



CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Ethics Policy Compliance Review

January 31, 2018

TABLE OF CONTENTS



3 Executive Summary

5 Detailed Observations

EXECUTIVE SUMMARY



Overview

The Central Florida Expressway Authority (“CFX”) operates for the benefit of the public. As such, CFX strives to conduct business in accordance with the highest standard of ethics. The CFX Code of Ethics governs board members, committee members, employees, and consultants in the performance of their duties and obligations to CFX and serves as the standard for official conduct.

As part of a three year audit cycle outlined in the 2018 Internal Audit Plan, Internal Audit has completed a review of CFX’s compliance with the Code of Ethics. Internal Audit last reviewed the compliance with the Code of Ethics in March 2015.

Subsequent to the March 2015 review, the Code of Ethics was modified in December 2015 to enact the Code of Ethics of Florida Statutes, Chapter 112, Part 3, the political activity standards of Florida Statutes, Section 104.31, and the ethical standards of Florida Statutes, Section 348.753. Additionally, the Code of Ethics was further modified in April 2018 to prohibit consultants from holding conflicting employment or contractual relationships. The April 2018 modification was enacted after the period under audit, which covered January 1, 2016 through January 31, 2018. Therefore, these changes were out of scope for this audit.



Objectives, Scope, and Approach

The objectives of this audit were to (1) review CFX’s ethics compliance process and related monitoring controls for design and operating effectiveness, and (2) assess CFX board and committee member, employee, and consultant compliance with the Code of Ethics.

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

1. Conducted interviews with CFX management regarding policy, applicable Florida Statutes, procedures, key personnel, and compliance reporting;
2. Reviewed the Code of Ethics and the following Florida Statutes to identify compliance requirements:
 - a) Chapter 112, Part III,
 - b) Section 348.753, and
 - c) Section 104.31;
3. Evaluated CFX’s process for monitoring compliance with the Code of Ethics by evaluating the following processes:
 - a) Communication and Awareness,
 - b) Training and Reinforcement,
 - c) Change Management,
 - d) Potential Conflict and Financial Disclosure Monitoring, and
 - e) Penalties and Enforcement;

EXECUTIVE SUMMARY



Objectives, Scope, and Approach (continued)

4. For the period January 1, 2016 through January 31, 2018, assessed CFX board and committee member, employee, and consultant compliance with the Code of Ethics; and
5. Identified opportunities to enhance CFX's ethics compliance management process and controls.



Summary of Results

Internal Audit evaluated CFX's ethics compliance management processes, internal controls, and the related design and operating effectiveness of the controls based on the requirements of the Code of Ethics and the applicable Florida Statutes. Two opportunities were identified that, if implemented, will strengthen CFX's overall ethics compliance management and internal control environment. The table below provides an overview of the areas reviewed and the opportunities identified.

Area	Procedures Performed	Observation	Observation #
Communication and Awareness	<ul style="list-style-type: none"> ✓ Evaluated the efficiency and effectiveness of communication to internal and external parties regarding ethics requirements ✓ Evaluated the operational effectiveness of the process to obtain internal and external party acknowledgement of the Code of Ethics 	Code of Ethics Communication	2
Training and Reinforcement	<ul style="list-style-type: none"> ✓ Evaluated Board, Committee, employee, and consultant compliance with training and disclosure requirements 	-	-
Change Management	<ul style="list-style-type: none"> ✓ Evaluated the process to communicate Code updates and changes 	-	-
Potential Conflict and Financial Disclosure Monitoring	<ul style="list-style-type: none"> ✓ Reviewed the process for reporting and monitoring ethics concerns and alleged violations 	-	-
Penalties and Enforcement	<ul style="list-style-type: none"> ✓ Evaluated penalty and enforcement procedures for noncompliance 	Disclosure Requirements	1

DETAILED OBSERVATIONS

DETAILED OBSERVATIONS

Observation 1 – Potential Conflict Disclosure Requirements

Relative Priority: **Moderate**



Observation

All CFX employees, board members, committee members, and consultants are required to complete and submit a Potential Conflict Disclosure Form at the beginning of a relationship with CFX and to update the forms annually (or as needed in accordance with any changes to the party's circumstances). Each party completes the form to acknowledge receipt of the CFX Code of Ethics and to disclose any relationships, lobbyists, or property interests that could potentially create a prohibited conflict of interest. In addition, employees certify that the annual ethics training has been completed. Potential Conflict Disclosure Forms are to be completed, signed, and submitted prior to July 1st of each fiscal year.

For fiscal year 2017, there were 177 Potential Conflict Disclosure Forms required to be completed: 74 employees, 10 board members, 31 committee members, and 62 consultants. Of the 177 required disclosure forms, 15 forms were not received from 14 consultants and 1 Right of Way Committee alternate. CFX was aware of the non-compliance prior to the audit and followed up with each party, but was unable to obtain the Potential Conflict Disclosure Forms.

