

2009

ARRA RISK ASSESSMENT



Office of Audits

Georgia Department of Transportation

6/15/2009

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Background

The American Recovery and Reinvestment Act of 2009 (ARRA) brings to Georgia \$932 million for highways, \$144 million for transit, and \$9 million for airports. ARRA projects are 100% federally funded for the purpose of stimulating economic recovery and job creation. An unprecedented level of transparency and accountability is required of ARRA grant recipients.

Oversight requirements for ARRA funds are extensive. Georgia is one of 16 states selected by the General Accountability Office (GAO) for review of its use of Stimulus funds. Accountability objectives of the Recovery Act are:

1. Funds are awarded and distributed in a prompt, fair, and reasonable manner.
2. The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.
3. Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated.
4. Projects funded under this Act avoid unnecessary delays and cost overruns.
5. Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

Increased transparency and new reporting is required under the Recovery Act. As a prime recipient of Stimulus funds, GDOT is required to report to its Federal grantors, FHWA, FTA, and FAA. Additional reporting is required to the State of Georgia and the Congressional Committee on Transportation and Infrastructure.

Objective

To assess risks associated with

- successfully funding and implementing Stimulus projects
- meeting Federal and State requirements
- achieving accountability and transparency objectives
- effecting economic recovery outcomes

Approach

1. Internal Audits will review risks and emphasis areas identified by OMB, GAO, OIG, DOT, and SOG as potential obstacles for the Federal Stimulus package.
2. Internal Audits will review requirements and guidance issued by FHWA, FTA, and FAA for monitoring, reporting, and safeguarding Stimulus resources.
3. Internal Audits will provide Risk Assessment questionnaires to divisions and offices responsible for carrying out or supporting ARRA objectives, including Procurement, Construction, Engineering Services, Field Services, Contracts Administration, OMR and Treasury. Internal Audits will review results with GDOT management to identify areas requiring attention and develop risk mitigation strategies as needed.

Risk Indicators

Risk assessment is a process by which management identifies, analyzes, and manages risks that may adversely affect the organization's ability to achieve its objectives. An organization's risks can arise or change due to external and internal events and circumstances. Risk drivers or indicators that are commonly considered in determining the risk level of an operation include:

Timing / Results of Previous audit: when the last audit was performed for a particular area and the volume and magnitude of the control deficiencies identified. Areas that have not been audited in the past 1-2 years or that had significant control deficiencies in the last audit should be considered "high" risk.

Changes in Computer Systems / Processes / Key Personnel / Management: the nature of changes in any of the above since the last audit and how those changes could have affected the process and related controls. Generally, areas that have had major new computer systems implementations or major modifications to existing systems; substantive changes to processes; or high employee turnover, turnover of key personnel or management, should be considered "high" risk.

Operational or Systems Complexity: the complexity of the business environment (including operations, processes, and/or computer systems); the size of the operation (number of employees, geographical dispersion), volume of transactions; number of computer systems/applications and interfaces with other computer systems, use of spreadsheets, the number of times data is keyed or re-keyed, the number of handoffs from one person to another in the process, etc. Areas with complex processes or computer systems should be considered "high" risk.

Financial Significance and Accounting Judgment / Complexity: volume, magnitude, and complexity of transactions; the relative significance of balances and transactions to other balance sheet and income statement line items; the degree of management judgment involved, the complexity of accounting, and adjustments previously proposed by the external auditors. Areas that are financially significant and/or involve a high degree of management judgment or complex accounting treatment should be considered "high" risk.

Legal / Regulatory / Reputation: compliance with laws and regulations including any previous violations of laws or regulations, and current and previous litigation; risks to GDOT's reputation particularly due to potential negative publicity as a result of a violation of a law, regulation, or policy or procedure.

Fraud Susceptibility: likelihood and total impact of potential fraud schemes and any previous fraud cases. Areas with the potential for significant fraud should be considered "high" risk.

Impact on Financial Results: Areas with the higher impact on financial results should be considered "high" risk.

GDOT Risk Analysis

| 20.205 Highway Planning and Construction - ARRA Fund Source Risk Analysis | | |
|---|--|----------------------|
| ARRA Risk Factor | Risk Factor Assessment | Risk Level |
| | | (Red, Yellow, Green) |
| 1 Inspections not performed on all jobs, or inspections inadequately performed. | <p>Due to budget constraints that currently exist within Georgia, including a hiring freeze and furloughs, GDOT does not have a sufficient number of project inspectors necessary to perform inspections on all ARRA projects. In addition, lack of competence, experience, and training is a risk that increases the likelihood that inspections will not be performed adequately on ARRA projects.</p> <p>Some ARRA projects will be managed by local government sub-grantees that may not have sufficient experience handling federal-aid projects. This increases the likelihood that inspections are not adequately performed. Therefore, GDOT has the added responsibility to ensure that sufficient monitoring is taking place on locally managed projects.</p> | 2 |
| 2 Improper payments not prevented or detected. | <p>Improper payments include payments made to an ineligible recipient, for an ineligible service, for services not received or inadequate services performed, and duplicate payments. For example, 1) approving invoices for payment without sufficient supporting documentation to verify that costs were allowable, 2) overcharges for construction materials, 3) payments for inferior materials, and 4) paying more than once for the same item.</p> | 2 |

| 20.205 Highway Planning and Construction - ARRA Fund Source Risk Analysis | | |
|--|---|------------|
| ARRA Risk Factor | Risk Factor Assessment | Risk Level |
| 3 Internal control weaknesses in GDOT's accounting and financial reporting system. | <p>The 2008 audit identified material weaknesses and non-compliance and significant accounting control deficiencies that could potentially affect ARRA reporting and program financial management. Due to the increased transparency and accountability requirements of ARRA, these deficiencies increase the likelihood that GDOT will not be able to adequately track, monitor, and report ARRA financial activity.</p> <p>Weak internal controls lead to inaccurate and unreliable data for reporting purposes. Integrity of data is a fundamental requirement of any financial accounting system. The risk exists that revenue is misposted, transactions are not recorded in the proper fund source and account series, and transactions are not recorded in a timely manner.</p> | 2 |
| 4 Reporting Requirements | <p>There is a risk of inconsistent data in Federal and State reports. Federal and State reporting requirements may vary as to basis of accounting, data sources, format, and information collection processes. Reporting requirements are not yet fully defined, and OMB guidance for States has not been finalized. GDOT is using multiple information systems (Tpro, Trns*Port, PeopleSoft) for ARRA reporting which increases the risk of lack of data integrity and consistency.</p> <p>The following risks are associated with the new ARRA reporting requirements: 1) failure to meet reporting deadlines, 2) unreliable reporting of job data, 3) omission of required data on reports, 4) omission of required reports, 5) duplicate reports, 6) inadequate review of reports, and 7) lack of data integrity.</p> | 1 |
| 5 Sub-Grantee Issues | <p>GDOT may not have sufficient staff to perform adequate subgrantee monitoring to ensure proper spending, reporting, and compliance with federal requirements.</p> <p>Risks identified for locally managed projects include lack of payment specifications in local agreements, inadequate documentation of quantities in place, questionable materials, and unqualified project personnel. Contracts could be awarded to local governments without adequate financial controls to sufficiently account for and track ARRA funds. Contracts executed by local agencies may not contain new ARRA contract provisions as required.</p> | 1 |

