



## Florida Department of Transportation

CHARLIE CRIST  
GOVERNOR

605 Suwannee Street  
Tallahassee, FL 32399-0450

STEPHANIE C. KOPELOUSOS  
SECRETARY

August 17, 2009

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

RE: **Auditor General Report No. 2009-144**  
**Compliance and Internal Controls Over 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 410-5823.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ron Russo".

Ron Russo  
Inspector General

RR:hmt

Enclosure

cc: Kathy DuBose, Staff Director  
Joint Legislative Auditing Committee  
Stephanie Gleason, Financial Manager  
Federal Highway Administration

Florida Department of Transportation  
Office of Inspector General

Source of Audit: Auditor General  
Report Number: 2009-144  
Report Title: Compliance and Internal Controls Over Financial Reporting & Federal Awards

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**Finding No. 1: Noncompliance and Significant Deficiency**

FDOT did not have a written agreement with the Federal Highway Administration (FHWA) with regard to the indirect costs billed during the 2007-08 fiscal year. Additionally, FDOT had not established written policies and procedures in regard to development and submission of its Indirect Cost Allocation Plan (ICAP) and documentation of the negotiation of approved indirect cost rates and the resulting written agreement.

**Recommendation:** We recommend that FDOT establish written policies and procedures for developing and submitting the ICAP and documenting its negotiation of indirect cost rates with the FHWA. In establishing such procedures, FDOT should ensure that all capital expenditures and other distorting expenditures are excluded from direct cost bases and that required supporting schedules and documentation are prepared and submitted with the ICAP for FHWA consideration.

**Initial Response:** We concur. We are currently making improvements to our Indirect Cost Allocation Plan process and working closely with FHWA on finalizing a formal written agreement. As part of the improvement process, we will be establishing written procedures for development, review, and approval of FDOT's indirect cost plan. As noted in your finding, FDOT has already taken steps to remove capital expenditures and other distorting items from our direct cost bases. Subsequent to your review, we have submitted additional supporting schedules and reconciliations to FHWA for inclusion in our indirect cost plan. We will ensure that this practice is included in our written procedure and continued for future indirect cost plans.

**Current Response:** We have created an Indirect Cost Allocation Plan (ICAP) Handbook which provides the procedure for the development, review, and documentation of the Department's ICAP. This procedure ensures that all capital expenditures and other distorting expenditures are excluded from direct cost bases and that required supporting schedules and documentation are prepared and submitted with the ICAP for FHWA review.

**Completed:** June 8, 2009

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Office of Inspector General

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**Finding No. 2: Noncompliance and Significant Deficiency**

Internal control deficiencies disclosed in the prior audit regarding obtaining and reviewing subrecipient audit reports continued to exist during the 2007-08 fiscal year in one FDOT District.

**Recommendation:** We recommend that FDOT continue its efforts to ensure that Checklists are timely completed.

**Initial Response:** We concur. All FDOT Districts have made substantial improvements in obtaining and reviewing subrecipient audit reports. We will continue our progress with the districts and ensure that checklists from FDOT District 4 are timely completed in the automated system.

**Current Response:** We are working with our single audit liaisons in each district and continue to see improvements in checklists submitted into the automated system. The liaison in District 4 has kept in close contact with the Office of Inspector General and is making great progress in getting all checklists up-to-date from fiscal year-end 2004 to the present.

**Estimated Completion Date:** December 31, 2009