



*Date:* May 22, 2009  
*To:* Bob Morgan, Interim City Manager  
*From:* Internal Audit Division  
*Subject:* 16<sup>th</sup> Street Bridge Replacement Grant Review

The Internal Audit Division has performed a review of the 16<sup>th</sup> Street Bridge Replacement Grant. Attached you will find our review report; the departmental response; and our replies to their responses. We feel that our recommendations have been sufficiently addressed as we move forward. If you have any questions or need additional information, please let us know. Thanks.

A handwritten signature in black ink, appearing to read 'Len Lucas', with a long horizontal flourish extending to the right.

Len Lucas  
Internal Audit Director

Cc: Andy Scott, Interim Assistant City Manager for Economic Development  
Walter Simmons, Director of Engineering & Inspections



Date: March 6, 2009  
To: Walter Simmons, Director of Engineering & Inspections  
From: Internal Audit Division  
Subject: 16<sup>th</sup> Street Bridge Replacement Grant Review

The Internal Audit Division has completed a review of the 16<sup>th</sup> Street Bridge Replacement Grant expenditures for February 2008 through January 2009. Funds for the grant were received from the North Carolina Department of Transportation, NCDOT, as a pass through from the Federal Highway Administration. The City contracted with the NCDOT in the Municipal Bridge Agreement in February of 1999. Design work on 16<sup>th</sup> Street Bridge Began in February 2001 and right-of-way was obtained beginning in April of 2004. In February 2006 the City received authorization from the Federal Highway Administration to begin the construction process.

The agreement between NCDOT and the City was for 80% reimbursement of allowable expenses with a 20% local match from the City. As of February 2009, the project is complete with total expenditures of \$3,440,351.78. The NCDOT will also complete their 80% match upon payment of the final invoice for the project for a total payment of \$2,727,942.45.

The objectives of our review were to:

- Identify allowable expenditures and guidelines from the Municipal Bridge Agreement.
- Verify that expenditures tested are allowable according to the Municipal Bridge Agreement.
- Verify that all bills to NCDOT for allowable expenditures have been paid and obtain copies of checks. Test a sample of invoices to verify that NCDOT billing is correct.
- Verify grant account is in balance and that grant money is 80% of allowable expenditures and that construction administration costs are within 15% threshold.

#### Municipal Bridge Agreement Guidelines and Allowable Expenditures

We received a copy of the Municipal Bridge Agreement with NCDOT from Renee Saul, Specialist for Contracts Administration, in Engineering & Inspections. According to this agreement, NCDOT would reimburse the Department 80% of allowable project costs. These costs include engineering, planning, right-of-way, design, and construction. The City would provide a local match of the remaining 20%. In addition, engineering costs for the project could not exceed 15% of construction costs. Engineering services exceeding \$250,000 required a pre-negotiation audit performed by the State External Audit Branch. The pre-audit was completed May 23, 2000 and was an audit of Ralph Whitehead and Associates' Statement of Direct Labor, Fringe Benefits and General Overhead for Fiscal Year Ended December 31, 1999.

#### 16<sup>th</sup> Street Replacement Bridge Expenditures

The period of review for expenditures was February 2008 through January 2009. For the remainder of FY 2008, there were total expenditures of \$457,380.06 with total billable of \$344,103.06. During the first portion of FY 09,

there were total expenditures of \$97,792.05 with total billable of \$191,005.76, including retainage at project completion. These project costs included cost-to-cure, construction, design, and encroachment with Norfolk Southern Railway. All of the above expenditures are allowable according to the Municipal Bridge Agreement. The project is complete with a remaining encumbrance for lighting to be paid February 20, 2009.

Invoices to the State for Allowable Expenditures

During the review period, \$635,846.93 was billed to the NCDOT covering \$794,808.66 in allowable expenses. NCDOT has paid \$515,097.42 with an invoice of \$120,749.50 outstanding. We received copies of the checks from Collections; although, it is recommended that the Department also keep a copy for their records.

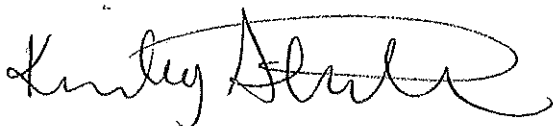
All of the invoices to NCDOT during this period were tested and were billed at 80%, according to the Engineering & Inspections routing sheet. Upon further examination, the billing of \$273,106.72 on February 22, 2008 contained a duplicate billing of construction estimate number 8 for an over billing of \$122,582.46. It is recommended that the Department implement another level of review before the invoice is submitted to the Finance department to complete the billing process.

Account balancing and Satisfaction of 80/20 Match

The account contains sufficient revenue to cover expenses, but is not balanced as it is not ready to be closed. According to the Municipal Bridge Agreement, the NCDOT was to provide reimbursement of 80% of allowable expenditures while the Department made a 20% match. The allowable expenditures for the project were \$3,409,928.06; this is comprised of total expenditures of \$344,351.78 plus an additional February encumbrance of \$1200, less sales taxes of \$31,623.72. The NCDOT match for allowable expenditures at 80% is \$2,727,942.45; however, the Department has received payments from NCDOT totaling \$2,769,812.95 for an overpayment of \$41,870.50. This overpayment arose from the duplicate billing of \$122,582.46, an over billing of a design invoice by \$10,748.50 in July 2006, and an over billing of right-of-way by \$5,449.79 in August 2006. The over billing of \$138,780.75 can be reduced by 80% of the allowable expenses that have not been billed. To return the overpayment to NCDOT, the outstanding invoice of \$120,749.50 can be reduced by the \$41,870.50, but requires approval from the City Council since it is a reduction by more than \$20,000. Renee Saul will be submitting this adjustment to Council tentatively for the March 17, 2009 meeting.