| 20.205 Highway Planning and Construction - ARRA Fund Source Risk Analysis | | |
|---|---|------------|
| ARRA Risk Factor | Risk Factor Assessment | Risk Level |
| 6 Unused Funds and Cost Overruns | <p>To maximize the impact of ARRA funds, GDOT must have sufficient controls in place to identify unused funds and cost overruns in its financial management systems. There is a risk that unused funds may remain idle for long periods of time, preventing other worthy projects from receiving funds and undermining ARRA's intent to stimulate the economy.</p> <p>In addition, the risk exists that there will be cost overruns associated with ARRA projects, that non-ARRA fund sources will have to be used to complete these projects, which may lead to insufficient funding.</p> | 2 |
| 7 Fraud, Waste, and Abuse | <p>Fraud is the intentional misrepresentation of facts for the purpose of achieving personal gain. Waste is considered unnecessary spending or careless squandering of resources whether intentional or unintentional. Abuse is the intentional destruction, diversion, manipulation, misapplication, or misuse of state or federal resources.</p> <p>Examples include the following:</p> <ul style="list-style-type: none"> a. False claims for materials and labor b. False claims such as overbilling, inflating costs, change orders, claims for contractor errors, and product substitution c. DBE fraud- misrepresentation by the contractor performing the work to be in compliance with contract goals for involvement of minority, veteran, and women owned businesses. d. Improper use of consultants e. Employing ineligible and/or illegal workers f. Bid rigging and collusion g. Incorrect measurement of quantities h. Incomplete payment documentation i. Inadequate inspections | 1 |

Risk Level

(Red, Yellow, Green)

| |
|------------|
| 1 - High |
| 2 - Medium |
| 3 - Low |

FRAUD RISKS FOR FEDERAL STIMULUS PROJECTS

| Fraud Scheme | Description | Indicators |
|----------------------------|---|---|
| Bid Rigging and Collusion | Contractors misrepresent the competition against each other when, in fact, they agree to cooperate on the winning bid to increase job profit. | <ul style="list-style-type: none"> ▪ Unusual bid patterns: too close, too high, rounded numbers, or identical winning margins or percentages. ▪ Different contractors making identical errors in contract bids. ▪ Rotation of winning bidders by job, type of work, or geographic area. ▪ Bid prices dropping when a new bidder enters the competition. ▪ Losing bidders hired as subcontractors ▪ Apparent connections between bidders: common addresses, personnel, or phone numbers. ▪ Losing bidders submitting identical line item bid amounts on nonstandard items |
| False claims for labor | A contractor charges more employee work hours or uses a higher overhead rate to increase profit. | <ul style="list-style-type: none"> ▪ Unauthorized alterations to time cards and other source records ▪ Billed hours and dollar amounts consistently at or near budgeted amounts. ▪ Time cards filled out by supervisors, not by employees. ▪ Photocopies of timecards where originals are expected. ▪ Inconsistencies between a consultant's labor distribution records and employees timecards |
| False claims for materials | A contractor overcharges construction material, gets paid for excess material to increase profit. | <ul style="list-style-type: none"> ▪ Discrepancies between contractor-provided material quantity documentation and observed data to include yield calculations. ▪ Refusal or inability to provide supporting documentation. ▪ Contractor consistently loading job materials into equipment away from inspector oversight. |

| Fraud Scheme | Description | Indicators |
|--|---|--|
| | | <ul style="list-style-type: none"> ▪ Truck weight tickets or plant production records with altered or missing information. ▪ Photocopies of quantity documentation where originals are expected. ▪ Irregularities in color or content of weight slips or other contractor document used to calculate pay quantities. |
| Bribes related to contracts materials or labor | A contractor compensates a government official in order to obtain contracts or permit overcharges. | <ul style="list-style-type: none"> ▪ Other government inspectors at the job site noticing a pattern of preferential contractor treatment. ▪ Government official's lifestyle exceeding his/her salary. ▪ Contract change orders lacking sufficient justification. ▪ Oversight officials socializing with or having business relationships with contractors or their families. |
| Kickbacks | A contractor or subcontractor inflates the cost of performing work to the government and uses the extra costs to secretly pay a fee to the awarding officer or staff. | <ul style="list-style-type: none"> ▪ Unexplained or unreasonable limitations on the number of potential subcontractors contracted for bid or offer. ▪ Continuing awards to subcontractors with poor performance records. ▪ Non-award of subcontract to lowest bidder. ▪ "No- value-added" technical specifications that dictate contract awards to particular companies. |
| Product Substitution | A contractor misrepresents the product used (by purchasing inferior products) in order to reduce costs for construction materials and increase profits. | <ul style="list-style-type: none"> ▪ Mismatching or mislabeling of products and materials. ▪ Contractor restricting or avoiding inspection of goods or services upon delivery ▪ Contractor refusing to provide supporting documentation pertaining to production or manufacturing. ▪ Photocopies of necessary certification, delivery, and |

| Fraud Scheme | Description | Indicators |
|--|--|--|
| | | <p>production records where originals are expected.</p> <ul style="list-style-type: none"> ▪ Irregularities in signatures, dates, or quantities on delivery documents. ▪ High rate of rejections, returns, or failures. ▪ Test records reflect no failures or a high failure rate but contract is on time and profitable. ▪ Unsigned certifications. |
| Disadvantaged Business Enterprises Fraud | A contractor misrepresents who performed the work in order to appear to be in compliance with contract goals for involvement of veteran/minority/women-owned businesses. | <ul style="list-style-type: none"> ▪ Minority owner lacking background, expertise, or equipment to perform subcontract work. ▪ Employees shuttling back and forth between prime contractor and minority-owned business payrolls. ▪ Business names on equipment and vehicles covered with paint or magnetic signs. ▪ Orders and payment for necessary supplies made by individuals not employed by minority-owned business. ▪ Prime contractor facilitated purchase of minority –owned business. ▪ Minority-owned business owner never present at job site. ▪ Prime contractor always uses the same minority-owned business. |
| Conflict of Interest | A contracting or oversight official has an undisclosed financial interest in a contractor or consultant, resulting in improper contract award or inflated costs | <ul style="list-style-type: none"> ▪ Unexplained or unusual favoritism shown to a particular contractor or consultant. ▪ Government official disclosing confidential bid information to a contractor or assisting the contractor in preparing the bid. ▪ Government employee having discussion about employment with a current or prospective contractor or consultant. |

| Fraud Scheme | Description | Indicators |
|-------------------------------|--|--|
| | | <ul style="list-style-type: none"> ▪ Close socialization with and/or acceptance of inappropriate gifts, travel, or entertainment from a contractor. ▪ Vendor or Consultant address is incomplete or matches government employee's address. ▪ Government official leases or rents equipment to a contractor for performing government contract work. |
| Quality-Control Testing Fraud | A contractor misrepresents the results of quality control (QC) tests to falsely earn contract incentives or to avoid production shutdown in order to increase profits or limit costs | <ul style="list-style-type: none"> ▪ Contractor employees regularly taking or labeling QC samples away from inspector oversight. ▪ Contractor insisting on transporting QC samples from the construction site to the lab. ▪ Contractor not maintaining QC samples for later quality assurance (QA) testing. ▪ Contractor challenging results, or attempting to intimidate QA inspectors who obtain conflicting results. ▪ Photocopies of QC test results where originals are expected. ▪ Alterations or missing signatures on QC test results. |

