

**Lucas, Len**

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**From:** Lucas, Len  
**Sent:** Wednesday, August 11, 2004 8:33 AM  
**To:** Westmoreland, Jim; Johnson, Mitchell  
**Cc:** Brown, Ben; Lusk, Rick; Newnam, Fred; James, Libby  
**Subject:** RE: GTA Audit Reply

We have reviewed the attached memorandum referencing grants reviewed by Internal Audit. We concur with the replies and intent to implement the recommendations noted. We are here to assist when needed.

**Thanks!**

**Len Lucas**

**373-2823**

-----Original Message-----

**From:** Westmoreland, Jim  
**Sent:** Friday, August 06, 2004 5:47 PM  
**To:** Johnson, Mitchell  
**Cc:** Brown, Ben; Lusk, Rick; Newnam, Fred; Lucas, Len; James, Libby  
**Subject:** GTA Audit Reply

See attached. Hard (and cc's) will be forwarded to all on Monday. Thanks.

## MEMORANDUM

DATE: August 6, 2004

TO: Mitch Johnson, Deputy City Manager

FROM: Jim Westmoreland, P.E., Director of Transportation

SUBJECT: Reply to Audits for Greensboro Transit Authority (GTA) FTA Funded Grants  
545-4544-01, 545-4545-01, 545-4547-01, 565-4549-01, 545-4549-02  
545-4540-02 and Advanced Technology Grant 545-4548-01

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We have reviewed the information, findings, and recommendations offered in the subject final audit reports (prepared by Internal Audit) and offer the following in reply:

Account # 565-4548-01/ Project # 02-AT-004:

1. Due to staff turnover, the NCDOT has been unable to process requests in a timely manner. However, NCDOT has indicated that payment of unpaid billings to the state will be made within the next few weeks. In addition, the Public Transportation Division will provide greater attention and follow-up time to unpaid billings by initially, shifting staff responsibilities and ultimately, establishing a part-time grants administration position to handle the responsibilities.

Account # 565-4544-01/ Project # 99-03-006:

1. In an effort to use the unspent grant funds in the amount of \$498,541.12 (Federal and State funds), the city has requested a change of scope that would allow the city to purchase two additional transit coaches. As recently as last week, FTA has indicated that they are researching the city's request.

Account # 565-4547-01/ Project # 01-09-012:

1. The Public Transportation Division and Finance staffs are meeting on a quarterly basis to ensure that funds available under the grant terms are fully used. In addition, the Public Transportation Division will provide greater attention and follow-up time to unpaid billings by initially, shifting staff responsibilities and ultimately, establishing a part-time grants administration position to handle the responsibilities.

Account # 565-4540-02/ Project # 93-03-006:

1. The Public Transportation Division and Finance staff are meeting on a quarterly basis to ensure that funds available under the grant terms are fully used.

In closing, we appreciate the efforts undertaken by Internal Audit to ensure that proper internal controls are in place for the purposes of determining compliance with the contract(s). It is our intent to implement all corrective action(s) and recommendations noted in the final audits.

CC: Ben Brown, Assistant City Manager  
Rick Luck, Finance Director  
Len Lucas, Internal Audit Director  
Fred Newman, Internal Auditor  
Libby James, Public Transportation Manager



# City of Greensboro

Date: July 20, 2004  
To: Jim Westmoreland, P.E., Director of Transportation  
From: Internal Audit  
Subject: Review of Advanced Technology Grant 565-4548-01

We have audited Transportation Department grants from federal, state and local sources, for purchase of advanced technology under grant 565-4548-01 covering grant years April 4, 2002 to August 3, 2002, and amended January 31, 2003 to December 31, 2003 in the amount of \$70,600. The audit was conducted in accordance with auditing standards issued by the Institute of Internal Auditors, to include a review of the internal controls in place within each division. The audit also consisted of a review of the grant documents to determine the conditions set forth in each contract for the purpose of determining compliance with the contract.

The purpose of the audit 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 the 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.

