



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

August 12, 2019

Kevin
Mr. Kevin J. Thibault, P.E., Secretary
Florida Department of Transportation
605 Suwannee Street
Tallahassee, Florida 32399-0450

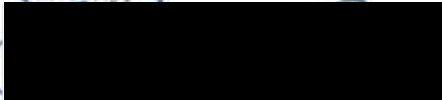
Dear Secretary Thibault:

As authorized in sections (ss.) 17.03, 215.971(3), and 287.136, Florida Statutes (F.S.), the Department of Financial Services has conducted an audit of the Florida Department of Transportation's contract deliverables monitoring processes and selected contracts and grant agreements. Our audit, conducted by the Division of Accounting and Auditing, Bureau of Auditing, focused on contracts and agreements active January 1, 2018, through December 31, 2018.

The results of our audit are included in the enclosed audit report. Pursuant to ss. 215.971(3) and 287.136, F.S., please provide within 30 days the Department's response and a corrective action plan to address the findings and recommendations in the report. If you have any questions, please contact Ms. Kim Holland, Bureau Chief, at (850) 413-5700 or kim.holland@myfloridacfo.com.

We appreciate the support and courtesy extended to our audit team. Completed reports of the Bureau of Auditing are available at <https://www.myfloridacfo.com/Division/AA/AuditsReviews/default.htm>.

Sincerely,


Paul Whitfield
Director

PW/jf
Enclosure

c: Mr. Kris Sullivan, Inspector General
Mr. Charles McCool, External Audit Liaison

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Paul Whitfield • Director

Division of Accounting and Auditing

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JIMMY PATRONIS
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

Florida Department of Financial Services

STATUTORY AUDIT
CONTRACT DELIVERABLES MONITORING
FLORIDA DEPARTMENT OF TRANSPORTATION

AUGUST 13, 2019

AUDIT AUTHORITY

The Department of Financial Services has performed an audit of the Florida Department of Transportation's (FDOT) contract deliverables monitoring processes and selected contracts and grant agreements. Authority for this audit is provided by sections 17.03, 215.971(3), and 287.136, Florida Statutes (F.S.). Our audit focused on contracts and grant agreements active January 1, 2018, through December 31, 2018.

SUMMARY OF RECOMMENDATIONS

Commuter Assistance Program - For the overall monitoring framework to be effective, the Districts, in consultation with the Central Office, should improve FDOT's monitoring processes for the reviews of quarterly progress reports and annual reviews of work plan progress. Improvements are needed to ensure such reviews substantively evaluate the agency's successful completion of the deliverables and service goals and objectives of the agency's approved work plan and that the reviews are formally documented in the project management files.

Findings and Recommendations - These summarized audit results are discussed in further detail under the applicable headings within this report. We recommend that management consider and use these findings and recommendations as a basis for improving FDOT's contract monitoring processes.

THE FDOT TRANSIT PROGRAM

The Florida Public Transit Act, ch. 341, F.S., governs funding for commuter assistance and public transit projects. The FDOT Central Office (Central Office) is responsible for the annual allocation of funds to each FDOT District Office (District) and eligible commuter assistance agencies and public transit providers. The Districts are responsible for evaluating the written funding requests of the agencies/providers and making final distributions of funds. For the 2018-19 fiscal year, the annual allocation of state transit funds totaled \$230 million.

For the projects and deliverables funded through the transit program, District project managers¹ are responsible for monitoring project deliverables and certifying agency/provider invoices for payment. To evaluate the District-level monitoring processes, we interviewed the assigned project managers and reviewed the management files and invoices for five commuter assistance funding agreements. For these agreements, FDOT made payments totaling \$2.39 million for the 2018 calendar year.

¹ Sections 215.971(2) and 287.057(14), F.S., prescribe responsibilities for grant managers and contract managers, respectively. The Department assigns these responsibilities to project managers.

MONITORING OF COMMUTER ASSISTANCE PROJECTS

Funded projects are for many purposes, including intercity bus service and commuter assistance (e.g., ridesharing). For these projects, the joint participation agreements broadly define project deliverables and the agencies' approved annual work plans provide related service goals and objectives. To promote the success of the funded projects, it is essential that District project managers are provided functional guidance on their project monitoring responsibilities regarding deliverables and related service goals and objectives.

