



Robert E. Antonacci II, CPA  
*Comptroller*

COUNTY OF ONONDAGA

*Office of the*  
*County Comptroller*

*John H. Mulroy Civic Center, 14th Floor*  
*421 Montgomery Street*  
*Syracuse, New York 13202-2998*  
*(315) 435-2130 • Fax (315) 435-2250*  
*www.ongov.net*

James V. Maturo  
*Deputy Comptroller*

Thomas G. Squires  
*Deputy Comptroller*

September 30, 2008

The Honorable County Executive  
The Chair of the County Legislature  
The Chair of the Ways and Means Committee  
The Chair of the County Facilities Committee  
The Administrator for Physical Services  
The Chief Fiscal Officer  
The Commissioner of the Department of Transportation  
The Clerk of the County Legislature

An audit of the Department of Transportation's capital projects has been completed. The period of the audit covered the year ending 2007 through June 2008. This audit covered the following areas:

- I. Federal and State Reimbursement Procedures
- II. Expenditures / Prepaid Expenses
- III. Accruals & Accounts Payables
- IV. Federal / Local Match Projects

We conducted our audit in accordance with Generally Accepted Auditing Standards, Government Auditing Standards issued by the Comptroller General of the United States, the provision of the Office of Management and Budget (OMB) Circular A-133 and the Audits of State and Local Governments. Generally Accepted Auditing Standards require we plan and perform the audit to obtain reasonable assurance about whether the financial records are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial records. An audit includes assessing the accounting principles used and significant estimates used by management, as well as evaluating the overall financial records in compliance with established policies and procedures. It is the responsibility of the department to ensure the financial records are accurate, complete and that established policies are adhered to.

The audit notes the Department was not timely in seeking Federal reimbursement for eligible project expenditures and did not properly record these revenues in accordance with Generally Accepted Accounting Principals.

Our audit also determined the Department's methodology of recording projects has resulted in a lack of accountability in the County's Financial Accounting Management Information System (FAMIS). This methodology has led to fiscal inefficiencies and accounting practices. The audit also addresses the Department's past practice of allowing engineering personnel having financial oversight responsibilities, which has resulted in management control weaknesses within the fiscal unit with respect to supervision and oversight of accounting activities.

The recommendations, when implemented, will improve internal controls and strengthen fiscal management practices as well as the financial structure of Transportation's capital projects.

Sincerely,

A handwritten signature in black ink that reads "Robert E. Antonacci II CPA". The signature is written in a cursive style with a large initial "R" and "A".

Robert E. Antonacci II, CPA

## Federal & State Reimbursement

The following items were observed during the audit of 14 account receivable reports (AR's), which included an examination of items over 90 days past due as of 3-31-08 as well as AR's created in 2007 and the first few months of 2008. Generally these projects are reimbursed with 80% Federal and 15% State funding with the remaining difference of 5% funded from local dollars.

1. We noted 3 AR's were written-off without Onondaga County Department of Transportation's (OCDOT) management approval. There was an email from their fiscal unit to the Accounting section of the Comptroller's Office requesting the write off.

*We recommend OCDOT obtain a dollar threshold from the Chief Fiscal Officer for write-offs at the department level. Any excess should be reviewed and approved by the Chief Fiscal Officer. The Comptroller's Office should not post write-offs until properly authorized.*

2. Currently there is no internal report that tracks the amounts, the reasons and who authorized the write-offs.

*It is recommended AR write-offs are tracked on an Excel spreadsheet and distributed to management on a weekly/monthly basis.*

3. We noted three AR coversheets created in OCDOT had a mathematical error, an omitted receivable and a duplicate amount, respectively. These errors were caught and corrected by the Accountant I in Comptroller's before posting to FAMIS.

*It is recommended OCDOT implement fiscal review procedures and the Senior Management Analyst sign off the AR coversheet attesting to its accuracy and completeness before being forwarded to Comptroller's.*

4. One AR, from 2002, in the amount of approximately \$4,000 was written off at the request of the Comptroller's Office due to age. OCDOT indicated there is disagreement with the New York State Department of Transportation (NYSDOT) as to the actual payment of this receivable. OCDOT indicated they have attempted to resolve this issue, but due to its age the State indicated their system was unable to provide the needed information for further research. OCDOT is currently waiting for the final settlement of the project to address this issue.

*It is strongly recommended OCDOT's fiscal unit implement review procedures to address outstanding receivables in a timely manner. Written documentation should be obtained from NYSDOT supporting management's decisions. AR write-offs were previously addressed.*

5. OCDOT does not record accruals at year-end or post accounts receivables during the year for eligible State Marchiselli reimbursable costs. Marchiselli usually provides 15% of eligible costs. These monies are generally received in the following quarter after the County submits for Federal reimbursement. Therefore, an accrual/receivable can be estimated at the time expenditures are incurred or paid. Currently these funds are only recognized at the time cash is actually received. This represents the cash basis of accounting, which is contrary to the County's adopted practice of using the modified accrual basis of financial accounting. OCDOT's process is not in conformity with Generally Accepted Accounting Principals and has the potential to misstate the financial statements. Failure to accurately record receivables in a timely manner has led to other issues addressed in this report. See exhibit on the next page.

*We recommend OCDOT record State revenue accruals and receivables. This can be accomplished with revisions to OCDOT's "Project Summary" spreadsheets. It is also suggested a management report be created to provide an overall summary of Marchiselli monies due and received. Internal Audit has set up a history of Marchiselli receipts dating back to 2002 by project and phase that OCDOT could use going forward as part of a historical record. The Audit Division is providing assistance to the fiscal unit in understanding the methodology of estimating the receivable.*

6. We noted several Federal revenue accruals were not properly recorded on FAMIS. This is a result of OCDOT's process of recording a receivable only after expenditures have been submitted for Federal reimbursement. Federal revenue can be recognized at the time eligible expenditures are paid. This also has resulted in a financial statement impact. See exhibit on the next page.

