



Florida Department of Transportation

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ANANTH PRASAD, P.E.
SECRETARY

June 27, 2013

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

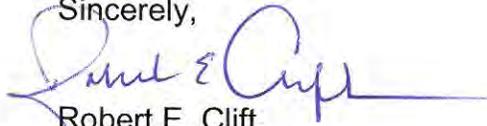
RE: **Auditor General Report No. 2013-066**
Operational Audit- Department of Transportation
Commission for the Transportation Disadvantaged,
Public-Private Partnerships, Loans to Expressway
and Bridge Authorities, and Purchasing Cards
FY 2010-2012

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,



Robert E. Clift,
Inspector General

RC: cm

Enclosure

cc: Kathy Dubose, Staff Director
Joint Legislative Auditing Committee
JLAC@leg.state.fl.us

FLORIDA DEPARTMENT OF TRANSPORTATION
6-month Follow-up to the
Office of the Auditor General
Operational Audit-Department of Transportation
Commission for the Transportation Disadvantaged, Public Private Partnerships, Loans
to Expressway and Bridge Authorities, and Purchasing Cards
FY 2010-2012
Report #: 2013-066

Finding No. 1: Medicaid Non-Emergency Transportation Services Grant Agreement:

The Commission did not comply with certain administrative cost provisions of a Medicaid-funded nonemergency transportation agreement. Specifically, the Commission has not established a methodology to identify administrative costs. Such a methodology was necessary to demonstrate compliance with established administrative cost limits.

The Commission executed a grant agreement with the Agency for Health Care Administration (AHCA) in December 2008 to provide eligible Medicaid beneficiaries with NET services.⁹ Pursuant to this agreement,¹⁰ AHCA was to provide \$65.4 million and \$60.8 million to the Commission for NET services for the 2010-11 and 2011-12 fiscal years, respectively. Our audit included gaining an understanding of the contract between the Commission and AHCA. The grant agreement, and applicable amendments for the 2010-11 and 2011-12 fiscal years, established various requirements relating to the control of administrative costs, including:

- Commission administrative costs were to be limited to 5 percent of the amount received annually from AHCA during the 2010-11 and 2011-12 fiscal years. Only those costs incurred in managing NET services were to be identified as administrative costs of the agreement.
- The Commission was required to complete a reconciliation of funds received to the related expenses incurred and provide a demonstration that administrative costs had been limited to no more than 5 percent. The written reconciliation was due to AHCA by November 30th of each year. Effective July 2011, the agreement included directions that the reconciliation should include all agreement-related income, administrative and transportation service expenditures, reserve funds, and any unexpended or unencumbered agreement funds for the prior State fiscal year and should include sufficient detail to demonstrate compliance with the administrative costs limit.

According to Commission personnel, the reconciliations for the 2010-11 and 2011-12 agreement years were not completed and no methodology had been established to separately account for and report the administrative expenditures applicable to administering NET services. Similar findings were noted in report No. 2012-142, finding number FA 11-065.

Absent the identification of applicable administrative costs and the completion of reconciliations, as described in the grant agreement, the Commission cannot demonstrate compliance with the administrative costs limit related to the Medicaid NET services grant agreement and cannot demonstrate whether or not surplus funds are due to AHCA.

9 AHCA received waivers applicable to Sections 1115(a) (1) and 1915(b) (4) of the Social Security Act for the provision of transportation disadvantaged services in the State. These waivers allowed the State to restrict the provider from whom or through whom Medicaid clients can obtain NET services. Medicaid clients were to receive NET services only through authorized transportation providers for each county or multi-county region, rather than be allowed choice of any transportation provider. Effective December 2011, managed care organizations (MCOs) were to provide some NET services previously provided by the Commission. At the time of audit, the funding allocation and the extent of services to be provided by MCOs had not been determined.

10 Pursuant to amendment No. 5, the agreement was effective through August 2012.

Recommendation: We recommend that the Commission ensure compliance with the administrative provisions of the Medicaid NET services grant agreement with AHCA.

Audit Response:

Agree. The Commission will continue to work with AHCA to ensure timely compliance of the administrative provisions of the Medicaid NET services contract. In addition, the Commission will continue to provide efficient management services for the Medicaid NET contract that keeps administrative fees well below the five percent threshold allowable in the contract.

