

Internal Audit Division
City of Greensboro



April 21, 2011

TO: Rashad Young, City Manager
FROM: Internal Audit Division
SUBJECT: Engineering & Inspections ARRA Review (Second Quarter)

The Internal Audit Division has completed our review of the ARRA Funds for the second quarter of the 2010-2011 fiscal year administered by the Engineering & Inspections Department. Attached you will find our review report; the departmental response and our replies to their responses. We feel that our concerns have been sufficiently addressed as we move forward. If you have any questions or need additional information, please let us know. Thanks.

Len Lucas
Internal Audit Director

cc: Bob Morgan, Deputy City Manager
Denise Turner, Assistant City Manager for Community Affairs & Communications
Walter Simmons, Director of Engineering & Inspections

Internal Audit Division
Executive Department
City of Greensboro



February 14, 2011

TO: Walter Simmons, Director of Engineering & Inspections

FROM: Internal Audit Division

SUBJECT: Engineering & Inspections 2nd Quarter ARRA Review for FY 2010-2011

The Internal Audit Division has conducted a review of the American Recovery and Reinvestment Act of 2009 (ARRA) expenditures of Engineering & Inspections (E&I). The ARRA funds are for the South Elm Eugene Roadway, Resurfacing of Streets, and the Lake Jeanette Roadway and Sidewalk Improvements. The review period covers the quarter ending December 31st of fiscal year 2010-2011. The objectives of our review were to:

- Verify that the monthly reports are complete and accurate.
- Verify that the contractor expenditures were eligible expenses and that there was appropriate documentation within contract and ARRA guidelines.

Funding for the E&I ARRA expenditures comes as a pass-through to the NC Department of Transportation (NCDOT) from the Federal Highway Administration (FHWA). The total award amounts for S. Elm Eugene, Resurfacing, and Lake Jeanette are \$1,485,000, \$1,500,000 and \$4,125,000 respectively.

Monthly Reports

The department receives certified payrolls from the contractor and subcontractor and uses the information to complete the Monthly Employment Reports, Form FHWA-1589. The information along with Disadvantage Business Enterprise (DBE) information is included on the Monthly Recipient Status Reports, Form NCDOT-1585, that are submitted to NCDOT.

S Elm Eugene Roadway

We compared the certified payrolls to the 1589s for October, November and December and reported the discrepancies to Ted Kallam, Chief Design Engineer for Engineering & Inspections. For October, total hours submitted for Delta Contracting-Triangle were 64.50 compared to 199 reported. Total payroll submitted was \$838.25 compared to \$2,952.25. Both of these differences were due to missing payroll for the week ending October 23, 2010. Also, total hours reported for Triangle Grading & Paving were 833.13 compared to 833.50 submitted. The total hours and payroll reported for Long Brothers of Summerfield included all subcontractors which should have been listed separately. There were no differences for November or December.

We also compared the DBE payments from each month's 1589 report to the 1585 report. For October the 1585 showed DBE payments of \$50,927.98; the total should have been \$48,660.98. There were no differences for November or December.

Resurfacing of Streets

After comparing the certified payrolls to the 1589 reports for October, November and December, we found and reported the discrepancies. For October, there were no hours and no payroll submitted for Long Brothers of Summerfield compared to 142.75 and \$2,184.86 reported. There were no differences for November or December.

When comparing the DBE payments to the 1585 reports, we noted differences for the October report. The 1585 showed DBE payments of \$43,927.88; the total should have been \$49,795.08. There were no differences for November or December.

Lake Jeanette Roadway

We compared the certified payrolls to the 1589 reports and reported the discrepancies. For October, hours submitted for Triangle Grading & Paving were 2,680.75, but reported at 2,680.80. There were no differences for November or December.

After comparing the DBE payments to the 1585 reports, there were no differences for October, November or December.

Contractor Expenditures

S Elm Eugene Roadway

During the period, Triangle Grading & Paving received payments for work done on streets and sidewalks. The payments made totaled \$1,131,183.09 and appeared to contain appropriate payment information from the contractor. In addition, the payments were for contract/ARRA applicable expenditures. Total payments made through December 31, 2010 are \$1,369,509.65.

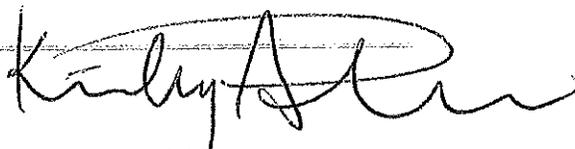
Resurfacing of Streets

During the period, APAC-Atlantic received payments for resurfacing done to several area streets. The payments made totaled \$480,541.37 and appeared to contain appropriate payment information from the contractor. Additionally, the payments were for contract/ARRA applicable expenditures. Total payments made through December 31, 2010 are \$1,275,878.04.

