



Central Florida Expressway Authority

Ethics Policy Compliance Review

June 2015

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Executive Summary

Overview

The Central Florida Expressway Authority Board adopted a new Code of Ethics in March 2015 to enact the Florida Code of Ethics (Florida Statutes, Chapter 112, Part III) as the Authority's standard of conduct for board members, employees, and vendors. The new Code of Ethics also adopts the political activity standards of Florida Statutes, Section 104.31, and the ethical standards of Section 348.753. In accordance with the fiscal year 2015 Internal Audit Plan, Internal Audit performed an Ethics Policy Compliance Review of the Authority's newly adopted Code of Ethics.

Objectives

Due to the new Code of Ethics only being in place for three months prior to the audit, the objectives of the audit were to (1) review the Authority's Code of Ethics for compliance with applicable Florida law; (2) review the Authority's ethics compliance process and monitoring controls for design effectiveness; and (3) identify opportunities and develop recommendations for improving the Authority's ethics compliance monitoring process.

Scope and Approach

The Ethics Policy Compliance Review was performed using the following approach:

1. Reviewed the Authority's Code of Ethics and the following Florida Statutes to identify the ethics requirements:
 - a. Chapter 112, Part III
 - b. Chapter 348.753
 - c. Section 104.31
2. Reviewed the Authority's processes for monitoring and implementing the Code of Ethics by evaluating the following processes:
 - a. Communication and Awareness
 - b. Training and Reinforcement
 - c. Change Management
 - d. Ethics Violation Monitoring
 - e. Penalties and Enforcement
3. Identified opportunities and developed recommendations for improving the Authority's ethics compliance process and internal controls.

No internal control testing was performed as part of this review.

Summary of Key Areas Reviewed and Results

Internal Audit evaluated the Authority’s ethics compliance processes, internal controls, and implementation plans for design effectiveness based on the requirements of the Authority’s Code of Ethics and the applicable Florida Statutes. Based upon the work performed, **four** enhancement opportunities were identified that would strengthen the Authority’s overall ethics compliance process and internal control environment. The table below provides an overview of the areas reviewed and the observations identified.

Key Areas Reviewed	Procedures Performed	Number of Observations	Observation Reference
Policies and Procedures	<ul style="list-style-type: none"> ✓ Reviewed the Authority’s ethics policy and applicable Florida Statutes. ✓ Interviewed key personnel to gain an understanding of the Authority’s ethics compliance processes. ✓ Evaluated design effectiveness of compliance processes based on regulatory and policy requirements. 	2	1,4
Communication and Awareness	<ul style="list-style-type: none"> ✓ Identified the Authority’s communication methods to internal and external parties regarding ethics requirements. ✓ Evaluated communication methods for efficiency and effectiveness based on the target audience. 	2	2,3
Training and Reinforcement	<ul style="list-style-type: none"> ✓ Identified Authority’s ethics training and ongoing education processes. ✓ Evaluated training and education processes for design effectiveness. 	0	N/A
Change Management	<ul style="list-style-type: none"> ✓ Reviewed and evaluated the Authority’s internal controls for changes to the Code of Ethics and related procedures. 	0	N/A
Violation Monitoring	<ul style="list-style-type: none"> ✓ Identified opportunities available for reporting alleged ethics violations to the Authority. ✓ Reviewed the Authority’s monitoring and investigation processes for ethics concerns and alleged violations. 	0	N/A
Penalties and Enforcement	<ul style="list-style-type: none"> ✓ Interviewed key personnel regarding the Authority’s disciplinary actions, penalties, and violation reporting requirements. 	0	N/A
	TOTAL:	4	

Detailed Observations

Policies and
Procedures

Communication and
Awareness

Observation 1 – Conflict of Interest Disclosure Process

Relative Priority: High

Florida Statute Section 348.753(8) states that the Authority's board members, employees, and consultants who hold positions that may influence Authority decision should refrain from engaging in any relationship that may adversely affect their judgment in carrying out Authority business. To prevent such conflicts of interest and facilitate a monitoring process, Florida Statutes and the Authority's Code of Ethics require that board members, employees, and consultants disclose potential conflicts of interest annually.