*It is recommended OCDOT develop fiscal procedures to ensure Federal revenue is properly accrued. It should also implement fiscal management review procedures to ensure the accuracy of the receivables. The Audit Division is working with OCDOT to create a report/accrual method that should capture the expenses paid but not accrued as AR's for Federal projects.*

## Impact of Missed Accruals

<b>Federal Funds</b>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Under Statement of AR	\$(278,051)	\$(118,715)	\$(115,123)	\$ -
Over Statement of AR	-	-	387,772	124,117
Total Impact	<u>(278,051)</u>	<u>(118,715)</u>	<u>272,649</u>	<u>124,117</u>
<b>State Funds</b>				
Under Statement of AR	(106,273)	(38,810)	(427,565)	-
Over Statement of AR	591,915	105,083	60,000	455,474
Total Impact	<u>485,642</u>	<u>66,273</u>	<u>(367,565)</u>	<u>455,474</u>
<b>Total impact Fed &amp; State</b>	<u><b>\$ 207,591</b></u>	<u><b>\$ (52,442)</b></u>	<u><b>\$ (94,916)</b></u>	<u><b>\$ 579,591</b></u>

**Footnotes:**

Understatement of AR means there were expenses paid that pertained to subsequent years and therefore the corresponding receivable should have been accrued in the year the work was completed. However, the receivable was not booked in the correct year.

Overstatement of AR means expenses were paid and the receivables were not accrued. The AR's were then created in subsequent years creating an inflated AR amount.

- We observed a few Project Summary reports prepared by fiscal personnel omitted various payment and revenue information. The engineer responsible for Federal projects relies on these reports to track contract payments and receivables. However, the overall financial status of the project cannot be determined using these reports. Also, due to the omitted expenditures they do not tie out to FAMIS, requiring the Accountant I to generate another spreadsheet "97CAPEXP" and perform additional work to reconcile the projects to FAMIS. It should be noted these Project Summary reports are needed to track payments due to the methodology OCDOT has implemented in recording Federal projects on FAMIS. This methodology is discussed in the Local Match Section of this report.

*It is recommended the fiscal unit devise one spreadsheet that will capture all costs incurred and be used to tie out to FAMIS. We suggest this spreadsheet also incorporate the master agreement amounts for overall fiscal management review. It is also recommended the Senior Management Analyst implement review procedures to ensure the accuracy of the report for project management purposes.*

We tested the timeliness of submitting for Federal aid reimbursement of 45 eligible contract claims. Once a claim is paid to the vendor it would seem reasonable OCDOT would submit for reimbursement within 30 days from the date of payment. Detailed below are two issues that need to be formally addressed.

8. We noted receivable AR17551 for the Jamesville Bridge project was delayed due to a significant change with the scope of the project, which resulted in cost overruns and changes in funding sources from NYSDOT, as compared to the initial master agreement. Due to a broken date stamp machine it cannot be determined when OCDOT received the amendment from NYSDOT or when OCDOT requested the necessary information from its consulting engineer to address the changes in funding sources to seek timely reimbursement.

*We recommend procedures are implemented to address changes in a project's scope and a means to estimate these costs to expedite master agreement amendments with the State. It is also strongly recommended all amendments and letters from NYSDOT, etc. be date stamped. We further recommend a formal timetable be kept outlining when a project exceeds the master agreement and when and what steps the County took in obtaining an amendment.*

*We also recommend OCDOT devise a report that outlines expenses at the summary level, which includes master agreement amounts and amounts received. The Senior Management Analyst should review this report.*

9. We noted receivable AR17545 in the amount of \$277,970.48 for Old Route 57 was still outstanding as of 9-30-08. Expenditures relating to this submission, dated 7/25/07, were from 1998 through 2007. Approximately \$99,000 of the total was for reimbursement of the County engineers' time spent on the project. We were informed it is OCDOT's practice to claim non-contractual expenditures, i.e. Purchase Orders and Straight Claims, etc., on the final reimbursement claim.

Another receivable AR17530 in the amount of \$114,329.60 was created on 4-18-06 and still remains open as of 9-30-08. This receivable is awaiting an amendment from the State in order for the County to be reimbursed. OCDOT met with the State in May 08 in an attempt to finalize the amendment.

*We recommend all expenses paid relating to Federal projects be submitted for reimbursement in a timely fashion, not at the end of the project. It is further recommended the County request reimbursement for expenses within 30 days from the date of the claim being paid. We also suggest OCDOT's amendment process with the State be reviewed to improve the County's cash flow.*

The chart on the following page illustrates the time frame and quantifies the financial impact of the submission delays for the 45 contract claims selected. The percentage is based upon the number of claims billed within the specified time frame. We noted 51.1%

of the claims paid are submitted timely for reimbursement. The rest of the items are submitted outside of the 30-day window as outlined.