An additional requirement of the project is that engineering costs not exceed 15% of construction costs. Total applicable construction expenditures are \$3,005,669.32 which includes sidewalk construction, other improvements, and the outstanding February encumbrance, less sales taxes. Fifteen percent of the total construction expenditures are \$450,850.40. Engineering expenses, including employee benefits and consultant services, are \$294,188.61 which is well within the requirement.

We would like to thank the staff of the Department of Engineering & Inspections for their courtesy and assistance during this review. Please provide a response by March 20, 2009. If there are any questions or comments concerning this review, please call us at 373-2230.



Kimberly Strickland  
Internal Auditor



Len Lucas  
Internal Audit Director

cc: Bob Morgan, Deputy City Manager



# City of Greensboro

Date: May 13, 2009  
To: Walter Simmons, Director of Engineering & Inspections  
From: Internal Audit Division  
Subject: 16<sup>th</sup> Street Bridge Replacement Grant Review

We have received your response concerning the 16<sup>th</sup> Street Bridge Replacement Grant review. Thank you for responding. We will keep your response on file. If there are any questions or comments concerning this review, please call us at 373-2230.

Kimberly Strickland  
Internal Auditor

Len Lucas  
Internal Audit Director

cc: Andy Scott, Interim Assistant City Manager for Economic Development

**Strickland, Kimberly**

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**From:** Simmons, Butch  
**Sent:** Tuesday, May 12, 2009 3:56 PM  
**To:** Strickland, Kimberly  
**Cc:** Lucas, Len  
**Subject:** RE: 16th Street Bridge Replacement Grant Review

Based on 513 payments of \$34,776,286.98 that were completed with no issues we feel that no changes are needed at this time.

Butch Simmons

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**From:** Strickland, Kimberly  
**Sent:** Monday, May 11, 2009 3:33 PM  
**To:** Simmons, Butch  
**Cc:** Lucas, Len  
**Subject:** RE: 16th Street Bridge Replacement Grant Review

Butch,

Although you stated that you are looking into our recommendations, we still need a written response from you concerning the written report that we sent on March 6<sup>th</sup>.

**Kimberly Strickland**

Internal Audit  
City of Greensboro  
P: 336-373-2230 F: 336-373-2138  
[kimberly.strickland@greensboro-nc.gov](mailto:kimberly.strickland@greensboro-nc.gov)

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**From:** Simmons, Butch  
**Sent:** Monday, April 13, 2009 3:17 PM  
**To:** Strickland, Kimberly  
**Subject:** RE: 16th Street Bridge Replacement Grant Review

We are looking into your recommendations.

Butch

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**From:** Strickland, Kimberly  
**Sent:** Monday, April 13, 2009 1:26 PM  
**To:** Simmons, Butch  
**Cc:** Lucas, Len  
**Subject:** FW: 16th Street Bridge Replacement Grant Review

What is the status of your response on the 16<sup>th</sup> Street Bridge Review?

**Kimberly Strickland**

Internal Audit  
City of Greensboro  
P: 336-373-2230 F: 336-373-2138  
[kimberly.strickland@greensboro-nc.gov](mailto:kimberly.strickland@greensboro-nc.gov)

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**From:** Strickland, Kimberly

**Sent:** Friday, March 27, 2009 11:00 AM  
**To:** Simmons, Butch  
**Cc:** Lucas, Len  
**Subject:** RE: 16th Street Bridge Replacement Grant Review

Please let me know the status of your response on the 16<sup>th</sup> Bridge Review as soon as possible, as this was response was due March 20<sup>th</sup>.

**Kimberly Strickland**  
Internal Audit  
City of Greensboro  
P: 336-373-2230 F: 336-373-2138  
[kimberly.strickland@greensboro-nc.gov](mailto:kimberly.strickland@greensboro-nc.gov)

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**From:** Simmons, Butch  
**Sent:** Friday, March 06, 2009 1:37 PM  
**To:** Strickland, Kimberly  
**Subject:** RE: 16th Street Bridge Replacement Grant Review

Yes.

Butch Simmons

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**From:** Strickland, Kimberly  
**Sent:** Wednesday, March 04, 2009 8:08 AM  
**To:** Simmons, Butch  
**Cc:** Lucas, Len  
**Subject:** FW: 16th Street Bridge Replacement Grant Review  
**Importance:** High

Butch,

Do you approve of this draft? If so, I will go ahead and issue the report.

**Kimberly Strickland**  
Internal Audit  
City of Greensboro  
P: 336-373-2230 F: 336-373-2138  
[kimberly.strickland@greensboro-nc.gov](mailto:kimberly.strickland@greensboro-nc.gov)

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**From:** Strickland, Kimberly  
**Sent:** Thursday, February 26, 2009 4:48 PM  
**To:** Simmons, Butch  
**Cc:** Lucas, Len  
**Subject:** 16th Street Bridge Replacement Grant Review  
**Importance:** High

Butch,

Attached you will find the 16<sup>th</sup> Street Bridge Replacement Grant Review. Please respond as soon as possible and let me know if you approve this draft. Upon your approval, I will issue the report and from that point you will have 14 days to respond. Thank you.

**Kimberly Strickland**  
Internal Audit  
City of Greensboro  
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[kimberly.strickland@greensboro-nc.gov](mailto:kimberly.strickland@greensboro-nc.gov)