



*Florida Department of Transportation*

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ANANTH PRASAD, P.E.  
SECRETARY

September 5, 2012

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

RE: **Auditor General Report No. 2012-142**  
**Federal Awards FY 2010-2011**

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, appearing to read "Robert E. Clift".

Robert E. Clift,  
Inspector General

REC:tw

Enclosure

cc: Kathy DuBose, Staff Director  
Joint Legislative Auditing Committee  
JLAC@leg.state.fl.us  
FHWA, Dyshá Weems

# FLORIDA DEPARTMENT OF TRANSPORTATION

## 6-month Follow-up Response to the Auditor General's Statewide Federal Awards for the fiscal year ended June 30, 2011 Report # 2012-142

**Finding No. 1: FDOT staff did not always follow established monitoring procedures requiring the documentation of monitoring activities.**

**Criteria:** OMB Circular A-133 §.400(d) Pass-through entity responsibilities and OMB Circular A-133 Compliance Supplement – Requires monitoring of during the award activities of subrecipients

**Condition:** During the 2010-11 fiscal year, FDOT provided approximately \$264 million to 204 subrecipients. FDOT had established during-the-award monitoring procedures that were specific to the individual program areas. The program area procedures and documentation were designed to capture information about ongoing project site activity, particularly construction progress. Our test of 25 subrecipient projects disclosed that FDOT staff did not always follow established FDOT procedures when documenting monitoring activities. Specifically, for 8 of 25 projects, documentation provided did not evidence that FDOT determined as part of its monitoring procedures that subrecipients met program requirements. Specifically, we noted that the documentation provided did not evidence site visits, regular contact, or other means to provide reasonable assurance that performance goals were being met.

**Cause:** FDOT attributed the deficiency to lack of staff consistency among District offices and lack of sufficient staff.

**Effect:** Without adequate monitoring, FDOT has limited assurance that subrecipients complied with Federal requirements.

**Recommendation:** We recommend that FDOT adhere to its established procedures in order to properly perform and document monitoring activities.

**Initial Response:** We concur with the finding. To offer additional guidance on properly performing and documenting during-the-award subrecipient monitoring activities, a Local Agency Program (LAP) Oversight Memorandum was developed and approved by the Federal Highway Administration on November 2, 2011. The Memorandum addresses:

- selection of subrecipients to be monitored;
- frequency at which monitoring should be performed;
- criteria used during the monitoring; and
- documentation to be maintained.

The LAP Oversight Memorandum was provided for the Auditor General's review and record. The State LAP Administrator will also work with the State Construction Office to include LAP construction oversight as part of the State Construction Office's Contract Administration Quality Assurance Reviews (QAR).

**Current Response:** As cited in the initial response, the recommendation has been completed.

**Completion Date:** November 7, 2011

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**Finding No. 2: FDOT did not have a process in place to ensure that subrecipient audit requirements were met.**

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**Criteria:** OMB Circular A-133 §\_\_\_\_.400(d) Pass-through entity responsibilities – Pass-through entities are responsible for ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year have met the OMB Circular A-133 audit.

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**Condition:** During the 2010-11 fiscal year, FDOT had approximately 227 active agreements, including 103 for which FDOT provided \$500,000 or more of Federal assistance to subrecipients. FDOT has established procedures for ensuring that it receives A-133 audits from subrecipients to which it provides \$500,000 or more in Federal funding. However, the procedures did not address instances where an audit may be required because the total Federal funds expended, including amounts funded by other Federal grantors and recipients, exceed \$500,000, although FDOT provided less than \$500,000 in Federal awards. Ensuring that subrecipients meet the audit requirements may be accomplished, in part, by requiring all subrecipients to provide an audit or certification that an audit was not required.

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**Cause:** FDOT policies and procedures were applied only to the funding FDOT provided subrecipients.

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**Effect:** Procedures to identify all subrecipients required to submit an A-133 audit would provide FDOT greater assurance that subrecipients were in compliance with laws, regulations, and provisions of contracts and grant agreements.

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**Recommendation:** We recommend that FDOT establish procedures to consider all subrecipient expenditures when determining whether audits are required. Such policies and procedures might include requesting all subrecipients to submit to FDOT either an A-133 audit or a certification that an A-133 audit was not required.

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**Initial Response:** We concur with the finding. The department’s Single Audit Procedure, Topic No. 450-010-001-i, was revised October 7, 2011 and includes required guidance under section 5.4 Expenditures Less Than The Threshold. Specifically: Entities should notify the district in writing on official letterhead if their total federal awards expended from all sources was under the \$500,000 threshold. This is documented by the Program/Project Manager completing a Threshold Certification Statement in the Single Audit System.

**Current Response:** As cited in the initial response, the recommendation has been completed.

**Completion Date:** October 7, 2011