



Florida Department of Transportation

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Tallahassee, FL 32399-0450

STEPHANIE C. KOPELOUSOS
SECRETARY

September 16, 2008

Stephanie C. Kopelousos
Secretary
Department of Transportation
605 Suwannee Street
Tallahassee, Florida 32399-0450

RE: **Office of the Auditor General Report No. 2008-141
Compliance and Internal Controls - Financial Reporting and Federal Awards**

Dear Secretary Kopelousos:

As required by Section 20.055(5)(h), Florida Statutes, attached is the six month status report for the subject audit. The report details the implementation or current status of each recommendation.

If you have any questions, please call me at 410-5506.

Sincerely,

A handwritten signature in blue ink that reads "Joseph K. Maleszewski".

Joseph K. Maleszewski
(Interim) Inspector General

JKM:hmt

Enclosure

cc: Terry Shoffstall, Director
Joint Legislative Auditing Committee
Stephanie Gleason, Financial Manager
Federal Highway Administration

Florida Department of Transportation
Office of Inspector General

Report Title: Compliance and Internal Controls Over Financial Reporting and Federal Awards
Source of Audit: Office of the Auditor General
Report Number: 2008-141

Finding Number: FA 07-016

CFDA Number: 20.205

Program Title: Highway Planning and Construction

Compliance Requirement: Subrecipient Monitoring

Finding: Conditions disclosed in the prior audit regarding obtaining and reviewing subrecipient audit reports continued to exist during the 2006-07 fiscal year.

Recommendation: During the 2007-08 fiscal year, FDOT began appointing Single Audit Liaisons in each District to help ensure that checklists are timely completed. We recommend that FDOT continue its efforts to establish District Liaisons and other monitoring procedures to ensure the System is properly used by program managers and that proper codes are recorded for contracts.

Initial Response: Concur. The department's oversight efforts have found similar issues with project managers not completing the monitoring checklists in a timely manner. This issue has persisted despite routine guidance and monitoring from the OIG Single Audit Coordinator.

As recommended, the department will continue efforts to establish a Single Audit Liaison in each geographic district as a point of contact to resolve single audit related issues, help ensure that checklists are timely completed, and assist in resolving coding issues related to both contracts and checklists.

Current Response: As of June 30, 2008, FDOT has established a Single Audit Liaison in each district as a point of contact to resolve single audit issues.

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Program Title: Highway Planning and Construction

Compliance Requirement: Special Tests and Provisions

Finding: FDOT personnel did not always obtain Federal Highway Administration (FHWA) approval for the award of design-build contracts.

Recommendation: Subsequent to our inquiry, FHWA concurrence in award was requested and obtained for the 3 contracts and FDOT revised its *Design-Build Guidelines* to more clearly address the concurrence in award package. We recommend that FDOT ensure FHWA concurrence is requested prior to award for all applicable projects.

Initial Response: The Design-Build (D/B) Guidelines, Procedure No. 625-020-010, and the D/B Chapter of the Project Management Handbook have recently been updated clarifying that a Concurrence-in-Award is required for all Federal-aid Oversight projects. This requirement was also discussed at a recent Alternative Task Team meeting.

In addition, a checklist of items required on FHWA Design-Build (D/B) Oversight Projects is on the State Construction Office D/B website and the checklist includes an activity for concurrence in award.

Current Response: Effective April 8, 2008, the Design-Build Guidelines (Procedure No. 625-020-010) was revised clarifying that a concurrent in award package shall be submitted to FHWA for review and approval on all Federal-aid Oversight projects.

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Office of Inspector General

Report Title: Compliance and Internal Controls Over Financial Reporting and Federal Awards
Source of Audit: Office of the Auditor General
Report Number: 2008-141

Finding Number: FS 07-004

Financial Stmt. Acct. Title: Net Assets: Invested in capital assets, net of related debt and Unrestricted
OLO-GF-SF-FID: 550000
GL Codes: 536XX and 539XX

Finding: FDOT did not properly classify net assets in accordance with general accepted accounting principles.

Recommendation: FDOT should revise its procedures to include considering the impact of adjustments to applicable accounts balances subsequent to the calculation of invested in capital assets, net of related debt.

Initial Response: We agree. The accounts Invested in Capital Assets, Net of Related Debt and Unrestricted Net Assets were correctly stated at the FDOT's fiscal year-end closing date. However, the FDOT did not follow through with the final reclassification of net assets after post-closing adjusting journal entries were submitted to the Florida Department of Financial Services. A step has been added to the FDOT fiscal year-end closing process checklist to consider the impact of adjustments to applicable account balances subsequent to the calculation of invested in capital assets, net of related debt.

The FDOT has several financial safeguards in place, including a balanced 36-month forecast of cash and expenditures and a 5-year finance plan supporting the tentative work program (per Florida Statutes). The balanced forecast of cash and expenditures ensures we have a sufficient cash balance to meet our short term commitments and future obligations and, as a result, we would not have incorrectly committed or spent funds that were not available because of this misclassification.

The checklist has been modified and the verification process will be implemented during the year-end closing process for the fiscal year ended June 30, 2008.

Current Response: As of September 16, 2008, we are still in the year-end closing process and are currently performing the verification process. The estimated completion date is October 15, 2008.