<b>DOT Days to Bill Based on Claim Payment Date</b>			
The chart below is based on an assumed policy that every item should be submitted for reimbursement within 30 days of posting.			
<u>Number of Claims</u>	<u>Federal Share Total Dollar Amt</u>	<u>Days to Monthly Billing</u>	<u>% of Claim Items</u>
23	\$ 739,412	< 30 days	51.11%
5	176,702	31 - 45 days	11.11%
4	936,660	46 - 60 days	8.89%
5	343,360	61 - 90 days	11.11%
8	936,826	Over 90 days	17.78%
<b>45</b>	<b>\$ 3,132,960</b>	<b>Total</b>	<b>100.00%</b>

10. It was noted OCDOT’s reimbursement claims are not being submitted to the Chief Fiscal Officer for review. Per letter dated November 1<sup>st</sup> 2004 from the County’s Chief Fiscal Officer, “County Departments must forward any State and Federal reimbursement claims to the Comptroller’s Office within 30 days after the closing period ended and these documents will be forwarded to the Budget office for the CFO’s review.”

*It is recommended State and Federal Reimbursements be reviewed by the CFO before submission to the State for reimbursement in accordance with the County cash flow procedures. This recommendation has been implemented.*

**Expenditures**

11. We noted an overpayment of approximately \$13,000 to a bridge construction contractor resulted from the purchasing of structural steel before the consulting engineer setup the program software to manage the project costs. Therefore, this amount was inadvertently never entered into their system. The County engineer in charge of the job is also responsible for reviewing the consultants reports but failed to notice this oversight due to the timing of the events. OCDOT noted this overpayment during the final construction billing reconciliation. The vendor subsequently reimbursed this overpayment.

*It is recommend OCDOT implement procedures to ensure all payments made are captured on the consulting engineer's project management reports.*

- 12.** We noted construction contracts were set up in FAMIS as high as 10% above the awarded bid proposal, based on requests from OCDOT's Civil Engineer managing the project. This request is then sent to Comptroller's where the increased amount is input into FAMIS as an upper limit for contract expenditures. The department indicated this has been their standard practice to adjust for anticipated cost escalations. This practice has circumvented County change order procedures, which are reviewed and approved by the County Law Department and the County Executive's Office. It has also omitted a financial review and approval from Management & Budget.

*It is strongly recommended this practice be discontinued and all increases to construction contracts follow the County's change order procedures. The Claims section in the Comptroller's Office should no longer increase contract appropriations without the proper authorized documentation.*

- 13.** We noted the following expenditures were posted to the incorrect project year: CA105765 related to a 2007 bridge repair, SR86209 related to 2007 guide rail repairs and IB46039 related to 2007 surface treatment. These were posted to 2006 projects that OCDOT leaves open until the funds are exhausted. OCDOT presents a detailed listing of projects in their annual "Highway Plan" to the County Legislature and requests their authorization to partially fund these projects with a bonding resolution. Therefore, it appears the practice of charging current year costs to the older projects is contrary to the Legislative intent of authorizing funding based on a specific year's plan. This has also resulted in untimely closeouts of capital projects in FAMIS. Due to the generic nature of the bonding resolution, (it does not specifically make reference to a Highway Plan) it is not clear if excess borrowing should be returned to the "Reserve for Bonded Debt Account" at year-end or used on additional projects not identified in the Plan. Note, in 2007 approximately \$9.5 million of the approximate total of \$21 million was bonded.

*We recommend OCDOT consult with the Law Department to ensure they are not in violation of any local Financing laws. (Note Internal Audit has contacted the County's bond counsel. However, we have not received a direct legal opinion.) At a minimum, to protect the County's interest, OCDOT should present an amending resolution to the Legislature to transfer excess funds to the next year's projects and obtain the authorization to use these funds on additional projects within the scope of the Highway Plan.*

- 14.** We noted a different project number was not assigned to a current year's traffic safety grant. Consequently, an expense for IB46852 was posted to the prior year's grant. Also, the attached supporting detail was not cross referenced to the journal entry amount.

*We recommend the Senior Management Analyst review and approve new project/grant accounting structures prior to being created in FAMIS. This should avoid commingling of grant years. It is also recommended an entry coversheet outlining the purpose of the entry, the source of the backup and how the amounts on the back up tie to the journal entry amount.*

- 15.** We noted transferring journal entries allocating costs out of road maintenance to various projects for engineers on State funded projects do not appear to be reviewed and approved by the Senior Management Analyst, as no sign-off was present. Also, the attached supporting detail was not presented in a manner to facilitate an understanding of the charges.

*We recommend the Senior Management Analyst approve the entries. It is also recommended a coversheet be added to the entry explaining the reason for the entry and what the source of the backup is, as well as, what numbers on the backup specifically tie to the journal amounts.*

- 16.** The Accountant I manually posts capital project balances from FAMIS to an Excel spreadsheet to generate a Capital Project Balance Report for tracking purposes.

*The Comptroller's Office has generated a summary report directly from FAMIS into Excel, which will streamline the process for this management report.*

- 17.** We noted several instances of invoices associated with Purchase Claims had no formal sign-off to support that services were performed or items were actually received at OCDOT's garages. Packing lists are kept at the warehouse and were provided upon request as proof of receipt. However, not all packing lists were signed off.

*It is recommended instead of vendor invoices as proof of receipt, the warehouse personnel should provide signed-off copies of the packing lists to OCDOT where applicable. It should be noted, as a result of our audit, OCDOT has generated an approval form that requires appropriate signatures attesting to the receipt of goods or services performed.*

- 18.** Based on contractual requirements employees are allowed to cash out compensatory time previously earned. However, we noted the Personnel Administrator responsible for the department's payroll does not sign-off on the employee's Leave Exception Report requesting the cash out, indicating a review has been performed. We also noted this form is not signed off by management.

*To improve internal controls, it is recommended the Personnel Administrator and management sign off on all comp time reimbursement requests.*

- 19.** We observed, on SR92648, an abnormally large variance in the tare weight (weight of an empty container) for the same truck for the same driver and on the same day. Audit tested 3 other similar bills with weights and found the tare weights were consistent. This inconsistency in the tare weight did not result in any over payment.