City ordinance 02-142 dated July 16, 2002 established Grant 565-4548-01 as an Advanced Technology Grant using 2001-2002 North Carolina Department of Transportation (NCDOT) funds pursuant to an agreement with the NCDOT establishing the grant period of performance to be April 4, 2002 to August 3, 2002. The grant budget was for seven computer-replacements costing \$28,000, one network printer plotter costing \$12,000, and two scanner electronic message display boards costing \$30,600 a total of \$70,600. Funding was provided from \$63,540 in state funds and \$7,060 in local funds. On December 16, 2002 the city requested the period of performance be extended to December 31, 2003 due to requirements of the city's procurement system. A January 31, 2003 letter from the NCDOT approved the extension to December 31, 2003.

At December 31, 2003 the city had spent only \$42,782.81 in funds and had acquired all the items budgeted under this grant. The funding for this project limits the scope to the items budgeted, so coming in under budget meant that the \$25,314.47 in unspent funds was returned to the NCDOT.

The last request for reimbursement was made on February 13, 2004, and the previous one October 13, 2003, for the quarters ending December 31, 2003 and September 30, 2003 respectively. Budgetary issues

requiring additional research caused the request for the quarter ending December 31, 2003 to be outside the 30 days after the quarter end as required by the contract.

The State has not paid either of these last requests for reimbursement that total \$30,035.53 in a period of from four months to eight months. Finance has been providing a list of Transit Outstanding request for reimbursement bills in 2003, which Transit is then required to follow-up. GTA recently requested information about these unpaid billings and NCDOT, which has had multiple employee changes causing them to be slow, stated the checks were received by their office at June 4, 2004 and will be remitted to the city within the next few weeks.

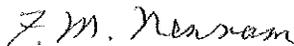
Excepting the failure to follow-up and collect funds promptly from the state we find no problems with the grant review.

We recommend:

GTA provide greater attention to and increased follow-up time to/for unpaid billings with the state in order for the City of Greensboro to be reimbursed as timely as possible.

We wish to thank the Department of Transportation and the Financial Department staff members for their cooperation and assistance in reviewing these grants. If there are any questions regarding the audit itself or our recommendation, please contact the audit department at extension 2230.

Freddie M. Newnam



Internal Auditor

Len Lucas



Internal Audit Director

cc: Mitchell Johnson, Deputy City Manager  
Ben Brown, Assistant City Manager for Economic Development



# City of Greensboro

Date: July 20, 2004

To: Jim Westmoreland, P.E., Director of Transportation

From: Internal Audit

Subject: Review of Greensboro Transit Authority (GTA) Section 5307 funded Grants 565-4547-01, 565-4549-01 and 565-4549-02

We have audited North Carolina Department of Transportation (NCDOT) grants from federal, state and local sources, for GTA activities set forth under grants 565-4547-01, 565-4549-01 and 565-4549-02 covering grant years July 1, 2000 to June 30, 2002 and July 1, 2002 to June 30, 2004. The funds budgeted for the 2000-2002 Grant were \$439,159, and \$667,296 for the 2002-2004 Grant. The audit was conducted in accordance with auditing standards issued by the Institute of Internal Auditors, to include a review of the internal controls in place within each division. The audit also consisted of a review of the grant documents to determine the conditions set forth in each contract for the purpose of determining compliance with the contract.

The purpose of the audit 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 the 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.

City ordinance 01-177 dated August 6, 2001 established grant 565-4547-01 to spend Federal Transportation Agency Section 5307 grant funds for consultant services and buildings in the total amount of \$351,327 in federal funds. City ordinance 01-176 dated August 6, 2001, also amended the Greensboro Transportation Agency (GTA) planning and grants funds by \$87,832, \$43,915 in NCDOT funds, and \$43,917 in local match transferred from transit funds. In total the grant was set up for \$439,159, with \$351,327 being federal funds, \$43,915 state funds, and \$43,917 local funds. The grant was budgeted to rehabilitate the administrative maintenance facility for \$376,659, and provide short-range transit planning of \$62,500. The original period of performance (POP) was from July 1, 2000 to June 30, 2002, and was amended to June 30, 2003 on November 26, 2002, and December 31, 2003 on October 7, 2003. The grant was closed before all funds were expended. Total grant expenditures at June 30, 2004 were \$403,822.52, leaving \$35,336.48 in unused funds, with \$32,229.25 being state and federal monies these funds will be returned to the state and federal coffers. The state was unable to provide funding for a period during the grant POP, and construction was closed down, causing a portion of the funds not to be expended.