At the program level, the Central Office provides guidance that primarily addresses overall program authority and operations. Such guidance includes the Commuter Assistance Program Procedures (725-030-008). These program-level procedures and the joint participation agreements include the following monitoring elements for commuter assistance projects:

- Each agency² granted commuter assistance funding is required to submit an annual work plan³ to be incorporated into the project's joint participation agreement. The plan shall include, in part, measurable program goals and objectives and an annual budget.
- Exhibit C of the joint participation agreements requires that commuter assistance agencies submit quarterly progress reports that meet program reporting requirements. The agreements specifically require quarterly reporting on ridership and progress in meeting service goals and objectives.
- The program-level procedures require that Districts perform annual reviews of each agency's progress in implementing its annual work plan.

For the required annual work plan reviews, the program-level procedures do not, except for a brief checklist format, include monitoring tools or otherwise identify matters to be covered in the reviews. Further, the District project managers, although requested, identified no additional District-level guidance that prescribed monitoring activities, methods, and documentation requirements applicable to their assigned agencies and projects. In lieu of the required annual reviews of agency annual work plans, the District project managers generally described reliance on meetings, email correspondence, and reviews of quarterly project invoices.

For the required quarterly progress reports, our review of five projects disclosed the following:

- The project management file did not document the District's initial review and approval of the agency's proposed report content and presentation as acceptably describing project deliverables and related service goals and objectives.
- For submitted reports, the project management file did not evidence the actions taken to review and evaluate the reported information; that is, determine whether the information contained in the reports demonstrated the successful completion of the goals, objectives and criteria outlined in the annual work plan. In some instances, there was no signed statement to indicate a review had been performed.
- Key West had not submitted quarterly progress reports, but recently started submitting FDOT's draft Project Management Status Report. While some ridership data was provided, the project management file did not otherwise document the review of the criteria for successful completion (fare recovery and ridership increases) of project service goals, such as intergovernmental cooperation to provide enhanced transit services in the Florida Keys and provide an alternative transportation mode to single-occupant vehicle travel for residents, commuters, and visitors.

² The Department uses the term agency to describe recipients of commuter assistance funding.

³ Commuter Assistance Program Procedures (725-030-008-g, Sec 5.1.2).

In its program-level guidance, the Central Office has provided an overall framework for monitoring the performance of the agencies provided commuter assistance funding. However, at the District level, the implementation of that guidance did not always demonstrate a consistent understanding that the annual work plan should be the framework for agency submissions and District reviews of the quarterly progress reports and the District's annual review of work plan progress.

For the overall monitoring framework to be effective, FDOT (the Districts, in consultation with the Central Office) should improve FDOT's monitoring processes for the reviews of quarterly progress reports and annual reviews of work plan progress. Improvements are needed to ensure such reviews substantively evaluate the agency's successful completion of the deliverables and service goals and objectives of the agency's approved work plan and that the reviews are formally documented in the project management files.

TAMPA BAY AREA REGIONAL TRANSIT AUTHORITY

The Tampa Bay Area Regional Transit Authority (TBARTA) was created (ss. 343.90-343.976, F.S.) to address critical transportation needs or concerns in the Tampa Bay area. TBARTA's operations are primarily supported by state and federal grant awards. At the end of the 2018 calendar year, TBARTA had open state grants totaling approximately \$4 million, including four commuter assistance grants totaling \$2.7 million.

For the TBARTA commuter assistance grants, we reviewed the District's project management files and the invoices submitted by TBARTA for one grant (G0H62). We also conducted interviews with and obtained questionnaire responses from the District's project manager for these grants. In our review, we observed many indications that TBARTA's financial management practices need significant improvements to ensure proper accountability for its commuter assistance funding.

- Given the multiple federal and state grant awards supporting TBARTA's operations, a documented cost allocation plan, approved by the grantors, is essential to the equitable and consistent allocation of project costs to the appropriate grants. However, documentation supporting TBARTA invoices for expenditures of commuter assistance funds (grant G0H62) did not fully demonstrate the basis for the allocation of the invoiced expenditures. A TBARTA consultant reported similar issues in September 2018, noting that TBARTA "haphazardly allocates expenditures based on which programs are active and have available capacity to absorb costs by available line item."
- The TBARTA work plan for grant G0H62 includes a program budget that allocates expenditures for salaries, taxes, and benefits between administration and programs based on percentages of total allocated time spent by designated staff on program duties. The allocated salary expenditures for both administration (\$117,332, or 37 percent overall) and programs (\$220,777, or 63 percent overall) are included in the total budget, \$870,000. For example, the allocation of time spent by the Executive Director resulted in \$85,240 of the Director's total salary being budgeted for grant G0H62, with 40 percent (\$34,096) being allocated to programs. Other TBARTA grant agreements and work plans include similar allocations, with differing percentages of time spent by designated staff on program duties.