*We recommend OCDOT periodically spot check for any abnormalities in regards to tares that affects the amount for which the County is billed.*

- 20.** There were a few bills in our sample that were not date stamped with the department's received date.

*Per OCDOT the date stamp machine was broken for a period of time. It is recommended all items be stamped to create a timetable for the processing of transactions and protecting the County's interest in cases of vendor payment issues.*

- 21.** We noted an incorrect conversion factor in a bid which resulted in an escalation charge of -85.3 cents instead of -10.4 cents, was used on SR86299. The error was caught by OCDOT. The correct escalation charge has subsequently been used in absence of an amended bid document.

*We recommend amending the bid with the correct conversion rate factor. In addition, OCDOT should implement review and signoff procedures by an individual more closely associated with invoices involving escalation charges prior to their submission for payment authorization. It is also suggested the approving signatory (Senior Management Analyst) review the payment documents more closely and obtain a general understanding of the percentage escalation charge process and its possible ranges to avoid a future occurrence.*

- 22.** We noted three engineering service invoices were not signed off by the County's project manager/engineer acknowledging the work was actually performed, met the job specifications and could be paid.

*It is recommended OCDOT's engineer in charge of a project sign off on any costs associated with their projects as acknowledgement the services were performed and the charges for the work performed were correct.*

- 23.** We noted fuel tickets for equipment rentals are kept for about a year and then discarded. Occasionally these tickets are used for supporting documentation.

*We suggest keeping these tickets with the rental claims and entering the information on a spreadsheet for tracking purposes, such as, how long the equipment is on a jobsite, how long it was actually used and what jobsites it was used on. This data could be used for making management decisions, such as a study of how long the equipment is used versus the rental fee.*

## Prepaid Expenses

NYSDOT, at times, acts as the lead agency in acquiring Rights of Way (ROW) on Federal funded projects. It is responsible for estimating the overall acquisition costs and purchasing the ROW. In these situations it requires an advanced payment of the State and County's share. At the conclusion of this phase, the State's share is returned to OCDOT and possibly a portion of the local share depending on actual costs.

Based on a review of CL157481 and CL157480, which advanced \$66,000 and \$3,000 of the State's share for the Taft Rd and Jamesville Bridge projects, the following issues came to our attention:

24. Resolutions are needed to authorize OCDOT to advance the funds to NYSDOT and accept title to the ROW. However, they are written in a manner that appropriates the receipt of State revenue. This is not the case as the funds received in this situation are simply a return of NYSDOT's share to the County and not State revenue. The resolutions, as written, have resulted in an overstatement of budgeted State revenue in the capital projects. It has also resulted in the actual payments being recorded as an expenditure in the capital project's General Ledger Account 431 instead of the more appropriate Prepaid General Ledger Account 152. Using GL152 will address the issue of over stating revenues.

*Due to the long term nature of these projects and actual receipt of close out documentation from NYSDOT, as addressed below, it is suggested postponing the use of GL 152 until such time that actual close out documentation can be examined for content and form to ensure GL 152 can be properly monitored. When this occurs, we recommend OCDOT contact their Budget Analyst and the Chief Governmental Accountant for assistance in preparing the resolutions and the appropriate accounting treatment of these advanced payments. It is also suggested the projects be corrected to properly reflect the financial conditions.*

25. It was also noted State funds received from NYSDOT per CR8602 dated 12/28/07 in the amount of \$24,348 was posted to the Taft Rd Row Acquisition project #536511-001 as a partial return of the advanced payment. However, based on NYSDOT's Marchiselli payment notification letter it is unclear if the funds should have been applied against the advanced payment or as a reimbursement of expenditures incurred in the design of Taft Rd and recorded in project #536506-008.

*We recommend OCDOT's fiscal management obtain an understanding of NYSDOT's procedures as they relate to the advancement and subsequent reimbursement of funds. OCDOT should develop procedures to ensure payments are properly accounted and the County is properly reimbursed. OCDOT should also review the receipts that have been posted to the Jamesville ROW project #535020-051. It is also recommended these projects be reviewed at year-end to ensure the revenue is properly stated for financial statement purposes.*

## Accruals/ Accounts Payable Process

26. We noted the current procedure to determine year-end accruals involves the Account Clerk II manually preparing a list of all contracts, which includes project name, vendor name and outstanding balances, etc. This list is then provided to project managers to ascertain the status of any unbilled services for financial reporting purposes. It should be noted the Comptroller's Office provides all departments with FAMIS Report FAMRS040, which lists the General Ledger 440 remaining encumbrance balances. However, we were informed this report does not adequately meet the department's needs. It was also indicated some vendors verbally provide accrual estimates to project managers.

To facilitate this process, Internal Audit requested Comptroller's Systems Accounting Manager modify FAMIS report FAMRS040 into an Excel format that provides additional detail and allows the Account Clerk II to modify the information for distribution to project managers.

*To streamline the year-end accrual process, it is recommended the Account Clerk II utilize the modified FAMIS report for GL 440 balances. This report is available upon request. It is also suggested the practice of accepting verbal estimates is discontinued, as amounts should be supported by written documentation provided directly from the consultants and vendors.*

27. We noted estimated accruals and account payables remained open as a result of consultants continuing to work on project designs after having exceeded or substantially exhausting the awarded amount with remaining work yet to be completed and then submitting invoices for payment. The resulting accruals and payables remained on the books until the consultants' submitted final invoices and subsequent contract amendments were finalized. This practice places both the consultant and County at risk.