City ordinance 02-173 dated September 3, 2002 established grant 565-4549-01 to spend Federal Transportation Agency Section 5307 grant funds for GTA short term planning, and licensed vehicles in the total amount of \$667,296, with \$533,837 (80%) federal funds, and \$66,729 (10%) state funds, and \$66,730 (10%) local funds

pursuant to an agreements dated August 11, 2003 between the NCDOT and the City of Greensboro. The planning portion funding was later moved out to establish grant 565-4549-02. This left the capital portion only in the 565-4549-01 accounts to purchase licensed vehicles. The original agreement called for the capital portion expenditures to be incurred from July 1, 2002 to June 30, 2003, and the planning POP to be July 1, 2002 to June 30, 2004.

The capital portion grant 565-4549-01 POP was extended to June 30, 2004 by NCDOT letter of February 23, 2004. The capital grant total is \$417,296, included \$333,837 (80%) federal funds, \$41,279 state funds, and \$41,730 in local funds. The grant was to purchase six buses of less than 35 feet. The six buses were purchased in March 2003, have been paid for, are in service and have been capitalized. The total cost of the buses was \$334,314. The state was billed for its portion \$33,431.40 at August 11, 2003, for expenditures occurring during the quarter ending March 31, 2003. The request was not timely because of a grant amendment from the state not being provided timely, but it has, also, not been paid. GTA only resubmitted the claim on July 6, 2004 after being reminded by audit and finance of the failure to collect the funds.

There is \$74,683.40 in state and federal funds under this grant that is unspent, and the grant period ended June 30, 2004. The capital items purchased cost less than anticipated. GTA requested that the Federal Transit Authority allow them to use the remainder of the funds to purchase an additional expansion small bus on June 29, 2004. Failing this the city will lose use of the funds and they will be de-obligated. The city knew that the items purchased were going to be greatly below the cost anticipated as long ago as April 2003. The city should have asked for an amendment to the grant to use the remaining funds well before the grant period expired.

The planning portion of the agreement is covered by grant 565-4549-02, the grant POP as established in the agreement is from July 1, 2002 to June 30, 2004. The planning grant total is \$250,000, including \$200,000 (80%), \$25,000 (10%) state funds, and \$25,000 (10%) local funds. Funds spent to date are \$171,038.90, leaving \$78,961.10 unspent. The grantee was last billed in April 2004 for the expenditures occurring in the January to March quarter of 2004. We found no documentation of \$2,632.18, for the quarter ending March 2004 being reimbursed. GTA has requested, by letter of June 29, 2004, that the unexpended funds under the planning portion of the grant be used to support a planning initiative in planning a university/college service for the community. If not approved, the City of Greensboro will lose the approximately \$79,000 in federal and state funds not expended under the grant.

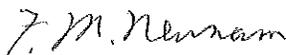
Excepting the failures to collect funds promptly, and promptly ask for amendments to the grants in order to use funds in the grant we find no problems with the grants reviewed.

We recommend:

1. Finance and accounting staffs need to monitor grants more closely in order to ensure that funds available under grant terms are fully used, so we do not have to use City of Greensboro funds for items the grants could provide. Staff members of the Transit and Finance departments indicate that they are meeting more regularly, in order to accomplish this objective.
2. GTA needs to provide greater time and attention to following up on unpaid requests for reimbursement in order for the City of Greensboro to obtain reimbursement promptly for grant expenses.

We wish to thank the Department of Transportation and the Financial Department staff members for their cooperation and assistance in reviewing these grants. If there are any questions regarding the audit itself or our recommendations, please contact the audit department at extension 2230.

