

December 18, 2018



AGENDA ITEM 7 A

**FY 2017 CRTPA FINANCIAL STATEMENTS
FDOT PROGRAM AUDIT**

TYPE OF ITEM: Approval

STATEMENT OF ISSUE

The purpose of this item is to review two audits performed over the past few months:

- FY 2017 CRTPA Financial Statements – For the period October 1, 2016 – September 30, 2017. Included are the opinion of the external auditors related to the statements presented, their management letter, and the auditors’ reports on compliance and internal controls. Thomas Howell Ferguson performed the audit for the CRTPA.
- FDOT Office of the Inspector General (OIG) Program Audit – For the period July 1, 2016 – December 31, 2017. This audit was performed to determine if the agency complied with federal, state and contractual requirements for accurate fiscal and programmatic management over grant funds.

Staff from Thomas, Howell and Ferguson and City of Tallahassee Financial Services will be on hand for questions related to the FY 2017 Financial Statements and FDOT OIG staff will be on hand for questions related to Program Audit.

RECOMMENDED ACTION

Option 1: Accept FY 2017 CRTPA Financial Statements
(No action required on the FDOT Program Audit)

Option 2: As desired by the Board

HISTORY AND ANALYSIS

FY 2017 CRTPA Financial Statements

Each year the CRTPA performs a financial audit as required by our FDOT grants. The Financial Statement Findings are as follows:

2017-001 – Untimely Remittance of Reimbursement Requests (Material Weakness)

Criteria: Capital Region Transportation Planning Agency has a number of grants funded by the U.S. Department of Transportation and passed through the Florida Department of Transportation, which are eligible for reimbursement as costs are incurred. A review of the grant agreements noted that reimbursement requests are required either monthly or no less frequently than on a quarterly basis.

Condition: During audit procedures, we reviewed and tested a number of reimbursement requests. We noted that the requests are not being submitted in a timely manner, and in most instances, they were noted as submitted between four to nine months following the end of the respective quarters for which they are seeking reimbursement. Reimbursement requests for the Federal Transit Metropolitan Planning grant were not billed for the entire fiscal year. Additionally, reimbursement requests for the Transportation Disadvantaged (CTD) Planning grant, which began on July 1, 2017, have also not been submitted.

Cause: Reimbursement requests are not being submitted in a manner consistent with CRTPA's disbursement of funds for expenditures already incurred. Audit findings related to the untimely remittance of reimbursement requests have been reported as finding 2016-002 in the preceding fiscal year and finding 2015-002 in the second preceding fiscal year.

Effect: Because the requests are not being submitted on a timely basis, CRTPA is also not being reimbursed timely for their disbursement of funds for payments of services already provided. Failure to submit these reimbursement requests ultimately negatively impacts the cash flow of the CRTPA, resulting in cash advances from the City of Tallahassee, and could potentially result in the loss of any remaining unbilled funding from the Florida Department of Transportation as the grantor or pass-through agency, or possible termination of their agreements, for failure to comply with the terms and conditions.

Recommendation: CRTPA should consider hiring an accountant that has the necessary experience, knowledge, and time required to handle grants management, to include the timely completion of the billing process. The recommendation to hire an accountant is also made in finding 2017-002 and 2017-004.

Management Response:

The CRTPA and Financial Reporting staff has made significant progress over the past few months addressing the issue of late invoicing. As of August 8, 2018, all Federal Highway Administration (FHWA) funded grants as well as Transportation Disadvantaged grants have been invoiced and are up to date. We anticipate having all Federal Transit Administration grants up to date no later than September 15, 2018.

We have established a goal to have invoices submitted to their respective grant agency within 45 days after the close of the quarter. Progress towards this goal will be monitored by the

Executive Director and the assigned City of Tallahassee Senior Accountant to ensure compliance.

Prior to March 31, 2019, will evaluate the effectiveness of the procedures currently in place to determine if additional staff are necessary.

2017-003 – Use of an Indirect Rate (Material Weakness)

Criteria: Per 2 C.F.R., Section 200.331(a)(4), to charge an indirect cost rate to a grant, the rate must either be an approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient or a de minimis indirect cost rate of 10% as defined in Section 200.414 Indirect (F&A) costs, paragraph (b).

Condition: CRTPA utilized an indirect cost rate of 20.87% of total direct grant salaries, which was not approved by the grantor agency, U.S. Department of Transportation, or the pass-through entity, Florida Department of Transportation.

Cause: Lack of grants management experience in the use of the Unified Planning Work Program (UPWP) resulted in an indirect cost percentage that was incorporated into the UPWP, but was not formally approved by the grantor agency. The Florida Department of Transportation confirmed the indirect cost rate used was not approved. Use of the unauthorized rate did not result in questioned costs due to the differences in the base costs used in the different methodologies.

Effect: Noncompliance with 2 C.F.R., Section 200.331(a)(4).

Recommendations: CRTPA should negotiate an indirect cost rate with the grantor or charge the de minimis indirect cost rate of 10% of modified total direct costs.

Management Response:

We have discontinued the use of the indirect cost rate effective July 2018.