*The department should implement procedures with respect to both program and fiscal management that will assist them in monitoring contract balances. The County Executive Administration should also reevaluate the condition described above and determine the most feasible course of action that will protect both parties interest while at the same time avoiding extensive project delays.*

28. We noted the remaining balance of a 2006 accounts payable of approximately \$17,000, document CX11610, was not canceled in a timely manner. The actual invoice associated with the above payable (CA105692) was paid in July 2007. However, the remaining balance was not canceled until April 2008. These funds could have been available for other expenses during 2007 had the balance been canceled. We also noted a \$13,000 accrual, which appears to have been posted due to the overpayment, discussed in #11 above. This amount can be canceled.

*It is recommended the Senior Management Analyst review and approves accruals prior to submitting them to the Comptroller's Office. It is suggested the fiscal unit implement periodic review procedures and the Senior Management Analyst take a more active role in reviewing open accruals and payables.*

### **Federal/State Aid & Local Match projects**

The department annually presents the County Legislature with a Capital Highway Plan that includes capital projects it anticipates on starting/completing and their requested funding. The Legislature uses this document as a funding basis for authorizing the use of local dollars, the acceptance of Federal and State funds and the means of approving the bonding resolution. Federal and State aid eligible projects are generally funded with a 20% or 5% local match.

29. The Highway Plan provides a listing of Federal eligible projects. However, it does not allocate the local share to all projects listed in the Plan. Some of the projects listed in the narrative section of the Plan are reported under "Miscellaneous" and their local share is reported as a lump sum. The allocation of local share for these projects is known and we question their omission.

*We recommend future Highway Plans presented to the County Legislature for funding authorization allocate the local share to all identified projects.*

30. Projects are not properly recorded on FAMIS in a manner that allows all costs to be reported under one project number for one specific job. Project numbers and phase numbers have been used interchangeably requiring the use of Excel spreadsheets to provide the actual cost of projects (jobs). For example project number 535020 has been used for multiple "jobs", such as Fyler, Plainville and Marcellus bridges to name a few. Each job is designated with a different phase number for design, ROW and construction. A more detailed example is Jamesville, which uses project 535020, and the following two phases 039 - design & 051 - ROW and project 535022, phase 001 - construction, to record costs. This has resulted in a lack of accountability on FAMIS. This was a previous finding in the 2003 audit.

The Federal Highway Administration (FHWA) divides each project into the following three phases: 1) design and right of way incidentals, 2) right of way acquisition and 3) construction.

*We recommend the department use one project number with three phases as follows: 001- design, 002 - ROW and 003 - construction. This will improve the fiscal management and administrative oversight of OCDOT projects. This issue was addressed early in the engagement and the department has implemented the recommendation.*

## Local Match Projects

The County's share for Federal/State eligible projects for the years 2003, 2004 and 2005 have been recorded in the following project 535025, phase 004, 005, and 007, respectively and project 535026 and 535029 is for 2006 and 2007 respectively. The amounts appropriated are based on the annual Highway Plans and are more commonly referred to as the "Local Match Projects." Using the local match projects has resulted in the following:

31. FAMIS does not provide an accurate cost of projects since the local match revenue and expenses are not recorded to the specific "job" project. For example, Jamesville - 535022, phase 001 – construction has budgeted appropriations for Federal and State revenue but none for the County's share. Therefore, the local share of eligible costs is not recorded in its specific project. Also 100% of a contract claim's expense is posted to the local match project but the subsequent Federal/State reimbursement is posted to the actual "job" project. This gives an inaccurate reporting in FAMIS as the local match project has over reported expenditures and the "job" project indicates additional revenue is available to cover future outlays.

We were also informed it is OCDOT's understanding that funds recorded in the local match were available for use on any Federal eligible project. This is evident in the 2003 local match project 535025-004, which had expenditure postings for the East Taft Road project. However, East Taft Road's request and authorized funding was in the 2004 Highway Plan, which was posted to local match project 535025-005.

The above has also resulted in fiscal accounting inefficiencies, as an Excel spreadsheet is needed to monitor numerous accounting transactions and maintain the balances of these projects. Entries are generated to transfer expenditures between the local match projects for closeout purposes and others are needed to move costs into and out of the actual "job" projects until there is sufficient funding to cover the costs.

We noted five projects out of the seven tested exceeded their local match appropriations by \$314,300, as detailed in the Highway Plans when compared to the resolutions that actually authorized these projects. Note the local share of Federal eligible projects is authorized at the time of the presentation of the Highway Plan and then individual project resolutions are presented and adopted later in the year(s). These "project resolutions" indicate the "local match funds have been previously authorized", which in our opinion is a reference to a respective Highway Plan. The table below illustrates the local match funding as authorized and presented in the Highway Plan is insufficient to cover the local matches as adopted in the actual "project's" resolutions. This is illustrated on the next page.

**Authorized Funding  
Highway Plans vs. Project Resolutions**

Project	PIN #	Local Match Amount		Difference
		Per Highway Plans	Per Project Resolutions	
Fyler Road Bridge	3753.36	\$ 53,800	\$ 95,000	\$ (41,200)
Pompey Center Bridge	3754.33	216,200	250,000	(33,800)
Plainville Road Bridge	3753.77	157,750	170,050	(12,300)
Jamesville Road Bridge	3753.33	277,500	300,000	(22,500)
East Taft Road	3752.98	477,500	682,000	(204,500)
		<u>\$ 1,182,750</u>	<u>\$ 1,497,050</u>	<u>\$ (314,300)</u>

