reviewed Department's procurement records for two design-build-finance projects, with estimated costs totaling \$200.5 million to evaluate whether the Department made a competitive selection of qualified private entities. We examined the project advertisements, requests for proposals (RFPs), postings of short-listed firms, technical scores, prices bid, and documentation of the evaluation and selection processes, including the technical proposal evaluation forms completed by each evaluator and Design-Build Selection Package forms.
- Made inquiries of Department staff and reviewed Department records for three unsolicited proposals to determine whether the Department had established rules and procedures to charge appropriate fees to cover the actual costs incurred by the Department in review of the unsolicited proposals.
- Reviewed Department procedures and contracts for requirements regarding performance bonds, insurance, performance based payments, and ownership of the facility. For ten public-private partnership contracts, examined the contracts and applicable performance bonds, insurance certificates and insurance policies, to determine whether the Department had taken steps to identify and address the State's risk and potential liability for default or negligence by the private entity responsible for the project. We reviewed the financial strength ratings of the insurance companies used by the private entities.
- Reviewed Department procedures for ensuring that no more than 15 percent of the total Federal and State funding in any given year for the State Transportation Trust Fund be obligated for public private partnership projects, in accordance with Section 334.30(13), Florida Statutes. Examined Department records for calculations made to evaluate compliance with the established cap, applicable to five dates. The Department calculations were dated August 2010, December 2010, July 2011, March 2011, and October 2011. Performed recalculations and traced key amounts to applicable supporting documentation.

Loans to Expressway and Bridge Authorities

- Reviewed applicable laws, rules, regulations, and Department policies and procedures, and interviewed Department personnel to gain an understanding of the Department's processes related to loans to expressway and bridge authorities.
- Performed analytical procedures and reviewed Department records for 11 loans, totaling \$28 million from the Toll Facilities Revolving Trust Fund made to two expressway authorities and one bridge authority to evaluate whether the loans were made in accordance with Section 338.251, Florida Statutes.
- Performed analytical procedures and reviewed Department records for six State-funded State Infrastructure Bank (SIB) loans, totaling \$111.6 million made to 2 expressway authorities to determine whether the loans were made in accordance with Section 339.55, Florida Statutes.
- Reviewed the Department's procedures for ensuring the proper of handling delinquent and uncollectible accounts for loans to expressway and bridge authorities, and determined whether the Department had taken appropriate actions to pursue delinquent accounts, if applicable. We reviewed the supporting documentation applicable to write-offs for \$1,332,966 in uncollected loans receivable.
- Reviewed the Department's procedures for ensuring the proper handling of lease-purchase agreements with expressway and bridge authorities. Also, made inquiries regarding the applicability of reimbursements to the Department upon completion of debt service requirements for three lease purchase agreements.

Administrative Issues

- Evaluated the Department’s corrective actions taken to resolve the findings disclosed in report No. 2011-175. Specifically, we:
 - Reviewed the Department’s procedures for ensuring that conflict of interest forms were signed by all parties involved in the procurement process. We examined the conflict of interest forms applicable to three construction contracts, totaling \$9.6 million, five procurements of commodities and contractual services, totaling \$3.8 million, and three procurements for public-private partnership projects, totaling \$305.2 million.
 - Performed analytical procedures of expenditures, totaling \$41 million, applicable to ten contracts, to evaluate whether the expenditures were properly coded in accounting records, to facilitate compliance with Florida Single Audit Act requirements.
- Made inquiries of Department personnel and reviewed Department procedures for ensuring that subrecipient financial reporting packages for grants subject to Florida Single Audit Act requirements are timely received and reviewed. Also, examined the Department’s tracking sheet used to ensure that subrecipient audit reports are timely received and Department follow-up actions are taken, as applicable. Examined the Department’s training materials and the Office of Inspector General district compliance reviews.
- Reviewed the Department’s procedures related to State Purchasing Card Program, including procedures related to the assignment, control, and cancellation of purchasing cards; the establishment of cardholder limits and restrictions; and the procedures for the use and monitoring of purchasing cards.
- Performed analytical procedures to determine whether the Department timely cancelled purchasing cards for 294 cardholders whose employment terminated during the period July 2010 through January 2012.

Other

- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Communicated on an interim basis with applicable Commission and Department officials to ensure the timely resolution of issues involving controls and noncompliance.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe those matters requiring corrective actions.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA
Auditor General

MANAGEMENT’S RESPONSE

Management responses to our findings and recommendations are included as **EXHIBIT A**.

EXHIBIT A
MANAGEMENT'S RESPONSE



Florida Department of Transportation

RICK SCOTT
GOVERNOR

605 Suwannee Street
Tallahassee, FL 32399-0450

OFFICE OF THE
SECRETARY

December 12, 2012

Mr. David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

I am pleased to respond to the preliminary and tentative audit findings and recommendations concerning the audit of:

Department of Transportation - Commission for the Transportation Disadvantaged, Public-Private Partnerships, Loans to Expressway and Bridge Authorities, and Purchasing Cards Audit
FY 10-12

As required by Section 11.45(4) (d), Florida Statutes, the department's response to Finding No. 6-Purchasing Cards is enclosed. Please note that Responses Numbers 1-5 relate to the Commission for Transportation Disadvantaged; as provided in Section 427.012(9), F.S., the Commission for the Transportation Disadvantaged is assigned to the department for administrative and fiscal accountability purposes, but "...shall otherwise function independently of the control, supervision and direction of the department." The Commission's response is attached.

I appreciate the efforts of you and your staff in assisting to improve our operations. If you have any questions, please contact our Inspector General, Bob Clift, at 850-410-5800.