6-month Follow-up Response:

The Commission continues to work with AHCA to ensure timely compliance of the administrative provisions of the Medicaid NET services contract. In addition, the Commission continues to provide efficient management services for the Medicaid NET contract that keeps administrative fees well below the five percent threshold allowable in the contract.

Completion Date:

Ongoing. Anticipated completion date June 2014.

Finding No. 2: Procurement of Contractual Services: The Commission did not always follow the requirements of law governing the competitive procurement of contractual services.

Fair and open competition is a basic tenet of public procurement. Such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. Chapter 287, Florida Statutes, specifies the system of uniform procedures to be utilized in managing and procuring commodities and contractual services for State agencies. Documentation of the acts taken and effective monitoring mechanisms are important means of curbing improprieties and establishing public confidence in the process by which commodities and contractual services are procured.

Pursuant to law,¹¹ when the purchasing price of commodities or contractual services exceeds the Category II threshold (i.e., \$35,000), the procurement is to be made through the use of competitive sealed bids, competitive sealed proposals, or competitive sealed replies, unless the agency head determines in writing that an immediate danger to the public health, safety, or welfare, or other substantial loss to the State requires emergency action or an exemption is otherwise provided in law. Examples of exemptions from the competitive procurement requirements described in law include the procurement of health services and services by governmental agencies, and when there are insufficient responses to a solicitation. If the purchase of contractual services exceeds \$35,000 and such services are not competitively procured, an agency must document that the payment is not in excess of the competitive

prevailing rate for those services, unless the purchase is expressly authorized in the General Appropriations Act.¹²

In April 2011, the Commission entered an agreement with a contractor for the conduct of quality assurance reviews of 27 CTCs and 4 subcontracted transportation providers. The purpose of the reviews was to evaluate compliance with requirements for NET services funding. Various rates were specified in the contract, ranging from \$52 to \$210 per hour, depending upon the expertise level required by personnel providing the service. The contract price was \$196,000 and that amount was paid from the Medicaid NET services contract proceeds.

As part of our audit, we made inquiries of Commission personnel and reviewed applicable procurement records. Our audit disclosed that, contrary to the requirements of Chapter 287, Florida Statutes, the contract for the quality assurance reviews had not been competitively procured. Commission records did include a note indicating that the procurement was exempt from competitive procurement requirements pursuant to Chapter 427, Florida Statutes. However, the note did not provide a specific section reference or additional explanation, and we could not locate in Chapter 427, Florida Statutes, provisions exempting such contractual services from competitive procurement requirements. We were also provided with no evidence that the Commission had documented that the payment was not in excess of the competitive prevailing rate for those services.

11 Sections 287.017 and 287.057(3) (a), Florida Statutes.

12 Sections 287.057(10) and 216.3475, Florida Statutes, and Chief Financial Officer (CFO) Memorandum No. 3 (2009-2010) (Superseded by CFO Memorandum No. 2 [2012-13]).

Recommendation: We recommend that the Commission ensure all contractual procurements are made in compliance with law.

Audit Response:

Agree. The Commission concurs that the procurement mentioned in the audit was not made in compliance with all the provisions of law. The Commission will ensure future contractual procurements are made according to the provisions Chapter 287, Florida Statutes.

6-month Follow-up Response:

The Commission continues to ensure future contractual procurements are made according to the provisions Chapter 287, Florida Statutes.

Completion Date:

Completed as of December 11, 2012. Type of contractual procurement process utilized will be documented and maintained in contract files.

Finding No. 3: Oversight Responsibilities: The Commission's invoice review, approval, and payment processes and established monitoring procedures for planning agencies, Community Transportation Coordinators, and subcontracted transportation providers were not sufficient to ensure that amounts paid were limited to eligible transportation services.

Payments for trip and equipment grants were to be based on rates established in the grant agreement and those rates varied based on the trip type, such as those for ambulatory clients or wheelchair bound clients, and could include additional rates for mileage, but were not to exceed the total allocation described in the grant agreement. Payments for planning grants were to be based on the various deliverables established in the grant agreement. Payments for NET services were to be based on rates established in the Medicaid NET services grant agreement. The NET rates were to be based upon a formula including factors such as, county size (square feet), the county population, and the number of trips and miles traveled in the prior year.