Risk and Emphasis Areas Identified by Federal Agencies

Office of Management and Budget (OMB)

OMB (M-09-15 April 3, 2009) reports that specific risks must be included as part of all agencies' risk mitigation process. These risks can also be thought of as accountability objectives. The table below illustrates the accountability objectives under the phases of the funding lifecycle and categorizes risk objectives as

- Strategic – meeting high level goals
- Operations – effectively and efficiently using its resources
- Reporting Compliance – meeting applicable reporting requirements

Accountability Framework and Objectives

| | Pre-Award | Performance Period | | Post-Performance Period |
|----------------------|--|---|------------------------------|---------------------------------|
| Strategic | Program Outcomes and Economic Outcomes Achieved | | | |
| | Competitive (and Fixed Price) Opportunities Maximized | | | |
| | Wasteful Spending, Fraud, and Abuse Identified and Minimized | | | |
| Operations | Funds Obligated Timely | Funds Expended Timely | Undelivered Orders Minimized | Sunset of Recovery Requirements |
| | Improper Payments Minimized | | | |
| | Timely and Accurate Data Reported to Recovery.gov | | | |
| Reporting Compliance | Agency and Program Plans Approved | Agency and Program Plan Milestones Completed by Estimated Dates | | |
| | Spend-Plan Approved | Spend-Plan Milestones Completed by Estimated Dates | | |

OMB provides the following reporting requirements to track progress on accountability measures for these common risk areas.

- Funds Obligated Timely - Percent of funds obligated according to obligation plan
- Funds Expended Timely - Percent of funds expended according to outlay plan
- Competitive Opportunities Maximized
 - Percent of obligated Recovery Act dollars competed through contracts or orders
 - Percent of obligated Recovery Act dollars awarded on fixed-price actions
 - Percent of obligated Recovery Act discretionary grant dollars competed
- Undelivered Orders Minimized - Percent and amount of funds within specific aging ranges

Department of Transportation

DOT's Office of Inspector General, in its report "Oversight Challenges Facing the Department of Transportation" (MH-2009-046), identified key oversight challenges based on prior OIG reports and other agencies' audit work:

The challenges and 10 focus areas associated with them are shown in the table below.

Major ARRA Challenges and Related Focus Areas for DOT

| Challenges | Focus Areas |
|--|--|
| 1. Ensuring that DOT's grantees properly spend ARRA funds | <ul style="list-style-type: none"> - Acquire sufficient personnel with relevant expertise to oversee grantees. - Adhere to existing Federal requirements for programs funded under ARRA. - Evaluate the credibility and completeness of cost and schedule estimates. - Oversee grantees' contracting management activities and ensure selection of appropriate contract types. - Address internal control weaknesses and identify unused funds for use elsewhere. |
| 2. Implementing new accountability requirements and programs mandated by ARRA | <ul style="list-style-type: none"> - Implement new ARRA tracking and reporting requirements that are designed to promote accountability and transparency. - Develop comprehensive plans and sound criteria for the new discretionary grant and passenger rail programs within statutory deadlines. - Develop appropriate oversight strategies for the new discretionary grant and passenger rail programs. |
| 3. Combating fraud, waste, and abuse | <ul style="list-style-type: none"> - Enhance understanding among DOT staff, grantees, and their contractors on how to recognize, prevent, and report potential fraud to the appropriate authorities. - Take timely and effective action to suspend and/or debar individuals or firms that have defrauded the Department so they do not receive Federal contracts in the future. |

Federal Highway Administration

The FHWA Risk Management Plan for the American Recover and Reinvestment Act (April 10, 2009) identifies major risks for the Recovery Act. It is based on FHWA's 2008 risk assessment, accountability risks identified by OMB, OIG and GAO reports, known vulnerabilities, and a February 2009 Recovery Act survey. FHWA identified the following major risks:

Local Public Agency (LPA) Oversight – oversight by the State and lack of experience by LPAs in handling Federal-aid projects

Plans, Specifications, and Estimates (PS&E) Quality – potential for errors and omissions leading to change orders, cost overruns, delays, permit violations, and substandard product.

Contract Administration – procurement, bidding, and management of contract terms and changes

Quality Assurance – inadequate inspection and substandard material acceptance and construction leading to waste, fraud, or abuse, decreased service life, or environmental and safety concerns.

Disadvantaged Business Enterprise Program – difficulties in meeting DBE goals, inadequate industry capacity, attempts to avoid good faith efforts, and temptation to use front companies.

Eligibility/Improper Payments – weak internal controls for the segregation, expenditure, and billing of federal funds may lead to payment of ineligible costs

Achievement of Program Goals – meeting high public expectations for economic recovery and delivery of transportation projects that yield long-term value

Indian Reservation Roads Program – (Federal Lands Highway) funds are available to all 562 federally recognized tribes; political and sovereignty issues increase complexity; tribal expertise varies greatly; and recent reviews have found significant stewardship issues in certain regions.

Review of Federal Grantor ARRA Requirements and Risks

1. Funds are awarded and distributed in a prompt, fair, and reasonable manner.

FHWA Specific Requirements

120-day and one-year redistributions - 50% of apportioned funds must be obligated within 120 days of apportionment and the remaining 50% within one year.

GDOT must obligate \$326 million, 50 percent of its apportionment excluding the MPO sub-allocation, by June 30, 2010. GDOT must obligate the remaining 50% by March 2, 2009. The risk of not meeting these funding deadlines is that funds will be withdrawn and redistributed to other States and GDOT will not be eligible to receive redistributions from other states which do not use their funds.

All standard Federal requirements and processes for eligibility of federal aid transportation funding apply, including competitive procedures.