Sincerely,

Ananth Prasad, P.E.
Secretary

AP:cm

Enclosures (2)

cc: Robert E. Clift, Inspector General
Kristofer Sullivan, Director of Audit

www.dot.state.fl.us

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Department of Transportation - Commission for the Transportation Disadvantaged, Public-Private Partnerships, Loans to Expressway and Bridge Authorities, and Purchasing Cards Audit
FY 10-12

Response to Findings

PURCHASING CARDS

Finding No. 6: Department purchasing cards were not always timely cancelled upon an employee's separation from the Department.

Recommendation: We recommend that the Department monitor the effectiveness with which its PCard cancellation procedures reasonably ensure PCards are timely cancelled upon an employee's separation from the Department.

Response: **We concur with this finding.**

We have implemented the following measures to address the finding and to respond to the recommendation:

As a result of the audit finding, we determined that the termination reports we were using were insufficient. The termination reports only included terminations entered during the pay period. However, the Personnel Office has two weeks to enter the termination notice in People First. The reports we were using did not include employees who were entered in People First after the termination pay period. An additional report has been developed to capture all terminations entered in People First during the week. We also modified the Notice of Separation Form No. 250-005-25 to add a statement to notify the Purchasing Card Administrator for cancellation of purchasing card. We have been using the additional report and form since January 27, 2012.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE



MEMORANDUM

Rick Scott
Governor

DATE: December 11, 2012

David Darm
Chairman

TO: Secretary Ananth Prasad
Department of Transportation

Mike Willingham
Vice Chairman

FROM: Steve Holmes, Executive Director *Steve Holmes*

Steve Holmes
Executive Director

COPIES: Kristofer Sullivan
Director of Audit, DOT

SUBJECT: Commission for the Transportation Disadvantaged
Auditor General Response

The Commission for the Transportation Disadvantaged appreciates the opportunity to participate in the Auditor General’s operational audit of the Florida Department of Transportation. Being appointed as the Executive Director in December 2011, I welcome the views of other entities to help in assessing strengths and opportunities for improvement.

Following are the Commission’s responses to the recommendations provided in the Auditor General letter of November 14, 2012.

Recommendation No. 1: The Auditor General recommends “that the Commission ensure compliance with the administrative provisions of the Medicaid NET services grant agreement with AHCA.”

Commission Response: The Commission will continue to work with AHCA to ensure timely compliance of the administrative provisions of the Medicaid NET services contract. In addition, the Commission will continue to provide efficient management services for the Medicaid NET contract that keeps administrative fees well below the five percent threshold allowable in the contract.

Recommendation No. 2: The Auditor General recommends “that the Commission ensure all contractual procurements are made in compliance with the law.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Secretary Ananth Prasad
December 11, 2012
Page 2

Commission Response: The Commission concurs that the procurement mentioned in the audit was not made in compliance with all the provisions of law. The Commission will ensure future contractual procurements are made according to the provisions Chapter 287, Florida Statutes.

Recommendation No. 3: The Auditor General recommends that “the Commission establish policies, procedures, and processes to strengthen oversight of entities receiving funds for transportation disadvantaged services.”

Commission Response: The Commission has enhanced and will continue to improve its policies, procedures and processes to strengthen oversight of entities receiving funds for transportation disadvantaged services.

In July 2011, the Commission changed the grant requirements between the Commission and Planning Agencies, and enhanced its deliverable check list. The Commission changed the grant to a lump sum contract with reimbursement based on specific percentage of deliverables completed by the Planning Agencies. The enhanced check list ensures all deliverables are received or completed before payment is rendered.

Commission staff conducted quality assurance reviews prior to 2011. Due to workload and lack of personnel resources, the Commission decided to procure quality assurance services through a vendor. The Commission has policies and procedures to examine supporting documentation for amounts invoiced to the Commission. However, during the transition of quality assurance tasks from the Commission to the contractor, the Commission did not place this requirement on the quality assurance checklist. In August 2012, the Commission hired two additional contract managers. This will allow Commission staff to once again conduct quality assurance reviews using established policies and procedures. Also, the Commission will update the quality assurance checklist used by the contractor to review a sample of source documents for amounts invoiced.

Recommendation No. 4: The Auditor General recommends “that the Commission establish and implement policies and procedures to ensure that information reported in the annual report is accurate, complete and supported by appropriate documentation.”

Commission Response: The Commission will enhance its quality assurance procedures to better evaluate whether reports submitted by the CTCs are accurate and supported by appropriate documentation.

General Note:

The Annual Operating Report System is an antiquated web-based system. It was created, and is maintained, by an outside entity under contract with the Commission. The processes to input and retrieve data are inefficient. Data is manually entered into the system by the CTCs. Data is housed in a manner that requires a significant amount of manual manipulation to prepare the data for analysis. The System constrains the Commission in creating an adequate performance management system that enhances program accountability.

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EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Secretary Ananth Prasad
December 11, 2012
Page 3

To fund a new information system or enhance the current AOR system requires the Commission to reallocate funds necessary to provide trips from the CTCs to the Commission.

Recommendation No. 5: The Auditor General recommends “that the Commission ensure that appropriate IT controls are implemented.”

Commission Response: The Commission will enhance its Information Technology control practices relating to CTDFL and Annual Operating Report (AOR) Systems based on the risk of unauthorized personnel accessing sensitive data. To date, the Commission has implemented one of the four specific findings outlined in a separate Auditor General Letter dated November 14, 2012 and has started writing the policies and procedures necessary to implement another enhancement.

Again, thank you for assisting us in improving Commission processes and procedures so we can ensure the coordination of transportation services that enhance access to employment, health care, education, and other life-sustaining activities for older adults, persons with disabilities, people with low incomes or at-risk children who are dependent upon others for transportation. Feel free to contact my office at 850 410-5700 if you have any questions or concerns.