Lake Jeanette Roadway

During the period, Triangle Grading & Paving received payments for work done on streets. The payments made totaled \$249,006.32 and appeared to contain appropriate payment information from the contractor. The payments were for contract/ARRA eligible expenditures. Total payments made through December 31, 2010 are \$571,513.54.

We would like to thank the staff of Engineering & Inspections for their assistance and cooperation during this review. Please provide a written response by February 28, 2011. If there are any questions concerning the details of this review, please call us at 373-2230.



Kimberly Strickland
Internal Auditor



Len Lucas
Internal Audit Director

cc: Bob Morgan, Deputy City Manager
Denise Turner, Assistant City Manager for Community Affairs & Communications

April 14, 2011

TO: Len Lucas -- Internal Audit Director

FROM: Walter Simmons – Director, Engineering & Inspections *WLS*

SUBJECT: Response to 1st and 2nd Quarter ARRA Reviews for FY 2010 – 2011

The review was conducted to verify that the monthly reporting required by the ARRA grant was accurate and that payments to the contractors on the three transportation projects were eligible and had the appropriate documentation. The reviews of the 1st and 2nd quarters of 2010/2011, prepared in December 2010 and February 2011, respectively, will be addressed together in this response. The reviews of the monthly reporting identified ongoing discrepancies in the reports by the contractors on their payrolls. The reviews of the second item, the contractor expenditures, found that the payments to the contractors were all appropriate. We appreciate the thorough review and the work put into the effort. The following responses should address your concerns on the monthly reporting.

Reporting Requirements Discussion

To summarize our experience, the monthly reports submitted to the NCDOT have included inaccurate and incomplete information. These reports are prepared by different parties. The certified payroll reports are required to be submitted by the three general contractors along with their subcontractors' payrolls. The FHWA-1589 reports, summaries of the certified payroll report data, are prepared and signed by each of the three general contractors and include data from their subcontractors. An NCDOT-1585, a summary of the cumulative data from the FHWA-1589s, is prepared and signed by our Chief Design Engineer, Ted Kallam. All of these reports must be prepared between the end of the last pay period of the calendar month and the 5th day of the following month. Ted Kallam assembles all the reports and sends them to the NCDOT on or before the 7th of the month.

Based on the history of inaccurate and incomplete reports (see the 4th Quarter 2009/2010 Review), Engineering revised the procedure for the payroll reports. To comply with the grant requirements, the initial NCDOT-1585 and FHWA-1589 reports are still sent to NCDOT by the 5th of the month. The inaccuracy of the initial reports has been acknowledged by the NCDOT and the general contractors. To achieve the accuracy of reporting required, a second step in the reporting was implemented. A new, updated copy of each report with more accurate information is submitted to NCDOT on the 21st of the month. Payment of invoices to the general contractor is suspended if an accurate FHWA-1585 has not been received by Engineering on the 20th.

Reporting Quality and Lack of Accuracy

The audit identified several errors. The certified payrolls did not consistently agree with the FHWA-1589s, and some payrolls were not submitted for work included in the FHWA-1589 forms. However, since implementation of the two-step reporting process in late October of 2010, we have not found any errors. The experience gained by the contractors, the level of error-checking by our staff and the number of audits – both internal and external – have significantly reduced or eliminated the discrepancies found in earlier periods.

Again, the Engineering & Inspections Department appreciates the help your staff is providing to assure the City's compliance with the grant requirements. The success we have had on the three transportation contracts for the ARRA grants has placed unusual demands on the City's staff.

WS

Cc: Ted Partrick – City Engineer
Ted Kallam – Chief Design Engineer
Ute Munro – Manager, Business Center
Renee Saul – Contract Specialist

Internal Audit Division
Executive Department
City of Greensboro



April 15, 2011

TO: Walter Simmons, Director of Engineering & Inspections
FROM: Internal Audit Division
SUBJECT: Engineering & Inspections 1st & 2nd Quarter ARRA Review for FY 2010-2011

The Internal Audit Division has received your response for the 1st and 2nd Quarter ARRA Reviews for FY 2010-2011. We find your response sufficient and no further response is required.

Thank you for your response. If there are any questions concerning the details of this review, please call us at 373-2230.

Kimberly Strickland
Internal Auditor

Len Lucas
Internal Audit Director

cc: Bob Morgan, Deputy City Manager
Denise Turner, Assistant City Manager for Community Affairs & Communications
Ute Munro, Manager, Business Center for Engineering & Inspections