- Sec. 1554 – If possible, contracts to be awarded as fixed-price contracts through competitive procedures

FHWA Distribution Requirements

- Apportion 50% using STP formula and 50% using same ratio as FY 2008 distribution of obligation limitation
- 3% TE set-aside (without regard to comparison to FY 2005)
- 30% sub-allocated by population according to portions under STP requirements (exempt from 120-day redistribution requirement below)
- Priority for projects that:
 - Are projected for completion within 3 years
 - Are located in economically distressed areas
- Cannot be obligated for advance construction
- Disadvantaged Business Enterprises rules apply
- Discretionary grants between \$20 and \$300 million are available through 9/30/2011 for state and local governments to use on longer-range surface transportation projects (including highway, bridge, transit, rail, and port projects)

FTA Specific Requirements

GDOT must have completed grants submitted to FTA by July 1, 2009

Grant applications must be obligated within 180 days of March 5, 2009. Unobligated funds after 9/1/09 will be reallocated.

Additional funds can be awarded through NST Discretionary Grants for transit projects of regional significance. Applications must be submitted w/in 180 days, by 9/1/09.

All standard Federal requirements and processes for eligibility of federal aid transportation funding apply. There will be no waiver of FTA program requirements, such as planning, NEPA, and labor protection.

FAA Specific Requirements

FAA has identified a candidate pool of the highest priority projects by Region and distributed such to the Regions. FAA Regional/District Offices will confirm funding of highest priority projects that can meet time deadlines.

It will be the responsibility of GDOT to issue a sub-grant and administer the grant in accordance with guidance and requirements of ARRA.

2. The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner.

FHWA Specific Requirements

FHWA will require new monthly reports by specific deadlines.

FHWA-1585: Monthly Recipient Project Status Report - provides information on the status of all ARRA projects. This data will be used for meeting the reporting requirements of Sections 1201 and 1512. This report is due within 10 days of month-end.

FHWA-1586: Initial Project Information – contains information on each ARRA project, consistent with the list of projects provided in the State's Section 1511 certification, as it may be amended. These data will be used for meeting the reporting requirements of Sections 1201, and 1512.

FHWA-1587: Monthly Summary Employment Report - summary employment information for all active ARRA projects. These data will be used for meeting the reporting requirements of Sections 1201 and 1512 and are due to FHWA no later than the 20th day of each month for the preceding month's data.

FHWA-1588: Periodic Grouped Project Report - information on one or more individual ARRA projects that are part of a previously awarded grouped or bundled project. These data will be used for meeting the reporting requirements of Sections 1201, and 1512. States to provide the required information as individual projects are awarded. If a State or Federal Lands has no grouped or bundled projects then no report is necessary.

FHWA-1589: Monthly Employment Report - guide for state, contractor and subcontractor provided employment information on each ARRA project. Monthly employment information on each ARRA project is used by States for meeting the reporting requirements of Sections 1201

and 1512. In order to fulfill reporting obligations, the State must collect and analyze certain employment data for each ARRA funded contract.

Maintenance of Effort: Within 30 days of enactment, Governor to certify that State will maintain own funding for highway projects; identify amount of funds State plans to expend from non-Federal sources between date of enactment and 09/30/2010. If unable to maintain level of effort certified, then State prohibited from receiving additional limitation via August Redistribution for FY 2011

FTA Specific Requirements

Monthly project-by-project reporting on implementation milestones, funding amount, and job creation is required. Two standard FTA Team system reports, Financial Status Report and Milestone Progress Report, are required within 10 days of the end of the quarter. Section 1201 (c) and Section 1512 (c) Grantee Reports are also required.

FAA Specific Requirements

FAA requires Reports on Use of Funds, including total ARRA funds received, amounts expended or obligated to projects, detailed list of projects (name, description, evaluation of completion status, estimate of jobs created and retained, purpose, total cost, funding rationale, contact person), detailed information on subcontracts or subgrants awarded by sponsor including data elements required by Federal Accountability and Transparency Act of 2006.

3. Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated.

FHWA Specific Requirements

FHWA's eligible programs are

- Surface Transportation Program (23 U.S.C. 133(b))
- Passenger and freight rail transportation and port infrastructure projects (23 U.S.C. 601(a)(8))

All standard Federal requirements and processes for eligibility of federal aid transportation funding apply, including

- Planning Requirements - The applicable planning and conformity requirements must be met prior to authorization/obligation of ARRA funds on a project.
- Environmental Clearances (NEPA, Section 1609)

- Right of Way acquisition laws
- Design
- Wage Rates (Section 1606)
- Buy American (Section 1605)
- DBE regulations (Section 1101B of Public Law 109-59)
- Competitive procedures (Section 1554)

FTA Specific Requirements

Program funds may be used for capital projects only.

GDOT can use 15% of Section 5311 program funds (about \$3 million) for administrative purposes, for assisting with grants and project management.

All funded projects will have to be approved in the STIP/MPO's TIP.

FAA Specific Requirements

FAA has identified a candidate pool of the highest priority projects by Region. FAA Regional/District Offices will confirm funding of highest priority projects that can meet time deadlines. FAA will only award grants to "shovel ready" projects.

All normal required AIP grant documentation and filing applies to the administration of ER projects.

All normal AIP grant conditions, certifications and assurances apply, including Buy American and wage rates.

4. *Projects funded under this Act avoid unnecessary delays and cost overruns.*

FHWA Specific Requirements

Obligated balances are available for expenses incurred until September 30, 2015, when any remaining balances will be canceled.

FTA Specific Requirements

Currently, no required completion date for projects, but recommends priority for projects that can be completed w/in 3 yrs (Feb 17, 2012)

FAA Specific Requirements

Priority consideration must be given to those projects that can be awarded within 120 days (June 17, 2009) and that can be completed w/in 2 years.

5. Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

OMB Policy Goals

1. Develop selection criteria for merit-based decision making in committing, obligating or expending funds under the Recovery Act.
2. Optimize economic activity and the number of jobs created or saved in relation to the Federal dollars obligated; and achieve long-term public benefits by investing in transportation.
3. Support projects that ensure compliance with equal opportunity laws and principles, support small businesses including disadvantaged business enterprises, engage in sound labor practices, promote local hiring, and engage with community-based organizations.