Freddie M. Newnam



Internal Auditor

Len Lucas



Internal Audit Director

cc: Mitchell Johnson, Deputy City Manager  
Ben Brown, Assistant City Manager for Economic Development



# City of Greensboro

Date: July 20, 2004  
To: Jim Westmoreland, P.E., Director of Transportation  
From: Internal Audit  
Subject: Review of Greensboro Transit Authority (GTA) Section 5309 funded Grants 565-4544-01 and 565-4545-01

We have audited North Carolina Department of Transportation (NCDOT) grants from federal, state and local sources, for GTA activities set forth under grants 565-4544-01 and 565-4545-01 covering grant years July 1, 2000 to June 30, 2002 and October 1, 2000 to September 30, 2003. The funds budgeted for the 2000-2002 Grant were \$1,325,000, and \$1,839,554 for the 2000-2003 Grant. The audit was conducted in accordance with auditing standards issued by the Institute of Internal Auditors, to include a review of the internal controls in place within each division. The audit also consisted of a review of the grant documents to determine the conditions set forth in each contract for the purpose of determining compliance with the contract.

The purpose of the audit 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 the 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.

A city ordinance set up grant 565-4544-01 in 2001, to spend fiscal year 1999 Federal Transportation Agency (FTA) Section 5309 grant funds \$1,245,400 for five licensed vehicles (35 foot buses), \$29,600 for radio services, and \$50,000 for maintenance and repair, \$1,325,000 in all. The funds were to come from federal grant funds \$1,060,000 (80%), state grant funds \$132,500 (10%), and transfer from federal transit funds for local match of \$132,500 (10%). The grant was set up pursuant to an agreement dated July 1, 2001 between the NCDOT and the City of Greensboro (COG). The original period of performance (POP) required by the contract was from July 1, 2000 to June 30, 2002. By letter of May 4, 2004, the NCDOT extended the POP to December 31, 2003. The last two requests for reimbursement were not timely, being for the September 30, 2003 and December 31, 2003 quarter ends, but dated March 17, 2004, which is more than a month after the quarter end specified by the contract. The problem was caused by grant expenses not being charged to the oldest grant first, causing the requests for reimbursement to have to be revised to correct the error and resubmitted. The five buses to be purchased by grant funds are in service, and the grant has been fully expended, and reimbursed by the grantees.

City ordinance 01-147 dated June 5, 2001 set up grant 565-4545-01 to spend FY 2001 FTA Section 5309 Capital Assistance Program funds for purchase of five buses of 35-foot length/licensed vehicles in a total amount of \$1,839,554. The ordinance was pursuant to an agreement between the NCDOT and the COG dated October 1, 2001 to provide federal funding (80%) of \$1,471,643, state funding (10%) of \$183,955, and local funding (10%) of \$183,956. The POP set up by the grant was from October 1, 2000 to September 30, 2003. The NCDOT extended the POP to December 31, 2004 by letter of June 2, 2004.

The finance department drew down \$128,562 too much federal funding for the quarter ending September 30, 2003, on May 11, 2004. The funds plus \$535.68 interest, a total of \$129,297.68 were wired back on June 16, 2004. The delay in paying the funds back was in part caused by finance trying to contact the federal department and determine how much interest was owed to send both back at the same time.

Requests for reimbursement for the quarters ending September 30, 2003, and December 31, 2003 were not made until March 2004, which is more than a month after the quarter end specified by the contract. The requests were delayed due the fact that grant expenses were not charged to the oldest grant first, causing the requests to be revised to correct the error and resubmitted.

At June 30, 2004 the grant has \$498,541.12 in federal and state funding unspent, and the five buses specified for purchase by the grant have been purchased and are in service. GTA requested permission on June 29, 2004 to purchase two more replacement buses, radios and mobile fare collection equipment with an estimated cost of \$551,800. If the FTA does not approve the requested change of scope, the City of Greensboro will lose use of the entire unspent grant amount. The manufacturer not providing the buses timely as requested caused delays in purchase. Due to the determination of liquidated damages of \$100 per day the City of Greensboro was able to purchase the buses at less than estimated cost, causing the extra funds to be available.

We recommended to finance that they not wait until the federal department tells them how much interest is owed to pay the overdrawn funds back, but go ahead and pay back or offset the amount of the overdrawn funds when discovered in order to stop interest accruing. We believe that finance has adopted this tactic, as they were allowed to offset \$4,000 on another grant and have not at this time been told what, if any, interest will be required. This should at the least stop interest accruing during the period after we repay or obtain a credit for the funds until the federal department can determine the amount of interest owed.