Internal Audit selected 53 of the 162 Potential Conflict Disclosure Forms that were submitted for detailed testing and identified the following instances of noncompliance:

- Three consultants responded “No” to the acknowledgement and acceptance of the CFX Code of Ethics;
- Two consultants completed an outdated form that did not contain an acknowledgement and acceptance of the CFX Code of Ethics; and
- One consultant submitted an incomplete Potential Conflict Disclosure Form.

Root cause

The protocols to respond to and escalate discussion around non-compliant consultants are not clearly defined.

Additionally, CFX's review of completed Potential Conflict Disclosure Forms does not entail a formal process that would certify that forms returned have been completed using the most current version of the disclosure form, that all applicable questions have been answered, and that responses are appropriate.

DETAILED OBSERVATIONS

Observation 1 – Potential Conflict Disclosure Requirements (continued)

Relative Priority: **Moderate**



Recommendation

1. CFX should develop formal, written procedures to define:
 - a) Ethics compliance management roles and responsibilities;
 - b) Consultants required to complete disclosure forms;
 - c) Follow-up and escalation procedures for non-compliant parties;
 - d) The reporting of non-compliance to the Ethics Officer; and
 - e) Certification by the Ethics Officer that disclosure forms have been received and reviewed, and that appropriate follow-up procedures were performed as necessary.
2. An opportunity exists to improve the efficiency and effectiveness of the Potential Conflict Disclosure Form collection and review process. To aid in monitoring the completeness and accuracy of Form submissions, CFX should consider the costs and benefits of developing an online portal for consultants to complete and submit the disclosure form. The online form could be created to include automated rejections for incomplete responses and an automatic “flag” of inappropriate responses for CFX review. Additionally, CFX should explore options to simplify the format of questions and clarify that responses should only address those within the consultants’ organizations directly associated with the CFX contract.

In the interim, CFX should enhance the precision of the current review process to include verification that forms returned have been completed using the most current version of the form, that all applicable questions have been answered, and that responses are appropriate.

Management Response

Management concurs.

DETAILED OBSERVATIONS

Observation 1 – Potential Conflict Disclosure Requirements (continued)

Relative Priority: **Moderate**



Management Action Plan

1. CFX will develop formal, written procedures to outline ethics compliance management roles and responsibilities, consultants required to complete required disclosure forms, follow-up and escalation procedures for non-compliant parties, reporting to the Ethics Officer, and timely certification by the Ethics Officer that disclosure forms have been received and reviewed and that follow-up procedures were performed as necessary for non-compliant parties.
2. Management will consider developing an online Potential Conflict Disclosure Form within the Procurement Portal. In the meantime, CFX will enhance the precision of the review to identify incomplete forms and inappropriate responses, and explore options to simplify the format of questions such as clarifying that responses should only address those within the consultants' organizations directly associated with the CFX contract.

Action Plan Owner / Due Date

Joe Passiatore, General Counsel / 8/31/2018; Lisa Lombard, CFO / 9/30/2018

DETAILED OBSERVATIONS

Observation 2 – Communication and Awareness

Relative Priority: **Low**



Observation

The CFX Code of Ethics is posted on the CFX website within the Investor Relations and Legal pages. At the time of audit, the Legal page contained an outdated version of the Code of Ethics approved in March 2015. The current Code of Ethics was adopted by the Board in December 2015.

Root Cause

Modifications to the CFX website are not managed by one department. In addition, there is no formal procedure or process for the periodic review of the accuracy of information posted to the website.

Recommendation

1. CFX should replace the Code of Ethics on the Legal page of the website with the most current version.
2. To enhance future version control and change management procedures around information on the CFX website, CFX should streamline the process of adding or updating information on the CFX website by limiting access to modify the website to the CFX communications department. Website modifications should be submitted to the communications department, with the appropriate level of approval from the applicable department.
3. Quarterly, the communications department should coordinate with department leads to confirm relevant, current information is on the website and to review and verify the accuracy of the information published.

DETAILED OBSERVATIONS

Observation 2 – Communication and Awareness (continued)



Management Response

Management concurs.

Management Action Plan

1. CFX has updated the Code of Ethics published with the Legal page of the CFX website.
2. The communications department will review the website user access rights and create a formal procedure for requesting and updating information published on the website.
3. CFX will implement an annual review of all information, policies, and communications posted to the website. The Communications Manager will coordinate with department heads to verify that the external website contains the most up-to-date information.

Action Plan Owner / Due Date

Angela Melton, Communications Manager / 9/30/2018

Face the Future with Confidence

© 2018 Protiviti Inc. All Rights Reserved. This document has been prepared for use by CFX's management, audit committee, and board of directors. This report provides information about the condition of risks and internal controls at one point in time. Future events and changes may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

protiviti®