



Date: February 25, 2008

To: Butch Simmons, Director of Engineering and Inspections

From: Internal Audit

Subject: Review of Bridge Replacement Grant 220-6051-01 now 401-6010-02

We have reviewed a grant administered by the Engineering and Inspections Department, with funding from the North Carolina Department of Transportation, NCDOT as of February 1, 2008. The NCDOT funds are furnished as part of the Federal Aid Highway Bridge Replacement and Rehabilitation Program. Grant 220-6051-01 was moved to account 401-6010-02 in January 2007. This grant has \$3,461,272 budgeted for the replacement of the bridge on Sixteenth Street over the Norfolk Southern Railway, including \$2,769,018 in federal funds and \$692,254 in local matching funds transferred from the State Highway Capital Projects funds. The review was conducted in accordance with standards issued by the Institute of Internal Auditors, to include a review of the internal controls in place within each division. The review also included a review of the grant documents to determine the conditions set forth in each contract for the purpose of determining compliance with the contract. We reviewed a prior review in 2005 to determine whether any items open from that review were settled.

The purpose of the review was to:

- Verify that receipts are properly recorded.
- Verify disbursements are in compliance with the contract and are made during the contract period.
- Determine that the programs are achieving desired results or benefits as written in the contract.
- Verify that assets purchased with grant funds are properly recorded in the inventory system.
- Verify that required reports to the granting agencies are being provided timely and as required in the contract.

**The 220-6051-01/401-6010-02 grant** was originally set up by budget ordinance 00-202 on November 7, 2000 pursuant to a grant agreement between the North Carolina Department of Transportation and the City of Greensboro; Municipal Bridge Agreement Project B-3930 dated April 12, 1999. The grant provided funding for the replacement of bridge #579 on Sixteenth Street over tracks of the Norfolk Southern Railway using Federal-Aid Highway Bridge Replacement and Rehabilitation Program funds. The grant originally included \$1,986,480 in federal grant funds, and \$495,370 Transfer from State Highway Capital Projects funds as a local match. The costs are to be shared 80% federal funds and 20% local match funds. The grant included funds for \$276,850 in professional services, \$100,000 in land right-of-way purchases, and \$2,100,000 in construction expenditures.


The Municipal Bridge Agreement required a pre-negotiation audit from the NCDOT's External Review Branch for architectural and engineering services exceeding \$250,000. Such an audit for

the engineer's Statement of Direct Labor, Fringe Benefits and General Overhead for the fiscal year ended December 31, 1999 was provided in the files. The grant, also, provides that engineering costs cannot exceed fifteen percent (15%) of the estimated construction costs of the project. The funds budgeted and approved for this purpose were within the grant parameters.

On February 6, 2006 the NCDOT informed the City of Greensboro that they received Federal Highway Authorization (FHWA) for construction of the project. The city council provided an ordinance 06-52 dated March 21, 2006 increasing the Federal grant amount \$787,538, and the Transfer from State highway Capital Project Funds by \$196,884 in order to fund other improvements of \$936,472, and Sidewalk construction of \$47,950. All charges and funding were moved to account 401-6010-02 in January 2007 which is where the grant is now accounted for.

At February 1, 2008 a total of \$2,880,932.22 had been booked as spent on the project, but that figure included \$119,674.03 in retainage withheld from a contractor APAC, making the amount allowed to be billed against \$2,761,258.19. (Federal grant requirements specify that only funds actually spent can be recovered, accrued items and retainage cannot be billed.) The federal portion earned by the city at 80% was \$2,209,006.55, but only \$2,133,966.03 had been billed to the federal government a difference of \$75,040.52, earned but unbilled. The federal government had paid \$1,846,199.23 leaving \$287,766.80 earned, billed but unpaid. The grant is not yet completed and has to spend another \$700,013.81 in order to earn both the federal 80% and the local match of 20%. Of this \$119,674.03 is in retainage for APAC, and another \$580,337.59 is encumbered but not spent at the end of the review period, leaving only \$2.19 unspent, unencumbered or not in retainage. It appears the grant is proceeding to a proper conclusion and that the grant terms will be fulfilled if no large or unaccounted for costs are incurred.

We wish to thank the staffs of the Engineering and Inspections and Finance Departments for their assistance and courtesies extended during the conduct of our review. If there are questions concerning the review itself, or our findings, please contact the review department by March 10, 2008.

  
Fred Newnam  
Internal Auditor II

  
Len Lucas  
Internal Audit Director

cc: Bob Morgan, Assistant City Manager  
Rick Lusk, Director of Finance