

April 1, 2011

TO: Walter Simmons, Director of Engineering & Inspections

FROM: Internal Audit Division

SUBJECT: Ballinger Road Bridge Replacement Grant for Fiscal Years 2006-2010

The Internal Audit Division has completed a review of the Ballinger Road Bridge Grant expenditures for fiscal years 2006 through 2010. 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 May 21, 2002. Design work on Ballinger Road Bridge Began in June 2003. As of the date of this review, the City is awaiting authorization from NCDOT 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 June 30, 2010 total expenditures are \$226,022.89 of the total estimated costs of \$2,366,435.80.

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 and that billing is equal to 80% of expenditures.

Municipal Bridge Agreement Guidelines and Allowable Expenditures

We received a copy of the Contract and Specifications for the Ballinger Road Bridge Replacement for design services with Ralph Whitehead Associates and the Municipal Bridge Agreement with the State of North Carolina from Bruce Overman, Sr. Civil Engineer with Engineering & Inspections.

According to the Municipal Bridge Agreement, the Department would reimburse the City 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 cannot be more than 15% of the construction costs. In the event that engineering services exceed \$250,000, a pre-negotiation audit must be performed by the State's External Audit Branch. This pre-audit was completed April 26, 2004 and was an audit of Ralph Whitehead and Associates' Schedule of Indirect Costs for the period ending December 31, 2003.

Ballinger Road Bridge Replacement Expenditures

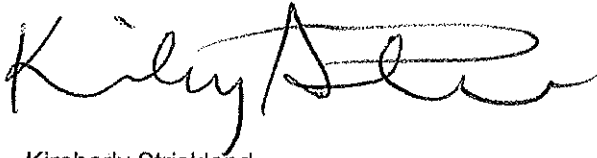
The period used for this review was fiscal year 2006 through 2010. During the period, \$106,098.64 (\$117,887.40 less retainage) was paid in design expenditures. We tested at least 15% of the expenditures, one invoice per year, with the invoices appearing to contain appropriate documentation. All expenditures tested were for eligible expenses under the contract and municipal agreement.

Invoices to the State for Allowable Expenditures

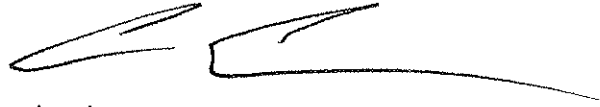
During the review period, \$84,878.88 was billed to the state covering \$106,098.64 in allowable expenses. The State has paid \$84,878.88 with no outstanding invoices through the review period. We received the miscellaneous bills from Amy Friddle, Accounting Technician in Finance, and a copy of the paid checks from Marjorie Danford, Payment Processing Specialist in Collections.

We tested all of the invoices to the state during this period and according to the routing sheets from Engineering and Inspections, they were billed at 80%. Upon further examination, one of the bills included 100% of costs; however, the state only paid the 80% and the remaining 20% of the bill was written down. The only differences between allowable and billed were rounding differences for a total difference of \$.03.

We would like to thank the staff of Engineering & Inspections for their assistance and cooperation during this review. 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