SCHEDULE OF 2008 GDOT FINANCIAL STATEMENT FINDINGS AND CORRECTIVE ACTION PLANS

| Finding Description | GDOT Response |
|---|--|
| <p>Improper revenue recognition criteria were utilized by GDOT that resulted in improper advanced construction projects being initiated prematurely</p> | <p>State general funds will continue to be booked quarterly. Unappropriated general funds will be tracked in a contra account. The yearly motor fuel appropriation will be booked in total during the month of July to create a reconciling item when balancing the general ledger. To ensure that recorded revenues do not exceed available funds, GDOT will contact GSFIC and SRTA to inquire about available funding prior to accruing revenue for GARVEE and GO Bonds proceeds each quarter and at year end. To ensure that recorded revenues do not exceed the federal obligation limitation ceiling, GDOT will record revenues when qualifying statutory expenditures are recorded. In order for AC projects to comply with the Constitution of the State of GA, GDOT will ensure sufficient unobligated State Funding s on hand at the time the contracts are executed.</p> |
| <p>GDOT general ledger was materially misstated and was not suitable for day-to-day management</p> | <p>State general funds will continue to be booked quarterly. Unappropriated general funds will be tracked in a contra account. The yearly motor fuel appropriation will be booked in total during the month of July to create a reconciling item when balancing the general ledger. To ensure that recorded revenues do not exceed available funds, GDOT will contact GSFIC and SRTA to inquire about available funding prior to accruing revenue for GARVEE and GO Bonds proceeds each quarter and at year end. To ensure that recorded revenues do not exceed the federal obligation limitation ceiling, GDOT will record revenues when qualifying statutory expenditures are recorded. In order for AC projects to comply with the Constitution of the State of GA, GDOT will ensure sufficient unobligated State Funding s on hand at the time the contracts are executed. Reimbursement funds will be tracked in contra accounts (memo accounts) in the same manner as the general fund. The Office of Internal Audits will test the general ledger on a regular basis. Post closing adjustments and audit adjustments will be forwarded to the Office of General Accounting to be entered into People Soft. GDOT is in the process of implementing a financial reporting unit within the Office of General Accounting who will be responsible for preparing financial statements on a regular basis.</p> |

| Finding Description | GDOT Response |
|--|---|
| GDOT sub-ledgers at the 'fund source' level were not properly maintained | GDOT has engaged an outside consulting firm to work with the Office of Financial Management and the Office of General Accounting on the preparation of a Project Costing to General ledger reconciliation at the funding source level within PeopleSoft. Also within the scope of the engagement is correcting funding source errors currently found in PeopleSoft. |
| GDOT's general ledger did not contain a 'contingency reserve account' that would measure and report the estimated future costs associated with on-going projects | Project Managers are now required to incorporate contingencies into estimates for all project phases. These contingency amounts will be reserved for each project phase. For projects under construction prior to this requirement, contingency amounts will be reserved from FY 2009 funding. For projects under construction and less than 50% complete, the contingency will be added to the individual project budgets. For projects under construction that are greater than 50% complete, the contingency reserve will be maintained as a lump sum and applied to projects on an as needed basis. |
| GDOT did not properly monitor the status of outstanding contractual obligations | The current PeopleSoft queries, which are available to all State agencies, do not provided the information being requested. GDOT staff is currently working with the project team hired for the Project Costing upgrade to create queries that will assist with purchase order monitoring. |
| GDOT's contractual liabilities (encumbrances) were understated due to two pricing indices included in construction contracts | GDOT has implemented procedures to ensure that contractual liabilities due to Asphalt Cement Price and Fuel Price Indices are limited to a maximum and are included in project budgets both retrospectively and prospectively. The maximum exposure due to the Asphalt Cement Price Index is being amended in to all active project budgets where there are associated quantities left in the contract. All active contracts are being amended to include a 125% maximum cap on increases in fuel costs. Additionally, this financial exposure is being budgeted in the project budgets. Beginning with the July 2008 letting, procedures were in place in which contractual liabilities associated with the indices maximums are established for all applicable contracts and added to project budgets at the time of award. |

| Finding Description | GDOT Response |
|--|---|
| Budget amendments were submitted and approved that erroneously increased GDOT's annual operating budget | The Department has implemented procedures to ensure budget amendments are supported by actual revenues and/or currently available grant awards. Any budget amendments submitted to the Office of Planning and Budget will be fully supported by accompanying documentation to verify the funding availability. |
| Material weaknesses in internal control were noted regarding the GDOT's ability to record, process, and report contractual obligations and supplemental agreements | The Office of General Accounting has implemented procedures to ensure contractual obligation and supplemental agreements are recorded in PeopleSoft upon receipt. |
| GDOT did not maintain adequate accounting records at the legal level of budgetary control as prescribed by the Appropriation Act | The Department is currently identifying and implementing measures to ensure revenues and expenditures are recorded accurately on the appropriate fund source and program. Further, the Department is undergoing a process review within the financial areas to identify areas for training opportunities. The process for recording revenues and expenditures correctly has already been identified as an area for additional training. To support this training, budget comparison reports will be reviewed on a bi-monthly basis to ensure that activity at the fund source level within programs is accurate. Finally, financial statements reporting at the legal level of budgetary control will be provided to the State Transportation board on a monthly basis. |

SCHEDULE OF FY 2009 TRANSIT AUDIT FINDINGS AND CORRECTIVE ACTION PLANS

| Finding | Recommendation | Response |
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| <p>During our review and testing of the FSRs, we noted that GDOT has: 1) Reported its financial activities on a cash basis instead of the required accrual basis for reporting purposes and 2) Inaccurately reported the timeframe for its financial activities by one month (i.e., data for September 2008 thru November 2008 was included in a report which stated the data was for October 2008 thru December 2008).</p> | <p>GDOT should prepare its FSRs on an accrual basis (identifying and reporting valid obligations/ encumbrances) in conformity with FTA requirements. In addition, GDOT should prepare its FSRs using the FTA-designed calendar quarter-ending period instead of the one-month lag currently being used.</p> | <p>We concur with the finding. 1. The Georgia Department of Transportation (GDOT) will be working with procurement to get the necessary PO encumbrances. Fiscal Services will input the funding in to the FSR module which will capture the cumulative funds. GDOT will be working with IT to update the FAS module to illustrate the actual encumbrances. All financial activities henceforth shall be reported when funds are encumbered not when obligated. GDOT will be working with IT to update and expand the FAS module to illustrate the actual encumbrances to complete this within the next 60 days. 2) GDOT has already corrected the FSR for the quarter ending March 31, 2009 in capturing the quarter ending period instead of the one month lag. We anticipate our consultant to evaluate the needs for the FAS in the 60 day period. However, the upgrade for the FAS software will take some additional time.</p> |
| <p>GDOT through its field Public Transportation Coordinators (PTCs), who are responsible for the primary oversight and monitoring function for GDOT's 5311 Sub-grantees, is not adequately monitoring the program and financial management activities.</p> | <p>GDOT should make organizational changes to ensure that PTCs are being hired and managed by the Intermodal Department, for whom they primarily benefit. GDOT should develop appropriate policies and procedures to accomplish the program objectives and also develop program measures for this function to ensure the required monitoring of SGs and TPOs occurs effectively.</p> | <p>We concur with the finding. The GDOT is in the process of engaging a consultant who will develop specific procedures and policies for the implementation of the rural public transportation program. These procedures and policies will assist the PTCs to ensure that all SGs and TPOs are monitored effectively. GDOT will also address the issue of the management of the PTCs within the organization. The anticipated completion of these tasks is 90 days.</p> |

