

Internal Audit Division  
City of Greensboro



June 6, 2011

**TO:** Rashad Young, City Manager  
**FROM:** Internal Audit Division  
**SUBJECT:** Engineering & Inspections ARRA Review

The Internal Audit Division has completed our review of the ARRA Funds as of March 31<sup>st</sup> for the fiscal-year 2010-2011 as administered by Engineering & Inspections. 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.

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

June 1, 2011

**TO:** Walter Simmons, Director of Engineering & Inspections

**FROM:** Internal Audit Division

**SUBJECT:** Engineering & Inspections 3<sup>rd</sup> 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 March 31<sup>st</sup> 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 January, February and March. There were no differences for the months.

We also compared the DBE payments from each month's 1589 report to the 1585 report. For January, February and March, there were no differences.

#### *Resurfacing of Streets*

No hours were submitted for January, February, and March as the project is complete.

*Lake Jeanette Roadway*

We compared the certified payrolls to the 1589 reports and reported the discrepancies to Ted Kallam, Chief Design Engineer for Engineering & Inspections. There were no differences for January. For February, hours for Triangle Grading & Paving were listed as 1,122.50, but the supplied payrolls totaled 1,138.50 for a difference of 16 hours. Cruz Brothers payroll was listed as \$11,356.97, but the supplied payrolls totaled \$11,357.23 for a difference of .26. Also, there was an error in the formula of the sheet because the hours and payroll for Traffic Markings, Inc was not included in the hour or payroll totals. For March, the 8 hours submitted for DHB Transport were not included on the report. Also, the total for Long Brothers of Summerfield included the hours and the payroll for Duane Linville Grading. This subcontractor should be listed separately.

We also compared the DBE payments from each month's 1589 report to the 1585 report. For January there was a difference in the DBE payments of \$5,547.29 which was due to using the December DBE total for Resurfacing instead of the Lake Jeanette payment total. For February, the 1585 total was under by \$1,955.64. In March, the DBE payment total was over by \$149.50 which was due to the inclusion of Duane Linville Grading's payroll in with Long Brothers of Summerfield as Duane Linville Grading is not a DBE.

**Contractor Expenditures**

*S Elm Eugene Roadway*

During the period, no payments were made for work done.

*Resurfacing of Streets*

During the period, no payments were made for work done, as the project is complete.

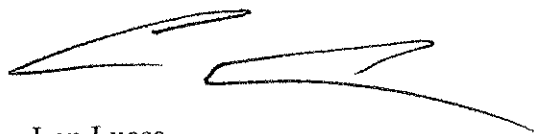
*Lake Jeanette Roadway*

During the period, Triangle Grading & Paving received payments for work done on streets. The payments made totaled \$192,704.08 and appeared to contain appropriate payment information from the contractor. The payments were for contract/ARRA eligible expenditures. Total payments made through March 31, 2011 are \$764,217.62.

We would like to thank the staff of Engineering & Inspections for their assistance and cooperation during this review. Please provide a written response by June 15, 2011. If there are any questions concerning the details of this review, please call us at 373-2230.



Kimberly Strickland Franklin  
Internal Auditor



Len Lucas  
Internal Audit Director

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

## **Strickland, Kimberly**

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**From:** Strickland, Kimberly  
**Sent:** Wednesday, May 11, 2011 3:36 PM  
**To:** Simmons, Butch  
**Cc:** Munro, Ute; Lucas, Len  
**Subject:** E&I 3rd Quarter ARRA Review  
**Attachments:** Q3\_11E&I Review.docx

Attached you will find the review for the E&I ARRA Review for the period ending March 31, 2011. Please respond within three days with your approval to issue the written report.

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

## Strickland, Kimberly

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**From:** Partrick, Ted  
**Sent:** Thursday, May 26, 2011 10:23 AM  
**To:** Lucas, Len; Strickland, Kimberly  
**Cc:** Munro, Ute; Kallam, Ted; Saul, Renee  
**Subject:** E&I 3rd Qtr ARRA Review  
**Attachments:** Internal Audit Review response Jun 2011.pdf

Len and Kimberly,

I'm attaching a copy of our response and will deliver an initialed hard copy this morning.

Thanks for your help.

Ted

*Ted Partrick, PE*  
*City Engineer*  
*City of Greensboro Engineering Division*  
*300 W. Washington St.*  
*Greensboro, NC 27401*  
*Office: (336) 373-2308*  
*Fax: (336) 373-2338*  
*Mobile: (336) 215-8180*

June 1, 2011

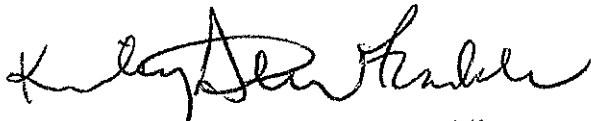
**TO:** Walter Simmons, Director of Engineering & Inspections

**FROM:** Internal Audit Division

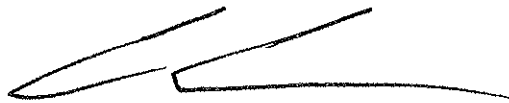
**SUBJECT:** Engineering & Inspections 3<sup>rd</sup> Quarter ARRA Review for FY 2010-2011

The Internal Audit Division has received your response concerning the Quarter 3 Engineering & Inspections ARRA Review for FY 10-11. 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 Franklin  
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

Engineering & Inspections  
City of Greensboro



June 1, 2011

**TO:** Len Lucas – Internal Audit Director

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

**SUBJECT:** Response to 3<sup>rd</sup> 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 monthly reporting identified several 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.

#### **Monthly Reporting Requirements Discussion**

As has been discussed in the responses to the two previous reviews, Engineering revised its reporting schedule to accommodate the actual schedule for report data from the contractor and their sub-contractors. This schedule appears to work well for all parties – Engineering, NCOT and FHWA. Implicit in the new schedule is a realization that new information will require revision to monthly reports after their submission.

#### **Reporting Quality and Lack of Accuracy**

The audit identified several errors. There were discrepancies between the certified payrolls and the FHWA-1589/1585s – a difference of 16 hours in February and 8 hours in March.

There were also some amounts reported incorrectly on payments to DBEs, including payments reported for subcontractor who is not a DBE. The net discrepancy resulted in under-reporting of payments to DBE contractors.

Engineering is revising the 1585 and 1589 forms for the two affected contracts, Lake Jeanette and South Elm-Eugene. These revisions will bring reports up to date from January 2011 through April 2011. Copies of the revised forms and certified payrolls will be submitted to Kimberly Strickland by June 8.

Thank you for the assistance your staff has provided on these important projects.

WS

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