The TBARTA invoices for grant G0H62 included schedules of staff time spent on the grant for administration and programs with summary salary calculations. The summaries were used to allocate bi-weekly payroll journal costs to grant G0H62. For two June 2018 bi-weekly payroll journals reviewed, this methodology resulted in allocations to grant G0H62 of 15 and 19 percent for administration and 27 and 44 percent for programs, compared to the overall budgeted percentages of 37 and 63 percent, respectively. The project management file did not include documentation of the budgeted allocation of staff time across all TBARTA programs or a summary comparison of the year-to-date allocations to grant G0H62 against the budgeted amounts.

- TBARTA paid approximately \$1,600 in fees because of late payments to vendors for the invoiced quarters ending May 31, 2018, and September 30, 2018. Also, credit card statements submitted with the invoice showed that TBARTA had expended its credit card limit and paid related interest and other fees totaling more than \$400.

Regarding TBARTA's financial management practices, the District has previously acted to provide an advance to cover certain prior-year costs and establish an alternative payment option whereby the vendor for van leases was paid directly by the District. Also, the District had access to the findings and recommendations of a TBARTA consultant report in September 2018 on a grant compliance assessment.

The noted weaknesses in TBARTA's financial management practices increase the necessity for and value of effective monitoring processes. Required monitoring elements for commuter assistance projects include TBARTA's quarterly reports on its progress in meeting service goals and objectives and the District's annual review of TBARTA's progress in implementing its annual work plan. In interviews and questionnaire responses, the project manager noted her participation in weekly meetings with TBARTA staff, attendance at monthly board meetings, and review of TBARTA's annual financial audit. The project manager also stated that monitoring takes place via the quarterly progress reports due with each invoice and, if the report is not provided, the invoice is not paid. The project manager had not documented the completion of the review of TBARTA's progress in implementing its annual work plan.

As recommended above for the topic Monitoring of Commuter Assistance Projects, FDOT (the 7th District, in consultation with the Central Office) should improve its monitoring processes to better address the agency's successful completion of the deliverables and service goals and objectives of the agency's approved work plan. Regarding TBARTA's financial management practices, the District should develop specific review methods and criteria to assist TBARTA in improving its financial standing.

PROJECT MANAGEMENT

WEST FLORIDA REGIONAL PLANNING COUNCIL (WFRPC)

Indirect costs invoiced for commuter assistance agreements should be allowable and reasonable and based on approved indirect cost percentages. The annual work plans and budgets for the WFRPC commuter assistance agreement (ARM95) included a line item for indirect costs. These indirect costs were budgeted and invoiced at 54.65 percent of salaries and fringe costs, or about 30 percent of the total annual budget. In budgeting the indirect costs, the WFRPC apparently relied on a 2017 indirect cost percentage approved for federal programs. The WFRPC has since provided the District a revised indirect cost rate of 26.97 percent. However, the District's project management file did not include the review and approval of either federal indirect cost percentage as applicable to the budgeted costs for WFRPC's state commuter assistance projects. Although the budgets included separate amounts for total salaries and fringe costs, fringe benefits seemed to also be included in the invoiced indirect costs. That is, the WFRPC general ledger documents supporting the invoices included line items for indirect costs described as salary transfers. For these indirect costs, the District should determine whether these costs are allowable and reasonable for the budgeted costs of commuter assistance projects and ensure that the budgeted indirect costs are not duplicative of other costs such as fringe benefits.

In its response (see below), the Department indicated that the 54.65 percent indirect rate was based off the hours charged to the rideOn program through WFRPC and that the associated salary and fringe costs were not duplicative of employees working directly on the program. To the contrary, budgeted indirect costs for ARM95 were exactly 54.65 percent of the total budgeted salaries and fringe costs. We are pleased to note that the Department has since required WFRPC to use only a 10 percent indirect rate.