| Finding | Recommendation | Response |
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| <p>GDOT's 5311 Sub-grantees (SGs) do not have adequate supporting documentation for pass-through reimbursement requests submitted to GDOT.</p> | <p>To ensure that effective monitoring over SG and TPO activity is occurring, GDOT should develop processes for PTCs to monitor the SGs and TPOs. These processes should include the following: 1) Create standardized reimbursement reporting packages that should be submitted consistently and timely and based on accurate and reliable support. GDOT should consider augmenting its current support with SGs, to include periodic training sessions which encompass a broad familiarity with the accounting and reporting functionality of SG and TPO accounting for FTA-reimbursed expenditures. 2) All labor costs associated with specific grants are properly and accurately accounted for. In conjunction with its monitoring functionality, GDOT PTCs should:</p> <p>a) Employ cursory reasonableness checks to ensure that inordinate circumstances, such as those that underlie an unreasonable ratio of regular hours to overtime hours, are not occurring frequently. These types of instances could also be detected by comparisons of total labor dollars from period to period.</p> <p>b) Ensure that relevant SG and/or TPO labor costs are reasonably allocated, and where applicable, based on a rational basis, such as a time study analysis. This helps to ensure that all appropriate labor costs associated with administering a grant are properly captured and allocated</p> | <p>We concur with the finding. 1. GDOT is in the process of developing necessary templates for standardized reimbursement reporting based on accurate and reliable support documentation. GDOT will provide "training sessions" for PTCs at least twice a year beginning this fall to ensure that they are familiar with the accounting and reporting functionality for FTA reimbursed expenditures. This will include submitting reimbursements along with supporting/source documents on a monthly basis. 2. GDOT will retain a consultant within the next 30 days to assist with resolving the FMO findings including training of the PTCs to identify labor costs associated with the FTA regulations, employ reasonableness checks for total labor dollars from period to period and to ensure that labor costs are reasonably allocated. Our SG'S will be required to submit reimbursements along with supporting/source documents monthly. GDOT will begin this process in the fall of 2009.</p> |
| <p>GDOT's 5311 Sub-grantees are not complying with specific program requirements, such as, charter service, Section 5310 services in relation to Section 5311 vehicles, inappropriate contracting, local matching requirements, and personal use of</p> | <p>1) GDOT should begin a comprehensive review of all SGs to verify proper matching requirements are occurring, In cases where ineligible funding has been used for matching, specific analysis should be provided to quantify the shortfalls and arrangements be made to reimburse the FTA for ineligible uses of the FTA funds. In addition, GDOT should ensure that all of its SGs are aware of, and compliant with FTA</p> | <p>We partially concur with the finding. In order to improve and correct FTA program requirements, GDOT will initiate the following: 1. Begin a comprehensive review of all SGs to verify proper matching requirements with FTA funds. To assist with this, the PTCs will receive semiannual training on this issue beginning this fall. Incidentally, using purchase of services revenue as local match is allowable by FTA. See Circulars: .9070.1e pgs. 111-6&7, 9070.1e pgs. 11-4, 49</p> |

| Finding | Recommendation | Response |
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| vehicles | <p>regulations, relative to Federal and Local Matching Requirements.</p> <p>2) GDOT PTCs should monitor all of its SGs and TPOs to ensure compliance with the current FTA requirements. This includes ensuring that GDOT Intermodal Management, GDOT PTCs, SGs and TPOs are familiar with all implications of the new Charter Rule, which clearly defines “charter service” and the circumstances which allow for valid charter service.</p> <p>In addition, through its monitoring, GDOT should ensure that all private charter operators for its SGs are registered on FTA’s Charter Registration Website, which is a requirement of the new ruling.</p> <p>3) Since many of GDOT’s SGs/TPOs provide “human services” transportation to their rural public transit areas, such as services for the elderly, disabled and low-income persons, we recommend that GDOT have all of its providers within its six (6) public transit districts of Georgia reviewed to determine where such services are extant or plan to be. All SGs that receive 5311 and 5310 program funds must develop and submit to GDOT for approval a “transportation plan” through a coordinated local planning process.</p> <p>4) All contracts should be monitored, maintained and updated on a current and consistent basis. Where a contract for services is contingent based on grant income for the SG, a review of the overall contract and compensation paid to that contractor should occur, and potential inappropriate uses of grant funds should be reimbursed to the FTA.</p> | <p>CFR part 18 & 19. 2) Ensure that PTCs monitor their local SGs and TPOs and make sure that all FTA regulations are followed. GDOT has included specific language in the Section 5311 Administrative Guide relative to the charter rules which clearly discourage SGs from engaging in charter service. 3) GDOT and the Georgia Department of Human Resources (DHR) that administers the Section 5310 program coordinate with the human service transportation services. DHR purchases service from the Section 5311 providers which is an FTA approved policy. GDOT has been involved also in the preparation of coordinated human service transportation plans and these documents are used to project future programs under the JARC and New Freedom Programs. 4) All contracts will be monitored by the PTCs to ensure that only those programs that are eligible for funding under the FTA program including consultant services contracts are funded and reimbursed. 5) All future contracts with consultants shall be reviewed by GDOT to ensure that compensation arrangements will be based on a reasonable, predetermined basis.</p> |

| Finding | Recommendation | Response |
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| | <p>5) Compensation arrangements with outside consultants should be contracted based on a reasonable, predetermined basis.</p> <p>6) A formal policy, inclusive of driver orientation and stringent allowability requirements, should be developed governing the circumstances that allow drivers to take service vans home during off hours. In addition, mileage and fueling documentation should be maintained and monitored consistent with normal procedural requirements. The policy should clearly delineate disciplinary actions for cases where violations occur. Finally, SGs and TPOs should confer with their respective insurance providers to ensure adequate coverage for instances where drivers are allowed to take vehicles home during off-duty hours.</p> | <p>GDOT will ensure immediately that all subcontracts are reviewed before they are executed by the SGs or TPOs. 6) GDOT's will ensure that local SGs have policies and procedures in place governing any driver's ability to take home FTA sponsored vehicles during off-duty hours. This will be implemented immediately.</p> |

| Finding | Recommendation | Response |
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| <p>GDOT has three separate accounting systems to manage its financial grant activity. It does not have a process in place to reconcile these three systems and ensure consistent and accurate financial data.</p> | <p>GDOT should develop a process to reconcile all accounting databases monthly. Recommend that GDOT have all of its providers within its six 6) public transit districts of Georgia reviewed to determine where such services are extant or plan to be. All SGs that receive 5311 and 5310 program funds must develop and submit to GDOT for approval a “transportation plan” through a coordinated local planning process.</p> | <p>We agree with this finding. 1) The Contracts and Fiscal Services Branch will work together with the Budget Office to reconcile the information in FAS, People Soft and TEAM. These activities will be done on a monthly basis beginning July 1, 2009. 2) The Office of General Accounting does not perform a full-scale monthly reconciliation between CPL and PeopleSoft; however, reconciliations are routinely performed usually monthly on each project at the time of payment. This process is also performed as change orders (supplemental agreements and modifications) are received throughout the year and over the life of the project. In addition, during the final closeout process, each project is thoroughly reviewed to insure that obligations to all concerned are satisfied. We do agree that this method may allow discrepancies to be resolved in a less than a favorable period. General Accounting is developing a report to assist in reconciling the CPL to PeopleSoft by June 30th. It will consist of criteria directly related in the areas needed to form a more thorough reconciliation in the time frame required. The Department is in the process of obtaining through our Office of Information Technology and the State Accounting Office the necessary queries and reports to insure that a full-scale monthly reconciliation can be completed as recommended.</p> |