Trip and equipment grants, between the Commission and CTCs, and planning grants, between the Commission and planning agencies, required all costs invoiced to the Commission to be supported by detailed records sufficient to evidence the allowability of the charges, including the nature and date of the services rendered or costs incurred, and the provision of deliverables. Examples of required detailed records applicable to trip and equipment grants included: invoices, time records, driver's manifests, vehicle titles, and contracts. Examples of required detailed records and deliverables applicable to the planning grants included: updated by-laws, grievance procedures, the local coordinating board membership roster, and a Transportation Disadvantaged Service Plan. Pursuant to the Medicaid NET services grant agreement, payments to CTCs and subcontracted transportation providers were to be supported by information input into the CTDFL System, a Web-based system utilized by the CTCs for checking Medicaid eligibility for clients requesting Medicaid NET services, and by CTCs and subcontracted transportation providers to summarize NET trip information and costs for billing purposes.

We performed procedures to evaluate Commission policies, procedures, and processes governing the review, approval, and payment of invoices and the monitoring of the CTCs, planning agencies, and subcontracted transportation providers. Those procedures included:

- To gain an understanding of the processes used to review and approve invoices for payment, we interviewed Commission personnel, reviewed policies and procedures, and examined grant agreements, voucher packages, State accounting records, and other supporting records. We also performed tests of 140 Commission expenditures incurred during the period July 2010 through January 2012, totaling \$14.7 million. These expenditures were composed of: 47 payments, totaling \$8.3 million for NET services; 43 payments, totaling \$5 million, to CTCs related to trip and equipment grants; 29 payments, totaling \$1.1 million, to CTCs related to indirect costs for trip and equipment grants; and 21 payments, totaling \$335,443, to counties related to Commission planning grants.
- To gain an understanding of the scope of the monitoring performed during the period July 2010 through December 2011, we reviewed the Commission's agreement with the contractor selected to perform quality assurance reviews of CTCs and subcontracted transportation providers, and the monitoring checklist approved by the Commission for use by the contractor. We also interviewed key Commission personnel to identify the

nature and extent of any additional monitoring activities utilized by the Commission to evaluate CTC compliance with applicable laws, rules, and regulations; whether program objectives were met; and whether efficient processes were utilized. Additionally, we examined electronic records of the quality assurance reviews conducted for 13 CTCs and 2 subcontracted transportation providers.

Our tests disclosed that the Commission lacked effective processes to ensure appropriate oversight of amounts paid to entities receiving funds for transportation disadvantaged services and, therefore, lacked assurance that such payments were allowable, necessary, and made in compliance with applicable laws, rules, regulations; and contractual requirements. Policies and procedures did not require that the Commission review, as applicable, plans, reports, and records in determining the amounts due pursuant to planning grant and NET contracts.

Specifically:

- For 72 items, totaling \$6.1 million, related to trip and equipment grants, payments were made based on summary information provided by the CTCs. Records to support that trips were provided to eligible individuals, within applicable service areas, and were in compliance with applicable laws, rules and regulations were not reviewed by the Commission.
- For 21 items, totaling \$335,443, related to planning grants, payments were made based on invoiced amounts, without evidence of, for example, completion of deliverables, such as transportation disadvantaged service plans and updated by-laws and grievance procedures.
- Quality assurance reviews, completed by a contractor, as described in finding No. 2, were documented through the use of a checklist approved by the Commission. The methodology of the quality assurance reviews included inquiries of CTC management, the use of questionnaires for information gathering, review of policies and procedures, and a ride-along to gain an understanding of the process. However, the reviews did not include an examination of source documentation for amounts invoiced to the Commission. For 47 payments totaling \$8.3 million for NET services, payment was made based on client trip totals entered in the CTDFL System by transportation providers. Information Technology (IT) control deficiencies were noted for the CTDFL System which could potentially compromise the reported information (See finding No. 5.). Similar findings were noted in report No. 2012-142, finding No. FA 11-065.

Absent improvements in the oversight of CTCs, planning agencies, and subcontracted transportation providers, the Commission lacks assurance that moneys were spent as authorized and in compliance with applicable, laws, rules, regulations, and contractual requirements.