*Based on the audit, OCDOT has agreed to discontinue future local match projects and has already posted the 2008 local match directly to their actual “job” projects. This will greatly improve the overall fiscal accountability of these projects and their local share. However, it is strongly recommended appropriations and expenditures in the prior years’ local match projects be transferred to their respective “job” projects and OCDOT’s fiscal personnel contact Comptroller’s Chief Governmental Accountant for assistance. OCDOT’s fiscal management and administration should also address the excess appropriations in the five projects and review all other Federal eligible projects to ensure sufficient funding is available as adopted in the “project’s” resolutions.*

**Bonding**

**32.** We compared the authorized to actual bonding for Federal eligible projects and noted of the approximately \$2.5 million authorized only \$500,000 or 20% has actually been borrowed, about \$300,000 has been funded with local dollars and around \$626,000 in local costs have been charged. However, as noted in the previous finding it is estimated 80% of the amount (\$626,000) charged or \$501,000 is eligible for reimbursement resulting in an estimated local share of about \$125,000. Therefore, for comparison purposes the total costs have been adjusted accordingly. This is illustrated on the following page. It is our understanding, due to the nature of OCDOT’s actual use of funds and the Finance Department’s Financial Analyst’s concern of incurring arbitrage, funds are generally borrowed after costs have been incurred.

<b>Federal Eligible Projects</b>				
<b>Highway Plan Year</b>	<b>Authorized Bonding</b>	<b>Actual Borrowings To Date</b>	<b>Transfer of Local Funds</b>	<b>Costs Posted as of 7/29/08</b>
2003	\$ 225,000	\$ -	\$ 225,000	\$ 144,611
2004	418,000	-	-	168,000
2005	500,000	500,000	91,170	313,273
2006	700,000	-	-	-
2007	307,000	-	-	-
2008	365,000	-	-	-
	<u>2,515,000</u>	<u>500,000</u>	<u>316,170</u>	<u>625,884</u>
Estimated Federal Aid Adjustment				(500,707)
<b>Total</b>	<u>\$ 2,515,000</u>	<u>500,000</u>	<u>\$ 316,170</u>	<u>\$ 125,177</u>

*We recommend OCDOT, Finance and Management & Budget evaluate the need for bonding the County's share of Federal eligible projects and consider using local funds.*

- 33.** We noted approximately \$6,200 has been charged by Finance to cover the cost of borrowing. This cost has been posted to the local match projects. However, according to Title 23 of the FHWA regulations, section 122 "Payments to States for bond and other debt instrument financing" this cost may be eligible for reimbursement, subject to Federal limitations. It is estimated 80% or approximately \$4,900 of the above cost could have been reimbursed.

*We suggest OCDOT and Finance implement procedures to allocate and document financing cost to meet eligibility reimbursement requirements.*

### **NYSDOT's Master Agreements vs. OCDOT's County Resolutions**

Seven of OCDOT's Federal aid project resolutions and budgeting procedures were reviewed. The following issues came to our attention.

- 34.** The department's current procedure is to have the Civil Engineer III responsible for Federal funded projects prepare the resolutions. It was noted on Resolution #40 for the Plainville project the source of estimated revenue to cover \$1,000 in costs was 80% Federal; 15% State and 5% local (\$800; \$150; \$50). However, the revenue/appropriations section of the resolution budgeted \$950 in State funds and

omitted the Federal share. Therefore the accounting entry posted to FAMIS did not appropriately record the estimated Federal revenue.

*It is suggested OCDOT develop fiscal management oversight procedures and prepare an amended resolution to properly record the budgeted revenue.*

- 35.** It was noted on Resolution #99 of April 2000 for the Onondaga Lake Canalways Trail, which recognized \$100,000 of estimated revenues from fines imposed by the New York State Department of Environmental Conservation (NYSDEC) indicated it would be passed through the Central New York Regional Planning & Development Board (CNYRPB). However, to date there has been no actual revenue received through the CNYRPB. It is also the Civil Engineer III's understanding these fine monies were received through an environmental lawsuit settlement as detailed in County Resolution #176 of September 2004. Therefore, it appears this revenue will not be received through the CNYRPB.

*The department should develop fiscal management review procedures to address outstanding appropriations and make timely adjustments when known sources of anticipated revenue will no longer be received. The project should be adjusted accordingly.*

- 36.** We noted appropriations, as authorized per County resolutions, for six of the seven projects were greater than budgeted costs detailed in the master agreements between NYSDOT and OCDOT. NYSDOT's procedures require the submission of an authorized County project resolution prior to the issuance of a master agreement. We were informed resolutions are based on applying an escalation factor of 10 to 12.5% to costs reported in the Federal Highway Administration – Transportation Improvement Plan (TIP) and the master agreements are more closely aligned with the current market conditions. Since costs reported on the TIP are generally four to five years old applying this modest escalation factor appears reasonable. However, there were four instances where the escalation factor used to prepare the resolutions were 16 to 39% above the costs reported on the TIP. This is a contributing factor in the differences between the County's resolutions and NYSDOT's master agreements. Therefore the potential exists the excess budgeted appropriations recorded on FAMIS could result in expenditures exceeding NYSDOT's maximum reimbursement threshold. Presented on the next page are two of the six projects illustrating the difference between master agreements and resolutions.