CITY OF KEY WEST

A documented cost allocation plan is essential to the equitable and consistent allocation of both indirect and operating costs. Under commuter assistance grant G0580, Key West, as a part of its public transit services operations, provides transit bus service from Key West to Marathon. Key West's reimbursement requests

included operating receipts (for parts, maintenance, uniforms, etc.) with allocations for the transit services (Lower Keys Shuttle) provided under grant G0580 ranging from 25 to 100 percent. The reimbursement requests did not fully demonstrate the basis for the allocation of these operating costs. Further, although Key West has provided for District review a cost allocation plan for indirect costs, that plan does not address the allocation of the Key West transit system operating costs to the transit routes, and specifically the Lower Keys Shuttle. Absent a cost allocation plan for transit system operating costs, the District lacks a reliable basis for reviewing Key West's allocation of the invoiced expenditures to this commuter assistance grant.

MANAGEMENT'S RESPONSE

The Department Secretary, in a letter (attached) dated September 7, 2019, provided FDOT's response to the findings and recommendations in this report. The response provided in the letter's referenced enclosure is as follows.

The Transit Office has initiated a review of Procedure 725-030-008: Commuter Assistance Program. The findings and recommendations shall be incorporated in the procedure review and update. The procedure will be refined to specify monitoring activities, methods, and documentation requirements applicable to each District's agencies and projects. At the District level, the Districts should apply detailed guidelines in new Public Transit Grant Agreements (PTGAs) that prescribe how agencies will ensure proper accountability for their commuter assistance funding. At the project manager level, in accordance with subsection 287.057(14), Florida Statutes, each contract manager who is responsible for contracts more than \$100,000 annually must complete training in contract management and become a certified contract manager.

Regarding District 6 and Key West, District 6 will require Key West Transit to provide a cost allocation plan for transit system operating costs to the transit routes, including the Lower Keys Shuttle for review and approval. The District will document project files with the review and evaluation of the criteria for successful completion of the project service goals for the Key West Transit referenced project -KWT Lower Keys Shuttle. District 6 will document the project file with the initial review and approval of the Agencies proposed reports.

Regarding District 3 and WFRPC, District 3 has worked with WFRPC to obtain updated indirect cost rates and will require the updated rates with each annual PTGA approval moving forward. If the rate is updated mid-year, a new indirect cost rate must be submitted to the District to approve invoices. Regarding the duplicated indirect costs, the indirect rate is based off the hours charged to the rideOn program through WFRPC. The salary and fringe costs associated with the rideOn program are not duplicative of employees working directly on the program. District 3 has obtained a list of the indirect employees covered by the rate and determined that they are administrative support personnel. Additionally, the District will continue to meet quarterly with their CAP providers to discuss progress and performance measurements.

Regarding District 7 and TBARTA, TBARTA shall provide a detailed corrective action plan and anticipated completion date to the District to resolve findings related specifically to TBARTA's financial management practices. District 7 will coordinate with TBARTA when developing their annual budget to ensure that all revenue sources are reconciled and allocated to the appropriate expenses. The District 7 project manager will include in the project file the cost allocation plan for the respective grant agreements which will be updated quarterly providing a summary comparison of year to date allocations against the budgeted amounts. The project manager will perform quarterly reviews of commuter assistance grants and provide documented evaluation of the progress towards the work plan. This evaluation will maintain the project file noting which grant agreements cover the activities.

Direct inquiries regarding this report to Kim Holland, Bureau Chief, at (850) 413-5700 or kim.holland@myfloridacfo.com. Completed reports of the Division of Accounting and Auditing, Bureau of Auditing, are available at <https://www.myfloridacfo.com/Division/AA/AuditsReviews/default.htm>.



Florida Department of Transportation

**RON DESANTIS
GOVERNOR**

605 Suwannee Street
Tallahassee, FL 32399-0450

**KEVIN J. THIBAUT, P.E.
SECRETARY**

September 7, 2019

Paul Whitfield, Director
Division of Accounting and Auditing
Department of Financial Services
200 East Gaines Street
Tallahassee, Florida 32399-0393

Dear Mr. Whitfield:

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

Department of Transportation – Contract Deliverables Monitoring Processes and
Selected Contracts and Grant Agreements
Active January 1, 2018 through December 31, 2018

As required by sections 215.971(3) and 287.136, Florida Statutes, the department's response and corrective action plan for this audit are enclosed.

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, Kris Sullivan, at 850-410-5800.

Sincerely,

A black rectangular box redacting the signature of Kevin J. Thibault. A blue horizontal line is visible to the right of the box.

Kevin J. Thibault, P.E.
Secretary

KJT:cm

Enclosures (1)