



Date: November 26, 2008
To: Adam Fischer, Acting Director of Transportation Department
From: Internal Audit
Subject: Powell Bill Review for FY 2007-2008

The Internal Audit Division has completed a review of the Powell Bill expenditures for fiscal year 2007-2008. Powell Bill funds are appropriated out of the State Highway Fund generated from a 1.75 cent tax on each gallon of motor fuel. Powell Bill funds must be used "only for the purpose of maintaining, repairing, construction, reconstructing, or widening of any street or public thoroughfare including bridges, drainage, curb and gutter, and other necessary appurtenances within the corporate limits of the municipality". This also includes planning, constructing, and maintaining bikeways in the right of way of public streets and highways.

Annually, the N.C. Department of Transportation allocates funds to eligible municipalities based on population and street mileage in the ratio of 75% to 25%, respectively. In addition, the municipality must certify street mileage as well as report actual expenditures yearly. The City of Greensboro received \$7,865,962.32 for fiscal year 2007-2008.

The objectives of our review were to:

- Ensure that the City is in compliance with the Powell Bill guidelines in that both the certified statement of mileage and expenditure reports have been submitted.
- Ensure that all expenditures tested were spent in accordance with the Powell Bill guidelines.
- Verify that report totals are correct and that they are reviewed by supervisory personnel for accuracy.
- Verify that there are internal controls in place for both the cash management and special assessment procedures.

Review Limitations and Methodology

The last review expenditures of Powell Bill covered fiscal years 2003-2004 and 2004-2005. We did not review expenditures for fiscal years 2005-2006 or 2006-2007, but relied on the work performed by our external auditors Cherry Bekaert & Holland.

During the course of this review, expenditures were tested from 2007-2008 to determine whether they were adequately supported and allowable under Powell Bill guidelines. The Department of Transportation was able to provide us with detailed work orders and both the Departments of Transportation and Engineering & Inspections were able to provide us with complete contracts. Reviews for supporting documentation were made for expenditures in all four quarters of 2007-2008.

Listed below are our findings and recommendations:

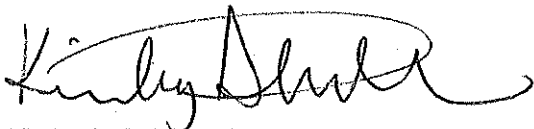
Summary of Local Streets Report

We selected a sample of work orders from the Summary of Local Streets Report. Upon examination of the detailed work orders as provided by the Department of Transportation, we realized that the equipment costs were being duplicated. We contacted Transportation and Field Operations and an error in the programming of the Crystal Report was discovered and corrected. The departments were able to substantiate additional expenditures that made up the difference for the duplicated charges.

Supervisory Review of Summary of Local Streets Report

For the selected work orders we noticed that some had been changed after the report had been processed. Selected supervisory personnel have the ability to open closed work orders if necessary for accurately tracking project costs. DataStream, the asset management software used by transportation and field operations departments, has an audit trail feature which can be turned on to track changes to work orders. The first recommendation would be the use of this feature; however, it has the potential to cause a strain on the system and significantly slow down the timeliness of work order entry. We further recommend that two people, one from Finance and one from Internal Audit, be designated and given the ability to access DataStream and review work orders as needed. It is our understanding that the audit trail feature can be turned on for specific user accounts.

We would like to thank the staff of the Departments of Transportation and Field Operations for their courtesy and assistance during this review. Also, we appreciate their timely response and diligence in correcting the findings of this review. If there are any questions or comments concerning this audit, please call us at 373-2230.



Kimberly Strickland
Internal Auditor



Len Lucas
Internal Audit Director

cc: Bob Morgan, Deputy City Manager
Jim Westmoreland, Acting Assistant City Manager for Economic Development
Dale Wyrick, Director of Field Operations Department