| Finding | Recommendation | Response |
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| | | <p>On July 1, 2009, The Georgia Department of Transportation (GDOT) will begin using a redesigned version of PeopleSoft 9.0. The redesign focuses on the Commitment Control (KK) and Project Costing (PC) modules, but impacts the functionality of all modules currently used by GDOT. Through the KK module, project budgets can be set, tracked and controlled by PeopleSoft. This will greatly minimize the chance of overspending on projects. Also through the KK module, an interface from KK to PC will establish project allotments. Allotments will no longer require manual entry. By using the interface, there will always be consistency between the project budget in KK and the project allotment in PC. In the Project Costing module, at project set up, edits can be put in place to control which offices can and cannot charge to a project. By using the edit function, managers can better control their budgets and monitor the charges being applied to their budgets. For project managers, a special project inquiry page was developed to allow managers to review project balances, purchase order information, accounts payable vouchers, and in-house labor charges all from this one origination point. The project inquiry page will give managers the tools they need to more effectively manage the projects and budgets.</p> |
| <p>GDOT lease agreements with two intercity bus providers allow for multiple routes across multiple state lines, one of which does not have any stopping points in the State of Georgia.</p> | <p>We recommend that GDOT advise their inter-city bus providers to discontinue the use of FTA-funded 5311(f) vehicles on routes that do not comply with the FTA requirements, and mandate that the quarterly reports, required by the contract between GDOT and the 5311f Contractors, are submitted to GDOT on time.</p> | <p>We do not concur with this finding. GDOT has reviewed its internal documentation, and contacted its two intercity bus operators. Our intercity bus operators are not making routine trips outside of reasonable "interstate" boundaries that are not permissible under the FTA regulations. Both Greyhound Lines, Inc. and Southeastern Stages, Inc. have submitted their "Quarterly Service Reports" on a regular basis which at the time of request could not be found. However, both intercity bus providers provided us with duplicate copies of the reports and these files have been provided to the review team. As a result, we have come to the conclusion that we are in compliance with all FTA regulations relating to the intercity bus program. GDOT will be glad to provide any additional documentation to support this decision.</p> |

| Finding | Recommendation | Response |
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| <p>GDOT has three electronic systems that it uses to manage grant data, in addition to over 100 Sub-grantees who provide financial data that impacts the real time budget control of GDOT's FTA-funded grants. GDOT does not have adequate processes and/or procedures in place to assimilate, analyze and monitor this data to ensure proper budget controls.</p> | <p>GDOT should develop procedures and/or processes to ensure that monthly reviews of SG budget to actual figures are being consistently reviewed, analyzed and if needed investigated on a monthly basis. Failure to rectify this condition can result in significant financial transactions that would only be realized (from the oversight perspective) once the reimbursement form is submitted. In conjunction with this recommendation, GDOT should develop procedures to ensure that when the monthly budget variance reports are completed there is a process to record the findings of that analysis and the subsequent investigation, if required.</p> | <p>We concur with this finding. GDOT is in the process of developing necessary templates for standardized reimbursement reporting based on accurate and reliable support documentation. GDOT will provide "training sessions" for PTCs and SGs at least twice a year beginning this fall to ensure that they can be familiarized with the accounting and reporting functionality for FTA reimbursed expenditures. 2. GDOT will retain a consultant within the next 30 days to assist with resolving the FMO findings including training of the PTCs, employ reasonableness checks for total labor dollars/hours from period to period and to ensure that labor costs are reasonably allocated. In order to improve and correct FTA program requirements, GDOT will also ensure that PTCs monitor their local SGs and TPOs and make sure that all FTA regulations are followed and are complied with.</p> |
| <p>GDOT does not have an adequate management framework including; policies and procedures, organizational assignment of responsibility, individual job descriptions, matching functions and related methods to measure performance and to ensure adequate grants management and the proper use and safeguarding of FTA funds</p> | <p>GDOT should develop effective internal controls that support an agency-wide consciousness that permeates each level of its organizational structure from senior management to its monitoring of SG activity. As noted in Section IV.2 of this report, GDOT has an internal audit department that began in August of 2008. This represents an effective complementary internal resource for GDOT in assisting in the continued development of internal controls. The department is in the process of establishing policies and procedures, while already working on a backlog of needed audit work. The internal audit department needs to be incorporated into GDOT's oversight and monitoring process for grants management, and specifically for sub-grantee management. In addition, through discussions with senior management, GDOT has been in planning to develop a Grants</p> | <p>We concur with this finding. GDOT is in the process of retaining a consultant to address the assignment of duties including the PTCs in the Division of Intermodal Programs. This study is to begin in the next 30 days. We will also conduct spot checks of the SGs using tiers of risks such as High Risk, Medium Risk and Low Risk in conducting at least one audit in each of the GDOT District Offices per year to begin this fall. SG's identified as High or Medium Risk will be visited frequently. Another mechanism that GDOT will incorporate is to tie employee's responsibilities and performance directly to his or her Performance Management Form. This will be completed upon the completion of the organizational changes this fall. The creating of the new Internal Audit Department will provide the Intermodal Division with much assistance in internal controls, monitoring process for grants management and subgrantee management.</p> |

| Finding | Recommendation | Response |
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| | <p>Management Department. If this remains to be a priority for GDOT, further delineation and implementation of such a department's functionality, duties and mission could provide more strategic resources to more effectively manage grants and SG activity.</p> | |

