



**Agenda Item # 12
ATTACHMENT B.3**

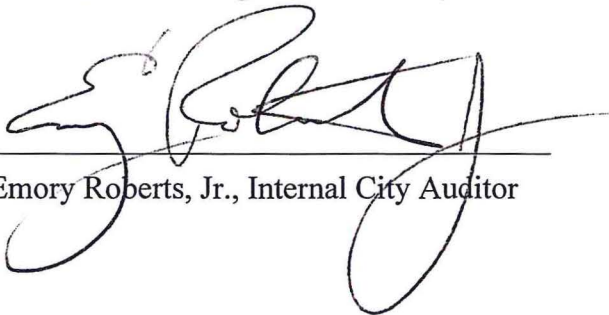
February 21, 2017

To: The Honorable Brent Malever, President of the Council
The Honorable Matthew Wardell, President Pro Tem
The Honorable James Hilty
The Honorable Jay Musleh
The Honorable Mary Sue Rich
The Honorable Kent Guinn, Mayor
John Zobler, City Manager

Re: Grants Management of the Transportation Planning Organization - Project No. 2017-03

We have conducted an audit of the Transportation Planning Organization, per the request of the Growth Management Director and as scheduled per the FY 2017 Internal Audit Plan. The purpose of the audit was to determine whether the grant expenditures incurred are necessary, appropriate and adequately supported and to determine whether the reporting to funding agencies is adequate and timely. The audit was conducted by Alice Garner, CPA, CIGA, CGAP.

During the course of our audit, we found some opportunities for improvement. Specifically, we found that invoice submissions to the Florida Department of Transportation (FDOT) are not completed or transmitted timely and some expenditures are not adequately supported in the invoice submissions or are unallowable costs. We also found that errors in timekeeping are causing the FDOT time tracking sheets and City labor distribution reports to be inaccurate.



Emory Roberts, Jr., Internal City Auditor



February 21, 2017

To: Michael Daniels, Transportation Planning Organization Director
Tye Chighizola, Growth Management Director

From: Emory Roberts, Jr., Internal City Auditor

A handwritten signature in black ink, appearing to read 'Emory Roberts, Jr.', written over the 'From:' line.

Re: Grants Management of the Transportation Planning Organization - Project No. 2017-03

We have conducted an audit of the Transportation Planning Organization (TPO), per the request of the Growth Management Director and as scheduled per the FY 2017 Internal Audit Plan. The audit was conducted by Alice Garner, CPA, CIGA, CGAP.

Our audit objectives were to determine whether:

1. Grant expenditures are necessary and appropriate.
2. Grant expenditures are adequately supported.
3. Reporting to funding agencies is adequate and timely.

To accomplish our objectives, we inquired with TPO staff, reviewed provisions of the Code of Federal Regulations, analyzed expenditure detail reports, reviewed transactions and examined receipts, invoices and expense reports, examined the timeliness of the agency invoice submissions and reviewed the supporting documentation for the invoices.

Our audit included such tests of records and other auditing procedures, as we considered necessary in the circumstances. Our audit period was October 1, 2015 through September 30, 2016. However, transactions, processes and situations reviewed were not limited by the audit period.

Based on our work performed, we conclude that except for the needed improvements as noted in the report, the grant expenditures are necessary and appropriate and the grant expenditures are adequately supported. However, we conclude that although the reporting to funding agencies is adequate, it is not timely.

We appreciate the cooperation and assistance provided by the Transportation Planning Organization staff and also other entities contacted during the course of our audit.

Cc: John Zabler, City Manager

BACKGROUND:

The Ocala/Marion County Transportation Planning Organization (TPO) is the agency responsible for transportation planning in the Ocala urbanized area. It is comprised of local elected officials from Marion County and the cities of Ocala, Belleview and Dunnellon. The Interlocal Agreement for the Creation of the TPO was signed on May 18, 2004, by the four local governments and the Florida Department of Transportation (FDOT). The TPO's planning responsibilities include highways and transit, as well as, bicycling and pedestrian facilities. The TPO works with FDOT and the local governments to fund and implement projects identified through various plans developed by the TPO. The TPO is also the policy board for SunTran, the local fixed-route transit system.

The Unified Planning Work Program (UPWP) defines the tasks to be performed with funds received under Title 23 for planning and Title 49 for public transportation by the TPO. The UPWP provides a description of planning tasks and an estimated budget for each of the planning tasks to be undertaken by the TPO. Expenditures incurred by the TPO must be tracked and classified in accordance with these tasks and invoiced to the funding agencies on a quarterly basis.

OPPORTUNITIES FOR IMPROVEMENT:

Our audit disclosed certain policies, procedures and practices that could be improved. Our audit was neither designed nor intended to be a detailed study of every relevant system, procedure or transaction. Accordingly, the Opportunities for Improvement presented in this report may not be all-inclusive of areas where improvement may be needed.

1. Invoice submissions to FDOT are not completed or transmitted timely.

The TPO incurs daily expenditures for its operations and is required to submit invoices to request reimbursement from FDOT on a quarterly basis. According to 49 CFR 18.41 (b)(4) Due Date, "When reports are required on a quarterly or semiannual basis, they will be due 30 days after the reporting period."

