



Florida Department of Transportation

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ANANTH PRASAD, P.E.
SECRETARY

October 12, 2011

Ananth Prasad, P.E.
Secretary of Transportation
Department of Transportation
605 Suwannee Street, MS 57
Tallahassee, FL 32399-0450

RE: **Auditor General Report No. 2011-175**
Procurement and Expenditures and Prior Audit Follow-up

Dear Secretary Prasad:

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 that reads "Robert E. Clift".

Robert E. Clift,
Inspector General

REC:tw

Enclosure

cc: Joint Legislative Auditing Committee

FLORIDA DEPARTMENT OF TRANSPORTATION

6-month Follow-up Response to the Auditor General's Procurement and Expenditures and Prior Audit Follow-up July 1, 2008 – February 28, 2010 Report #: 2011-175

Finding No. 1: Conflict of Interest Certification Forms

The procedures established by the Department to ensure that all staff involved in the procurement of goods and services are free from conflicts of interest require enhancement.

Recommendation: We recommend the Department management monitor the completion of Conflict of Interest Certification forms by all staff involved in the procurement process. Additionally, since the relationships affecting procurement staff could change over time, we recommend that all staff involved with the procurement process be required to periodically update their Conflict of Interest Certification forms.

Initial Response: We concur with the findings. During the time-frame of August – December 2010, Department Senior Management visited district offices statewide, to review processes and identify best practices for benchmarking. Periodic updates of Conflict of Interest Certification forms was identified as a best practice to be implemented on a statewide basis. This recommendation was discussed with Department District Secretaries, and all agreed to significantly modify the requirements on how frequently the Conflict of Interest Forms would need to be updated by Technical Review and Awards Committee members, Selection Committee members, and Procurement Office contracting staff directly involved in the contract acquisition process.

Effective February 7, 2011, the Department implemented new statewide guidance requiring Technical Review and Awards Committee members to sign a new Conflict of Interest Certification Form for each contract procurement. Similarly, Selection Committee members will sign Certification Forms at every selection committee meeting. Procurement Office staff are now required to sign a Certification Form for every new contract acquisition. More frequent updates of the Conflict of Interest Certification Form will assist with identifying and avoiding conflicts which could potentially compromise the objectivity of the procurement process. Procurement Office Procedures are being updated to reflect this new guidance. Five revamped versions of the Conflict of Interest Certification forms have been created, to address the specific profiles of the type of staff involved in decision making, approval, disapproval or recommendation of consultants, contractors and vendors for contract acquisitions. The five types of forms are attached:

- Conflict of Interest Certification-Technical Review Committee
- Conflict of Interest Certification-Selection Committee
- Conflict of Interest Certification-for Consultants/Contractors who serve on Technical Review Committees
- Conflict of Interest Certification-for Public Officers/Employees
- Conflict of Interest Certification-Technical Review/Awards Committee Low Bid Projects

Compliance with the modified Conflict Certification requirements will be monitored through the Department's Quality Assurance Reviews for procurements.

Current Response: The Conflict of Interest Certification Forms have been implemented as standard FDOT forms, and are currently in use by Department and Consultant/Contractor staff involved in any capacity of decision making or recommendation for contract procurements. In

February 2011, the Assistant Secretary of Engineering and Operations disseminated updated information stating that effective on all future contract selections, the Conflict of Interest Certification Form is required to be completed and signed by the Technical Review Committee members for every contract acquisition that they participate on, and maintained in the contract procurement file alongside other documentation related to a single contract procurement. Similarly, the Selection Committee members will be required to sign a Certification Form upon the occasion of each contract selection meeting. The District Professional Services Units are recommending that the Certification Form for Selection Committee members also be retained in the individual contract procurement files. The Department also uses a new Quality Assurance Checklist to monitor compliance.

Completed Date: October 6, 2011

Finding No. 2: State Financial Assistance

Improvements continue to be needed in the Department's administration of its responsibilities under the Florida Single Audit Act.

Recommendation: We again recommend that the Department take steps to ensure the proper recording of State Financial Assistance in Department accounting records and the timely receipt and review of Financial Reporting Packages.

Initial Response: We concur with the findings. The Office of Inspector General (OIG) has addressed this issue over the past year by conducting five district compliance reviews, seven training classes and providing necessary guidance to the districts on an ongoing basis through routine telephone and e-mail correspondence, regular coordination with the Federal Highway Administration and through quarterly OIG newsletters. Compliance reviews conducted in the current fiscal year have appropriately identified issues regarding checklists not completed, timely receipt and review of financial reporting packages, a lack of reconciliation of FLAIR payments to the expenditures in the audit report and other areas where lack of oversight was noted. Recommendations made as a result of these reviews include the district management ensuring the timely receipt and review of financial reporting packages. District management has been responsive to the compliance reviews and is in the process of implementing corrective actions.

The OIG will continue to conduct compliance reviews and training classes through the remainder of fiscal year 2010-2011 to ensure compliance with state and federal regulation and ensure districts and project/program managers are aware of all single audit requirements. The Department's Single Audit Procedure is scheduled for an update in the summer of 2011, to include specific responsibilities of the district single audit liaisons and proper recording of state financial assistance in the Florida Single Audit Act System (FSAAS). The FSAAS was updated with an additional control to allow program managers to enter in only a state or federal assistance object code when completing the checklists.

Current Response: We are in the process of revising our compliance review checklist and have a tentative schedule to conduct an additional six reviews during fiscal year 2011-2012. We also have a tentative schedule to conduct six single audit training seminars in the districts during the fiscal year. The Department's Single Audit Procedure has been reformatted and revised to include duties and responsibilities of the district Single Audit Liaisons. The Single Audit Procedure was approved by the Secretary on October 7, 2011. The Office of Inspector General's (OIG) Single Audit Coordinator is working with district Single Audit Liaisons and Program/Project Managers on timely submission of checklists. Districts were provided with lists of the Department's federal/state object codes for comparison with the Catalog of Federal Domestic Assistance/Catalog of State Financial Assistance numbers entered into the Single Audit System. The lists have been published on the OIG's Single

Audit website as well. A monthly spreadsheet of checklists not completed, with inconsistencies highlighted, is sent to district Single Audit Liaisons and Program/Project Managers who are making every effort to correct errors. Additionally, at the request of district Program/Project Managers, the OIG Single Audit Coordinator has been corresponding with subrecipients who have not submitted their audit reports timely.

Completed Date: October 7, 2011