To comply with the conflict of interest statute requirement, the Authority developed a conflict of interest disclosure form to be disseminated to all board members, employees, and consultants annually. The Authority's department managers identify the consultants that provide professional services within their department and distribute the disclosure form to applicable consultants. The legal department distributes the disclosure form to Board members and employees. All completed disclosure forms are submitted to the Authority's Executive Assistant, who tracks responses in an Excel document. Supplemental information necessary to complete the form, such as listings of Orange County and City of Orlando registered lobbyists and corridor maps with ownership listings, is included in the distribution of the disclosure form.

The review of the conflict of interest disclosure process identified the following areas for improvement:

1. Although the conflict of interest disclosure form and excerpts of the Florida Statutes are sent to the Authority's consultants, the Authority has not provided consultants with formal instruction on how to complete the form. For example, the Authority has not provided guidance on how consultants should respond to questions that are geared towards an individual and not the company, such as the disclosure of relatives.
2. The process to distribute and monitor receipt of the disclosure forms is manual and decentralized. Due to the number of consultants that may be required to complete and submit the disclosure form, automating and centralizing this process to one department would increase efficiency and allow management to quickly identify board members, employees, and consultants who have not complied with the requirement.
3. The Authority has established the disclosure requirements based on Florida Statutes; however, the Authority has not established a process to enforce the requirements and to hold vendors accountable for completing and returning the disclosure form.

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Detailed Observations

Policies and
Procedures

Communication and
Awareness

Observation 1 – Conflict of Interest Disclosure Process

Relative Priority: High

Recommendation

1. To improve the disclosure process and set clear expectations, the Authority should define and document instructions for completing the conflict of interest disclosure form, including the expectation that one form should be completed for the firm/company, guidance on answering questions geared toward an individual, and the objective of the Florida Statute requirement.
2. The Authority should consider automating the distribution and monitoring processes for the disclosure form through development of a Conflict of Interest Reporting portal on the company's website. The website can host the disclosure form, instructions, deadline, and supplemental information (corridor maps, ownership listings, etc.); allow users to upload the completed disclosure form; and facilitate tracking and retention of responses received. The Authority should consider centralizing the disclosure process by selecting one department to manage distribution and tracking of the disclosure forms. Based on the current structure of the Authority and the process in place, the Procurement Department would be well-equipped to distribute the notification to consultants to complete the disclosure form and track and retain responses.
3. The Authority should define and document consequences for consultants that do not return the completed conflict of interest disclosure form, including the penalties that may be imposed by the Authority. The Authority should consider withholding vendor payments if the consultant is not responsive to the Authority's request to complete the form, which is similar to the enforcement process in other areas of the organization.

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Detailed Observations

Policies and
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Communication and
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Observation 1 – Conflict of Interest Disclosure Process

Relative Priority: High

Management Response

Concur.

Management Action Plan

1. The Authority will define and document instructions for completing the conflict of interest disclosure form as recommended.
2. The Authority will develop a Conflict of Interest Reporting portal to automate the distribution and monitoring process for conflict of interest disclosure forms. The Authority will centralize the process to manage distribution and tracking of the disclosure forms to the Procurement Department.
3. The Authority will define and document consequences for consultants that are not responsive to the Authority's request to complete the disclosure form.

Action Plan Owner / Due Date

Laura Kelley, Executive Director / May 1, 2016

Detailed Observations

Policies and Procedures

Observation 2 – Registered Lobbyist Definition

Relative Priority: *Medium*

Florida Statute Section 348.753(8)(b) states that the Authority's board members, employees, and consultants must disclose whether a relative is a registered lobbyist, and if so, disclose the names of the lobbyist and the lobbyist's clients.