We reviewed the invoice submissions for the period covering October 1, 2015 through September 30, 2016, and noted that out of the eight required reports, none of them were submitted timely; at the time of this report, two of them had still not been submitted. In the meantime, the City is advancing the TPO monies for the expenditures that it is incurring. For the fourth quarter in FY 2016, the City recorded more than \$1.2 million in expenditures for the TPO. It is critical for the TPO to submit its invoice submissions timely to FDOT to ensure that the City is reimbursed as quickly as possible for the monies it advances for TPO operations.

We recommend management ensure that invoice submissions to FDOT are submitted timely and in accordance with the Code of Federal Regulations.

Management Response:

New personnel has been hired in part to address the untimely reporting issues. In addition we are developing a mapped out workflow billing process with clearly defined tasks for each employee with dates to make sure there is accountability in meeting the required deadlines.

2. **Some TPO expenditures are not adequately supported in the agency invoice submissions.** During our review of the invoice submissions, we examined the supporting documentation for the expenditures. According to 2 CFR 200.403, costs must meet general criteria in order to be allowable including:

- (a) “Be necessary and reasonable for the performance of the Federal award”
- (c) “Be consistent with policies and procedures”
- (d) “Be accorded consistent treatment”
- (g) “Be adequately documented”

We noted the following exceptions:

Expense Description	Number of Transactions	Total Dollar Value	Exception Notes
Travel	2	\$155.07	Contractor travel form and agenda not included
Repair & Maintenance	2	\$51.37	Receipt not included
Operating Supplies	1	\$20.50	Purchase of a plaque is not necessary for operations
Memberships	2	\$530.00	Individual memberships are not an allowable expense
Travel	2	\$596.28	Contractor travel form not included
Machinery & Equipment	1	\$2,136.86	Receipt not included

FDOT District 5 staff informed us that for travel expenses, the organization must at a minimum submit a Contractor Travel Form No. 300-000-06, an agenda and any related receipts. Also, according to 2 CFR 200.454 (a), “Costs of the non-Federal entity's membership in business, technical, and professional organizations are allowable.” Because these expenses were either specifically not allowed or were inadequately supported, these expenses were submitted to FDOT for reimbursement even though none of them are allowable.

We recommend management ensure that all expenditures submitted for reimbursement to the granting agency are allowable and adequately supported, including all receipts and required completed forms.

Management Response:

I (TPO Director) will ensure that the correct process regarding the FDOT reimbursement requirements shall be followed moving forward.

3. Unallowable costs were charged to grant funds.

We reviewed the transactions related to memberships, subscriptions, promotional activities, training and travel from October 1, 2015 through September 30, 2016. During our review of the transactions, we found that 5 out of 21, or 23.8%, of the expenses are unallowable costs for the federal award.

Four of the transactions were for individual memberships. According to 2 CFR 200.454(a), "Costs of the non-Federal entity's membership in business, technical, and professional organizations are allowable." Therefore, individual memberships are not allowable. Although these memberships are valuable expenses for employees in their profession, they should not be paid with grant funding sources. During our review of the quarterly agency reports, we noted that two of the memberships were not reported to the agency; these expenses should then be moved to the City's general fund.

The last transaction was for a cable television subscription. According to 2 CFR 200.403(A), costs must "Be necessary and reasonable for the performance of the Federal award..." In addition, 2 CFR 200.438 states that "Costs of entertainment, including amusement, diversion, and social activities and any associated costs are unallowable, except where specific costs that might otherwise be considered entertainment have a programmatic purpose and are authorized either in the approved budget for the Federal award or with prior written approval of the Federal awarding agency." Cable television services are not necessary for the performance of the Federal award and may be considered entertainment costs which are specifically not allowed costs.

We recommend management discontinue payments for items such as individual memberships or television subscriptions with grant funds. When deemed necessary and reasonable, they should be paid with City funds.

Management Response:

I (TPO Director) have worked with our billing administrator to ensure that the unallowable costs referenced in the report will no longer be charged to grant funds.

4. Errors in timekeeping are causing the FDOT task tracking sheets and City labor distribution reports to be inaccurate. This, in turn, causes the salaries reported to FDOT to be inaccurate.

TPO employees maintain a spreadsheet where they record their time worked with respect to the UPWP tasks. An administrative employee on staff uses these task sheets to record the labor distribution into the City's financial system. The task sheets are then filed and serve as supporting documentation for the salary charges reported in the invoices to FDOT.

For each employee, we compared the employee timesheet, FDOT task sheet and labor distribution report for pay periods occurring from July through September 2016. During our analysis, we found a significant number of errors between the three sources. During the three month period, there were 61 errors affecting the task sheet and 27 errors affecting the labor distribution report. These errors are caused by data entry mistakes and inaccurate timekeeping for an hourly employee.

When the task sheets do not match the labor distribution, the salaries reported to FDOT and the related supporting documentation are inaccurate. A thorough review of time entered into the task sheets and payroll system could prevent these errors and thus ensure that the records match and are reliable for further use by management and FDOT.

We recommend management put a process in place that ensures accurate timekeeping and data entry into the payroll system.

Management Response:

As part of new workflow processes, the task tracking sheets, the FDOT task sheet and labor distribution report will be part of a regular review to ensure accuracy.