| Finding | Recommendation | Response |
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| <p>Neither GDOT, nor its sub-grantees, have adequate processes in place to record, allocate and charge payroll costs in compliance with applicable FTA regulations.</p> | <p>We recommend that the Intermodal Department charge labor costs to the grants in a manner that is compliant with FTA regulations. The labor costs should either be charged to the grants utilizing itemized timesheets or using a labor allocation based upon a time study.</p> <p>GDOT sub-grantees should be provided with training regarding the charging of labor to grants. In conjunction with the training, GDOT should also provide (either through the PTCs or the Intermodal Department) clear and concise written procedures to assist the sub-grantees in charging labor to the grants in a manner which will ensure numerical accuracy, FTA compliance, accounting appropriateness and region-wide uniformity.</p> <p>Labor costs charged by GDOT to FTA grants should only include actual labor costs. Any other charges, in this case, specifically travel expenses, should be charged to the grant in the appropriate non-labor category. The current process creates doubt as to the accuracy of the figures categorized as labor that are charged to the grant. This can result in misstatements and possible inadvertent violation of grant requirements and financial reports.</p> | <p>We concur with this finding. 1) GDOT will begin charging labor costs to the grants to be in compliance with FTA regulations. 2) GDOT segregates labor cost and travel by account code. Labor related costs are recorded in GDOT's accounting system (PeopleSoft) using the account codes listed below.</p> <p>510000 Regular Salaries 510002 Annual Leave 510003 Other Supplemental Pay 511000 Overtime 512000 Permanent Hourly Labor 513000 Temporary/Casual Labor</p> <p>Travel expenses are recorded in the account codes in the 640000 series. Labor and travel costs are allocated to grants based on project number; however, the type of expense remains segregated by account code. GDOT will also create a new template and provide training to the PTCs to ensure compliance to record, allocate and charge payroll costs.</p> |
| | | <p>3) GDOT will prepare procedures and policy to assist the PTCs and SGs in charging labor to the grants to ensure FTA compliance and region-wide uniformity. 4) GDOT will request information from other states and FTA to assist with charging of actual labor costs and non-labor costs. To identify labor costs associated with the FTA regulations, employ reasonableness checks for total labor dollars from period to period and to ensure that labor costs are reasonably allocated. GDOT will begin this process in the fall of 2009 and will work on an indirect cost plan for submission to FTA for approval to reflect certain labor functions.</p> |

| Finding | Recommendation | Response |
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| <p>GDOT did not maintain adequate procurement history for several key contracts. In addition, it lacks the required procurement-specific code of ethics.</p> | <p>GDOT should prepare a procurement file for the contracts awarded to its Inter-city Bus Providers. In addition, GDOT should ensure all contracts awarded in the future have a file detailing the history of the procurement. Additionally, GDOT should develop and implement an Ethics policy for employees involved in the Procurement process.</p> | <p>We concur with this finding. 1. GDOT will prepare a consolidated procurement file immediately for the intercity bus purchases. 2) The Office of Operational Purchasing implemented a new data base/application on May 01, 2009 that tracks all activities from the receipt of a requisition to the execution of the contract therefore creating a historic record of each contract. A corresponding hard file is created by the Contracts Specialist once the requisition has been assigned. 2. A section for the Code of Ethics along with a conflict of interest statement will be created within 60 days. The conflict of interest statement will be signed by all procurement staff and placed in their personnel file.</p> |
| <p>GDOT does not have written policies and procedures for general accounting, grant accounting and sub-grantee oversight and monitoring.</p> | <p>GDOT should develop a policy and procedures manual for employees in the Contracts & Fiscal Services Department and the General Accounting Office. The current Financial and Accounting System (FAS) manual utilized in the Contracts & Fiscal Services Department could be used as a benchmark reference from which to develop a more comprehensive policy and procedures manual, especially since this document needs to be updated.</p> | <p>We concur with this finding. With the new consultants to be hired, the available written policies and procedures for the Department will be reviewed and evaluated for applicability to the operations of the Intermodal Division. The consultant will incorporate the appropriate policies and procedures into the transit procedures manual. GDOT's General Accounting Office has the policy and procedures manual entitled <u>Manual for Consultant Procurement & Contract Management</u> which is attached with this document.</p> |
| <p>GDOT's Fiscal Services Department does not consistently close out grants in a timely manner. As part of this weakness, GDOT does not ensure that its' SG's have processes in place to initiate grant closeouts.</p> | <p>GDOT should ensure that project closeouts are initiated by its SG's within 90 days after all funds are expended and/or all work activities for the project are completed. In addition, GDOT should similarly initiate a program of project closeout with the FTA within 90 days after all work activities for the program of projects are completed.</p> | <p>We concur with the first statement. With GDOT's assistance we will begin immediately a process to close out TEAM grants as soon as possible and meet FTA's guidance in the number of open TEAM grants. We do not agree with the second statement. GDOT already has a procedure to ensure that contracts are closed by SGs within 90 days after all funds are expended. These procedures are included in our state contracts as well as in our Administrative Guides. GDOT staff will provide progressive oversight to the SGs to encourage timely purchasing of affected line items with submission of invoices for drawdown and close-outs.</p> |

| Finding | Recommendation | Response |
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| <p>Buses and other service vehicles purchased by GDOT for the 5311 and 5311(f) Programs are not maintained in the accounting records of either GDOT or its sub-grantees as fixed assets, nor are they being physically inventoried on a biennial basis.</p> | <p>GDOT should evaluate and redesign its procedures over FTA-funded fixed assets in order to more effectively account for 5311 SG revenue vehicles and 5311(f) inter-city vehicles. These assets need to be properly reflected in the accounting records of either GDOT or its SGs/TPOs. GDOT Intermodal Management, along with GDOT's Internal Audit Department, should ascertain the proper accounting for its FTA-funded vehicles and provide final accounting disposition, relative to GDOT's and/or its SG's/TPO's financial records. GDOT should ensure that a complete physical inventory is performed on all 5311 buses and PTCs should ensure that SG and TPO service vehicles acquired with FTA funds are subsequently physically inventoried on a biennial basis. This would help to mitigate the potential for revenue vehicles to be at-risk.</p> | <p>We do not have enough information to determine whether this finding is accurate. However, GDOT will investigate the best alternative for the Section 5311 fleet as currently listed in the accounting records. Our consultant will look at the best option for either listing these assets at the local level or at the state DOT level and prepare a policy for recording of the fixed assets. This will be completed by this fall.</p> |
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| <p>GDOT is currently in the design phase of a large commuter rail project. GDOT does not have adequate policies and procedures and other technical resources in place to properly administer the grant management portion of this large project.</p> | <p>GDOT needs to design and implement improved processes for project management. Additional and periodic training, relative to project management, as well as the consideration of support from potential external resources and expertise, would help to augment GDOT's project management for its current rail project, as well as future projects, especially those of a significant scope and magnitude.</p> | <p>We do not concur with this finding. While GDOT does not have the technical in-house staff to design and or operate a commuter rail system, it has contracted for those services in the past and will again do so as the project advances. With regard to managing the actual grant, GDOT staff will be available to carry out those requirements based on the procedures manual which is being developed.</p> |

| Finding | Recommendation | Response |
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| <p>GDOT has an Internal Audit Department that began in August of 2008. The department has developed an “Audit Plan” and is in the process of establishing policies and procedures, while already working on a backlog of needed audit work. The Internal Audit Department needs to be incorporated into GDOT’s oversight and monitoring process for grants management, and specifically for sub-grantee management</p> | <p>GDOT needs to continue to develop and utilize its Internal Audit Department. An Internal Audit function represents an integral internal component and resource within an organizational structure. Especially during times of growth and transition, when these resources are available, they should be leveraged in order to assist the Board and Management in integrating and monitoring effective internal controls, as well as helping to achieve organization objectives.</p> | <p>We concur and will continue with the development of the GDOT Audit Department.</p> |