Recommendation: We recommend that the Commission establish policies, procedures, and processes to strengthen oversight of entities receiving funds for transportation disadvantaged services.

Audit Response:

Agree. The Commission has enhanced and will continue to improve its policies, procedures and processes to strengthen oversight of entities receiving funds for transportation disadvantaged services.

In July 2011, the Commission changed the grant requirements between the Commission and Planning Agencies, and enhanced its deliverable check list. The Commission changed the grant to a lump sum contract with reimbursement based on specific percentage of deliverables completed by the Planning Agencies. The enhanced check list ensures all deliverables are received or completed before payment is rendered.

Commission staff conducted quality assurance reviews prior to 2011. Due to workload and lack of personnel resources, the Commission decided to procure quality assurance services through a vendor. The Commission has policies and procedures to examine supporting documentation for amounts invoiced to the Commission. However, during the transition of quality assurance tasks from the Commission to the contractor, the Commission did not place this requirement on the quality assurance checklist. In August 2012, the Commission hired two additional contract managers. This will allow Commission staff to once again conduct quality assurance reviews using established policies and procedures. Also, the Commission will update the quality assurance checklist used by the contractor to review a sample of source documents for amounts invoiced.

6-month Follow-up Response:

The Commission continues to improve its policies, procedures and processes to strengthen oversight of entities receiving funds for transportation disadvantaged services.

Completion Date:

Ongoing. Anticipated completion date June 2014.

Finding No. 4: Annual Report: The Commission lacked procedures to ensure that its annual report was accurate, complete, and substantiated by appropriate records.

The Commission is required to submit an annual report¹³ to the Governor, the President of the Senate, and the Speaker of the House of Representatives each year by January 1st. The report is to include a summary of the Commission's accomplishments for the preceding State fiscal year, the most current operational statistics for transportation disadvantaged services, any identified unmet needs, and the financial status of the Transportation Disadvantaged Trust Fund.

To facilitate collection of the required data for the report from the CTCs, the Commission developed the Annual Operating Report (AOR) System, a Web-based system, for electronic reporting, collection and compilation of the CTC data. The AOR System, maintained by an

outside entity, under contract with the Commission, is used by the CTCs to report summary level information relating to income, expenses, and trips, such as total trip miles. The planning agencies are responsible for reporting the data through the AOR System, by September 15th, annually.¹⁴ Examples of required information are: number of one-way passenger trips by type of service, by funding source, and by participant type; complaints involving timeliness, vehicle condition, quality of service, and personnel behavior; mileage information; number of accidents; employee information; and revenue and expense information. IT control deficiencies related to the AOR System are noted in finding No. 5.

According to Commission instructions, CTCs are to maintain supporting documentation which is subject to review by the Commission. Based on inquiries of Commission personnel, the Commission had not fully evaluated the supporting documentation for the information reported in the 2011 annual report. Instead, the project managers' reviews of the reports were limited to checks for completeness. An analysis of reported information, such as a comparison of current year to prior year reported amounts, or comparisons of the information by each CTC was not completed. Additionally, the periodic quality assurance reviews of the CTCs did not include procedures to evaluate whether the reports were accurate and supported by appropriate documentation.

Absent the review of supporting documentation of CTC information used to compile the annual report, the Commission lacks sufficient assurance that information, which may be used by the Governor and the Legislature for funding and policy decisions, is accurate and complete.

13 Section 427.013(13), Florida Statutes, and Commission Rule 41-2.007, Florida Administrative Code.

14 Section 427.0155(2), Florida Statutes, and Commission Rule 41-2.007, Florida Administrative Code.

Recommendation: We recommend that the Commission establish and implement policies and procedures to ensure that information reported in the annual report is accurate, complete, and supported by appropriate documentation.

Audit Response:

Agree. The Commission will enhance its quality assurance procedures to better evaluate whether reports submitted by the CTCs are accurate and supported by appropriate documentation.

General Note: The Annual Operating Report System is an antiquated web-based system. It was created, and is maintained, by an outside entity under contract with the Commission. The processes to input and retrieve data are inefficient. Data is manually entered into the system by the CTCs. Data is housed in a manner that requires a significant amount of manual manipulation to prepare the data for analysis. The System constrains the Commission in creating an adequate performance management system that enhances program accountability.