Communication and Awareness

The Authority has defined the term "registered lobbyist" within the Code of Ethics as any person who shall engage in lobbying for compensation for (1) an entity other than his or her employer; or (2) for any entity including his or her employer if a principal function of his or her position is lobbying or governmental relations; and (3) is registered with any local jurisdiction represented on the Authority's Board.

The City of Orlando and Orange County have established a process for lobbyist registration; however, Lake County, Osceola County, and Seminole County do not require lobbyist registration. Therefore, lobbyists in Lake, Osceola and Seminole County may not meet the definition of "registered lobbyists" as established by the Authority. Based on these circumstances, there is a potential for non-disclosure of relationships with a lobbyist in Lake, Osceola, or Seminole.

Recommendation

The Authority's management and Board should review the previous discussions regarding the definition of "registered lobbyists" and determine if the current definition should be revised to better address the objectives of the Florida Statute.

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Detailed Observations

Policies and
Procedures

Observation 2 – Registered Lobbyist Definition

Relative Priority: *Medium*

Management Response

Concur.

Communication and
Awareness

Management Action Plan

The Authority will review previous Board discussions and discuss further, as needed, to determine if the registered lobbyist definition should be revised.

Action Plan Owner / Due Date

Laura Kelley, Executive Director / May 1, 2016

Detailed Observations

Policies and
Procedures

Communication and
Awareness

Observation 3 – Code of Ethics Communication

Relative Priority: *Medium*

The Authority's employees and vendors must acknowledge that they have reviewed, understand, and will/have complied with the Authority's Code of Ethics. Employees sign a Certificate of Completion annually to acknowledge completion of the annual ethics training and compliance with the Authority's Code of Ethics. At the inception of a contract, vendors must sign the Acknowledgement of Standard of Conduct and Code of Ethics form to acknowledge their review of the Code of Ethics and adherence to the requirements of the policy.

However, Board members do not certify their understanding or compliance with the Code of Ethics, which is inconsistent with the process in place for employees and vendors.

Additionally, the Authority has not developed a process to notify vendors of modifications to the Code of Ethics, subsequent to the inception of their contract.

Recommendation

Board Members should sign an annual ethics certification to acknowledge their understanding and adherence to the Code of Ethics. This will exhibit the Authority's focus on the tone at the top.

Additionally, the Authority should consider notifying vendors when the Code of Ethics has been modified to ensure vendors are aware of any new compliance requirements. Vendors should reaffirm their understanding and compliance with the newly adopted Code of Ethics by signing a new Acknowledgement of Standard of Conduct and Code of Ethics.

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Detailed Observations

Policies and
Procedures

Observation 3 – Code of Ethics Communication

Relative Priority: *Medium*

Management Response

Concur.

Communication and
Awareness

Management Action Plan

The Authority will require Board members to certify their understanding and compliance with the Code of Ethics annually. Going forward, the Authority will notify vendors when the Code of Ethics is modified and require that each vendor sign a new Acknowledgement of Standard of Conduct and Code of Ethics.

Action Plan Owner / Due Date

Laura Kelley, Executive Director / May 1, 2016

Detailed Observations

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Observation 4 – Ethics Compliance Procedures

Relative Priority: *Medium*

The Authority's Ethics Policy follows the State of Florida Code of Ethics. However, there are no written procedures documenting the Authority's ethics compliance monitoring process. Written procedures are an integral component of the infrastructure surrounding each critical business process. Procedures help govern, in writing, the actions necessary to fulfill the organization's policy for operations. Procedures provide guidance in the pursuit of achieving the objectives of the process, help reduce misunderstanding, and increase distribution of pertinent information to those involved in the process.

Recommendation

The Authority should consider developing written "desktop" procedures that clearly define and document key aspects of the Authority's ethics activities, including:

- Conflict of interest disclosure process
- Training and ongoing education
- Compliance review process
- Penalties for violations

Management Response

Concur.

Management Action Plan

The Authority will develop written procedures to document the Authority's ethics activities and compliance monitoring processes.

Action Plan Owner / Due Date

Laura Kelley, Executive Director / May 1, 2016



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