<b>Master Agreement Funding vs. County Resolutions</b>				
<b>Pompey Center Bridge</b>				
	<b>Federal</b>	<b>State</b>	<b>Local</b>	<b>Total</b>
Master Agreement	\$ 691,840	\$ -	\$ 172,960	\$ 864,800
County Resolutions	1,000,000	-	250,000	1,250,000
Difference	<u>\$ (308,160)</u>	<u>\$ -</u>	<u>\$ (77,040)</u>	<u>\$ (385,200)</u>
<b>Plainville Road Bridge</b>				
	<b>Federal</b>	<b>State</b>	<b>Local</b>	<b>Total</b>
Master Agreement	\$ 1,781,782	\$312,685	\$ 132,760	\$ 2,227,227
County Resolutions	2,030,000	338,450	170,050	2,538,500
Difference	<u>\$ (248,218)</u>	<u>\$ (25,765)</u>	<u>\$ (37,290)</u>	<u>\$ (311,273)</u>

*It is recommended the availability of project appropriations recorded on FAMIS are limited to the maximum amounts reported on NYSDOT's master agreements. OCDOT should contact the Chief Governmental Accountant to establish procedures and institute the above control.*

37. It was noted County resolutions authorizing projects and funding for the design and construction phases indicated funds would be advanced to NYSDOT. Resolution #17 dated February 7, 2006 contained the following clause, "Whereas, the State of New York requires Onondaga County to contribute up to 100% of the non-federal share of the costs and to **advance** the total federal share." Based on a review of samples provided in master agreements, NYSDOT does not require funds to be advanced as the resolution implies. The County's resolution has to authorize the project and commit to funding both the Federal and non-federal share of the costs.

*Based on discussions this issue has been addressed and OCDOT is working with the County Law Department to institute the needed changes.*

38. We noted based on conversations, observations and the audit work performed it has been OCDOT's practice to have a Civil Engineer III manage both the construction and financial aspects of Federal eligible projects. This has resulted in the Civil Engineer III having significant financial management responsibilities. We question this practice since OCDOT has an individual in the fiscal management position.

*We recommend the Senior Management Analyst take a more active role in monitoring the financial aspects of these projects. This will provide an internal control procedural improvement.*

### **Work Force Database**

OCDOT's engineers use an Excel spreadsheet and an Access database to track and allocate their salaries and fringe benefit costs to various capital projects. Some of this cost is eligible for reimbursement from Federal Highway and State funds.

- 39.** According to NYSDOT's "Chapter 5 – Accounting and Reimbursement Procedures" section 5.3.2.2 – Sponsor's Force Account Work, which reads in part; "Only eligible, direct project costs, defined under Federal Regulations and incurred after FHWA's authorization, may be included on billings." We question the inclusion of the retirees' health insurance costs in determining the fringe benefit rate for OCDOT's current staff. Including this indirect overhead cost has raised the overall rate by approximately 13.82%. It is estimated \$4,500 of the amounts selected for testing represents the cost associated with retirees' health benefits. We also noted during 2006 the CESA's contract was settled and OCDOT promoted members of its engineering staff, however these increases were not reflective in their database. This effect was not determined and has the potential to reduce a portion of the retiree's fringe benefits.

*We suggest OCDOT revise its current methodology to comply with the above requirement. It should also determine the feasibility of updating the database to capture increases in salaries.*

- 40.** We noted the current procedure is to import the engineer's time into the database prior to management review and approval. We were informed this has resulted in occasional changes to the database. We were informed the current practice is to review this information at the time projects are completed and a final reimbursement claim is prepared. This has resulted in submission delays of eligible reimbursable costs as some projects may take a few years to complete from the initial design to final inspection of the construction phase. We were also informed for reimbursement purposes this cost must be allocated between the design and construction phases, respective of their Master Agreements with NYSDOT. However, the database reports the total labor cost of a project by job # and does not differentiate between the two phases, thus requiring a manual determination of amounts to meet NYSDOT's claiming requirement.

*We recommend timesheets are reviewed and approved prior to importing to the database. The claiming of reimbursable costs should be performed in a timelier manner, minimally on a quarterly basis. OCDOT should also update its timesheets and database to differentiate charges between a projects design and construction phase.*

41. We also noted the individual responsible for importing the time into the database has the ability to post information to the timesheets.

*We suggest, if possible, the above individual's capability is limited to posting only.*

**Federal Project Close Outs**

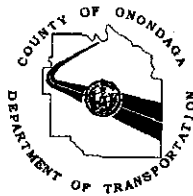
42. NYSDOT provides detailed guidelines for closing projects in Chapter 17 “Local Project Close-outs”, for Locally Administered Federal-aid Projects. This close out process involves the sponsors (OCDOT), Regional Local Project Liaisons (RLPLs) and various NYSDOT Main Office Bureaus. Based on our review of Chapter 17, we noted several steps are required, which includes, requesting the liaison to make a site visit and assisting in the completion of the Final Acceptance Form, the liaison requesting the Main Office to suppress the project identification numbers (PINs) and obtaining a Final Cost Report from the Main Office to determine the accumulated charges to each PIN. The liaison verifies payments received by the sponsor (OCDOT) are consistent with their request and once the liaison receives notification the final reimbursement payment has been made by NYSDOT, the liaison notifies OCDOT in writing that the State-Local Agreement is effectively closed. However we were unable to determine if the requirements of Chapter 17 were met.

*We recommend OCDOT's Federal-aid project manager become familiar with the requirements of Chapter 17 to ensure County projects are properly closed out. Furthermore, OCDOT should request the liaison to provide a copy of the Final Cost Report for comparison purposes and obtain written documentation that states the project can be closed.*

43. We noted the following projects have been finished and are awaiting the completion of supplemental agreements and/or final cost reports prior to their actual close outs. Some of the projects have been completed for approximately three to five years.