To fund a new information system or enhance the current AOR system requires the Commission to reallocate funds necessary to provide trips from the CTCs to the Commission.

6-month Follow-up Response:

The Commission continues to enhance its quality assurance procedures to better evaluate whether reports submitted by the CTCs are accurate and supported by appropriate documentation.

Completion Date:

Ongoing. Anticipated completion date is contingent upon the Legislature providing the Commission additional funding for a new information system.

Finding No. 5: Information Technology Controls: Improved information technology controls were needed.

IT controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. During our audit, we identified the need for enhancements to the Commission’s IT control practices relating to the CTDFL and AOR Systems. To avoid the possibility of compromising Commission information, specific details of these matters are not disclosed in this report. However, the appropriate Commission personnel have been notified of these issues.

Recommendation: We recommend that the Commission ensure that appropriate IT controls are implemented.

Audit Response:

Agree. The Commission will enhance its Information Technology control practices relating to CTDFL and Annual Operating Report (AOR) Systems based on the risk of unauthorized personnel accessing sensitive data. To date, the Commission has implemented one of the four specific findings outlined in a separate Auditor General Letter dated November 14, 2012 and has started writing the policies and procedures necessary to implement another enhancement.

6-month Follow-up Response:

The Commission continues to assess its Information Technology control practices relating to CTDFL and Annual Operating Report (AOR) Systems based on the risk of unauthorized personnel accessing sensitive data.

Completion Date:

Ongoing. Anticipated completion date June 2014.

Finding No. 6: Cancellation of State Purchasing Cards: Department purchasing cards were not always timely canceled upon an employee’s separation from the Department.

The State’s Chief Financial Officer administers the State purchasing card (PCard) program. Each agency that participates in the State’s PCard program is responsible for ensuring proper accountability measures and controls are in place. The Department’s PCard Administrators are

responsible for coordinating, monitoring, and overseeing the program and are assigned to the Central Office, each district, and the Turnpike Enterprise. The Department's PCard procedure provided that the supervisors of terminated employees were responsible for immediately notifying the applicable PCard Administrator of terminations and for collecting the PCard from the terminated employee. Additionally, PCard Administrators received weekly termination reports. The PCard Administrators were required to review these reports to identify cardholders for whom cancellation of a PCard account was necessary.

To test the timeliness with which PCard accounts were cancelled, we reviewed the records for 294 cardholders who terminated employment with the Department during the period July 2010 through January 2012. We identified 25 terminated employees for whom the amount of time taken to cancel the card was excessive, ranging from 8 to 234 days after the date of the employee's separation. According to the Department, the delays were caused by untimely notifications by applicable supervisors and programming errors which caused termination reports to be incomplete. Although addressed in the Department's PCard procedure, the Department's exit review form did not include provisions directing supervisors to notify PCard Administrators of employee terminations. In January 2012, subsequent to our inquiries, the Department updated the exit interview form to include such provisions.

Our audit tests disclosed no PCard charges after the employee cardholders' termination dates. However, the untimely cancellation of PCard accounts does increase the risk of unauthorized PCard usage.

Recommendation: We recommend that the Department monitor the effectiveness with which its PCard cancellation procedures reasonably ensure PCards are timely canceled upon an employee's separation from the Department.

Audit Response:

Agree. We concur with this finding. As a result of the audit finding, we determined that the termination reports we were using were insufficient. The termination reports only included terminations entered during the pay period. However, the Personnel Office has two weeks to enter the termination notice in People First. The reports we were using did not include employees who were entered in People First after the termination pay period. An additional report has been developed to capture all terminations entered in People First during the week. We also modified the Notice of Separation Form No. 250-005-25 to add a statement to notify the Purchasing Card Administrator for cancellation of purchasing card. We have been using the additional report and form since January 27, 2012.

6-month Follow-up Response:

The processes implemented on January 27, 2012 are working. The modification to the Notice of Separation form is prompting supervisors to notify the Purchasing Card Administrator to cancel the purchasing card. In addition, the revised termination reports are capturing all terminated employees and the reports provide the necessary control to ensure purchasing cards are cancelled in a timely manner.

Completion Date:

January 27, 2012.