We wish to thank the Department of Transportation and the Financial Department staff members for their cooperation and assistance in reviewing these grants. If there are any questions regarding the audit itself or our recommendations, please contact the audit department at extension 2230.

Freddie M. Newnam



Internal Auditor

Len Lucas



Internal Audit Director

cc: Mitchell Johnson, Deputy City Manager  
Ben Brown, Assistant City Manager for Economic Development



Date: July 20, 2004  
To: Jim Westmoreland, P.E., Director of Transportation  
From: Internal Audit  
Subject: Review of Multimodal Transportation Center /Depot Engineering and Design Services grant 565-4540-02

We have audited Transportation Department grants from federal, state and local sources, for engineering and design service activities for a Multimodal Transportation Center/Depot set forth under grant 565-4540-02 covering grant years September 8, 1993 to December 31, 1999, in an original amount of \$480,000 and amended by another \$720,000 in October 1999, for a total budgeted amount of \$1,200,000. The audit was conducted in accordance with auditing standards issued by the Institute of Internal Auditors, to include a review of the internal controls in place within each division. The audit also consisted of a review of the grant documents to determine the conditions set forth in each contract for the purpose of determining compliance with the contract.

The purpose of the audit 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 the 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 North Carolina Department of Transportation (NCDOT) executed an agreement between themselves and the City of Greensboro on December 8, 1993 to provide for the undertaking of capital improvements, in the amount of \$480,000, with (80%) \$384,000 being federal funds, (10%) \$48,000 being state funds, and (10%) \$48,000 being local funds. The agreement provided federal and state funds for the purchase of engineering and design services. The original period of performance (POP) was from September 9, 1993 to June 30, 1996. By letter of December 17, 1993, the NCDOT stated that, "Final design may not begin until a Finding of No Significant Impact (FONSI) has been executed by Federal Transit Administration, at which time the project will be amended for \$720,000." The project was extended to June 30, 1998 by letter of May 21, 1997. The City of Greensboro documentation includes a December 10, 1997 FONSI. The City received a supplemental agreement dated October 18, 1999 approving an additional \$720,000 in funding, (80%) \$576,000 in federal funds, (10%) \$72,000 in state funds, and (10%) \$72,000 in local funds. The POP in Appendix A of that agreement was changed to September 8, 1993 to December 31, 1999. GTA requested a further extension on January 4, 2000, which was granted to December 31, 2001, by letter of January 13, 2000.

At April 18, 2002, GTA requested of Finance that Moser Mayer charges in the amount of \$48,538.73 be moved from account 566-4511-01.5413 to 565-4540-02.5436 in order to finish use of grant funds. Finance complied and billed for the remaining funds. No certification letter was provided for the revised October to December 2001 report. On June 10, 2004 finance determined that the reason was that the request for extension beyond December 31, 2001, was denied on March 19, 2002, and GTA had not provided them a copy of the denial. GTA protested that the funds were expended before the December 31, 2001 POP ended. However, the North Carolina Department of Transportation made a determination on June 18, 2004 that the funds had been de-obligated and that no further payments could be made under the grant. The \$48,538.73 was lost due to the city not acting timely to charge all costs to the grant and not obtaining an extension timely.

Excepting the failure to promptly ask for amendments to the grants in order to use funds in the grant we find no problems with the grant reviewed.

We recommend:

Finance and accounting staffs need to monitor grants more closely in order to ensure that funds available under grant terms are fully used. Staff members of the Transit and Finance departments indicate that they are meeting more regularly, in order to accomplish this objective.

We wish to thank the Department of Transportation and the Financial Department staff members for their cooperation and assistance in reviewing these grants. If there are any questions regarding the audit itself or our recommendation, please contact the audit department at extension 2230.

Freddie M. Newnam



Internal Auditor

Len Lucas



Internal Audit Director

cc: Mitchell Johnson, Deputy City Manager  
Ben Brown, Assistant City Manager for Economic Development