<b>Completed Construction Projects</b>		
<b>Project #</b>	<b>Phase #'s</b>	<b>Description</b>
536501	001 & 002 & 003	Henry Clay/Buckley
536502	001 & 003	Old Rt. 57
536506	006	Northern Blvd.
536506	010	Factory Ave.
535020	034 & 047	Salina-Dewitt Townline
535020	038 & 043	Marcellus/Skaneateles

*We recommend the above documents needed for close outs are completed in the near future and OCDOT implement management review procedures to ensure projects are closed out in a timely manner.*




## ONONDAGA COUNTY DEPARTMENT OF TRANSPORTATION

### MEMORANDUM

Date: December 1, 2008

To: Robert E. Antonacci II  
Comptroller

From: Brian J. Donnelly   
Commissioner

Re: Capital Projects Audit - Departmental Response

1. Onondaga County Department of Transportation (OCDOT) will comply.
2. OCDOT will comply.
3. OCDOT will comply.
4. OCDOT was told by NYSDOT that reconciliation of payment would not be possible until the project was closed out. The project has since been closed out and the County received a document from NYSDOT stating a check for approximately \$4,000 had been issued. OCDOT has asked the State for a copy of the cancelled check. OCDOT followed NYSDOT policy and will in the future keep written documentation.
5. OCDOT will comply.
6. OCDOT will accrue Federal revenues.
7. The Department has explained to the audit staff the differences of need, purpose, and use of the two spreadsheets. The Project Summary is used to claim revenues from NYS, and is sent to NYS. 97CAPEXP is used to track all expenses and balance to FAMIS. The differences do not make the creation of a single spreadsheet practical.
8. OCDOT feels that it reacted appropriately at the time a change in scope was determined to be necessary. OCDOT has since fixed its time stamp machine and will date stamp and process amendments in a timely manner. OCDOT currently has a report which summarizes projects on a summary level.
9. OCDOT will comply.
10. OCDOT has complied.

Capital Projects Audit - Departmental Response

11. Department employees have, and will continue to make comparisons between payments made and the consultant's report.
12. OCDOT will comply.
13. The OCDOT does not share the Comptroller's understanding of OCDOT's annual "Highway Plan" and is the process of consulting with the County's Law Department regarding it.
14. The Department will comply with The Comptroller's recommendations.
15. OCDOT has complied.
16. OCDOT will contact the Comptrollers Office regarding implementation of this report.
17. OCDOT has complied.
18. Employee supervisors will sign off on all comp time reimbursement submissions.
19. The different tare weights for the same empty truck was due to the third axle being on the ground one time and raised the other time. This was checked and confirmed by the OCDOT. It should be noted that this had no impact on what the Department was billed or paid. OCDOT does, and will continue to spot check tare weights.
20. If OCDOT's date stamp machine breaks in the future, it will be repaired in a timely manner. During the period the machine is being repaired, OCDOT continue to date stamp transactions using machines in other departments.
21. The bid for which this SR was created is being re-bid in January of 2009 and all necessary corrections in escalation will be made at that time. The individual project managers for specific projects currently do provide approving signatory review including escalation amounts.
22. OCDOT concurs.
23. OCDOT will consider this suggestion.
24. OCDOT will review this matter with the guidance of the Chief Governmental Accountant.
25. OCDOT has complied.
26. OCDOT is working with the Comptroller's Office to comply.

Capital Projects Audit - Departmental Response

27. The practice described in the finding was in compliance with the prior Executive Administration's operating procedures. Under the new Administration, OCDOT will comply.
28. OCDOT will comply,
29. The narrative portion of OCDOT's Workplan details the necessary matching local dollars needed for Federal eligible projects including future, uninitiated projects listed under "Miscellaneous" as a lump sum amount. The narrative will include specific amounts for these uninitiated projects in the future and will be set up as projects at the time that the resolutions to start the projects are passed.
30. OCDOT has complied.
31. OCDOT will comply from this point forward. The Department will consider Comptrollers' recommendation concerning prior year's local match projects.
32. OCDOT will discuss with Finance and Management and Budget funding sources for the County's share of Federal eligible projects.
33. OCDOT will discuss the reimbursement possibilities of issuance expense with the Finance Department.
34. OCDOT will discuss the need for a correcting resolution with the Accounting Division of the Comptrollers Department.
35. OCDOT will comply.
36. OCDOT will work with the Chief Governmental Accountant to comply with the recommendations.
37. OCDOT has complied.
38. Biweekly meetings will be held to further incorporate the financial management in oversight of the construction and financial aspects of Federal eligible projects.
39. Retirees' Health will be excluded in future calculations. The database and the worksheets that are imported into it were originally designed to track hours at certain activities, not necessarily the cost to do so. That facility was added as an afterthought as a method to take advantage of existing data. OCDOT feels that the system can be modified to capture salaries at an interval that can take into account changes on a monthly basis.
40. OCDOT is developing a procedure to ensure the accuracy of the timesheets before they are imported into the database. Once fully developed and tested, a written procedure will be developed and implemented. OCDOT will also be making claims for reimbursable costs at the end of the calendar year or end of a project's phase, whichever occurs first.

Capital Projects Audit - Departmental Response

(Item 40 – Continued) OCDOT has existing work codes that can be used to differentiate between design and construction phases and will instruct staff to begin using them immediately.

41. At the next scheduled import (usually during the first week of the month), OCDOT will test whether the person importing the worksheets can do so with read-only rights.
42. OCDOT has met with the State and has been assured that the State DOT will adhere to all requirements in Chapter 17. Subsequent to the audit OCDOT has begun to receive from NYSDOT the mandated closeout information.
43. OCDOT has begun the closeout process for the above projects and expect completion by mid 2009.

BJD:TG:tg

cc: Jean Smiley – Administrator, Physical Services  
Anthony DeStefano – Civil Engineer III  
Tim Coley – Civil Engineer III  
Tom Gottstein – Senior Management Analyst  
Lori Mollon – Accountant I