2017-004 Accounting Staff (Significant Deficiency)

Criteria: Capital Region Transportation Planning Agency's management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America. Additionally, CRTPA has a number of grants funded through federal and state agencies and CRTPA must comply with federal and state laws and regulations, provisions of grant agreements, and accounting and reporting requirements associated with such grants. Professional auditing standards confine the functionality of the auditor to the audit of, rather than the preparation or determination of year-end balances; therefore, the audit process itself should not be relied upon to identify required adjustments to year-end balances.

Condition: During the audit, we identified numerous accounting errors that required adjusting journal entries. We noted that grant billings were not identified and invoiced in a timely manner. In addition, amounts due from member counties related to both the prior year and current year annual true-up of actual revenues and expenses had not been billed to the member counties. We also noted reconciliations of significant due to and due from accounts with the City of Tallahassee and Leon County were not timely performed, and CRTPA's cash balances were not actively monitored during the year.

Cause: Currently, CRTPA does not have the staffing to perform its required accounting, financial reporting and grants management duties. These responsibilities have been assigned to the City of Tallahassee's Financial Services Division, which does not have adequate resources to perform these duties on behalf of CRTPA. Audit findings related to financial reporting and staffing have been reported in the Management Letter as finding 2016-003 in the preceding fiscal year, finding 15-02 in the second preceding fiscal year, and finding 14-02 in the third preceding fiscal year.

Effect: As a result of not having adequate accounting resources, CRTPA was not able to perform timely and accurate accounting, financial reporting and grants management duties.

Recommendation: CRTPA should consider hiring an accountant with the skills, experience, and knowledge to perform accounting, financial reporting and grants management duties. The recommendation to hire an accountant is also made in finding 2017-001 and 2017-002.

Management Response:

See response to 2017-001.

FDOT OIG Audit

The FDOT audit was received by the CRTPA staff on November 30. Some Management Responses are under development.

The Florida Department of Transportation's (department) Office of Inspector General (OIG) conducted an audit of the Capital Region Transportation Planning Agency (CRTPA or agency), a District 3 (district) subrecipient of the department, to determine if the agency complied with federal, state and contractual requirements for accurate fiscal and programmatic management over grant funds.

The scope of this engagement included Federal Transit Administration (FTA) and Federal Highway Administration (FHWA) funded contracts and reimbursements made to the CRTPA from July 1, 2016, through December 31, 2017.

Issues Identified

Governance. The CRTPA’s Board of Directors board needs to strengthen its governance over fiscal activities. The CRTPA management team needs to establish adequate fiscal procedures and hire a person of appropriate skills and experience to perform required fiscal duties.

Management Response: Under development

Financial Management System. CRTPA did not maintain an adequate financial management system (defined as all processes, both automated and manual, used to meet federal recordkeeping requirements).

Management Response: Under development

Indirect Costs and Staff Services Agreement. The Staff Services Agreement between the City of Tallahassee and CRTPA did not clearly define the terms for determining amounts owed by CRTPA. Instead, the city provided CRTPA with an annual indirect rate calculation unsupported by a written methodology. CRTPA charged this rate to the department as if it were its own rate, while direct charging other, internally incurred administrative costs.

Management Response: Effective July 1, 2018 the CRTPA eliminated the Indirect Cost rate. The Staff Services Agreement will be revised to establish a procedure to develop and document the rates charged for internal administrative costs (i.e. accounting, human resources, procurement etc.) on an annual basis.

Invoicing. During the audit period, the district rejected invoices submitted by CRTPA multiple times due to noncompliance, insufficient information, and incorrect data. Also, CRTPA did not submit its reimbursement requests for FHWA funds using consistent service periods (e.g., monthly or quarterly) in a timely manner.

Management Response: Over the past year, CRTPA staff has worked to address the issues related to accurate and timely billings. We have worked with the City of Tallahassee’s Department of Financial Services to improve communication and coordination as it relates to the development of invoices. This was the most significant problem that led to the issues outlined in the OIG Report. As a result, the billings for the April-June and July-September were submitted and reimbursed within the timeframes specified in the respective contracts. For the new contract period (July 1, 2018 – June 30, 2020), we have established a goal to have all invoices submitted within 45 days of the end of the quarter. This was met for the first quarter (July-September 2018) of the new contract.

In our current process, the invoices are developed by the Financial Services Department then reviewed by the CRTPA Executive Director for accuracy. The Executive Director develops the required progress reports and other required documentation then submits the invoice package back to the Financial Services Department for final review. Submittal to FDOT is coordinated so that the reimbursements can be accurately tracked when received.

Questioned Costs. CRTPA submitted reimbursement requests that included:

- \$19,118 in costs incurred prior to the execution of the MPO Agreement.
- \$1,393 in costs without sufficient supporting documentation.
- \$250 per month for an executive car allowance not supported by adequate documentation to confirm its allowability.

Management Response: The costs in question were incurred during the last two quarters of FY 2016 (January – June 2016) and were incorrectly charged to Contract GOD-29, which was effective July 1, 2016. During the final billing for GOD-29 (expired June 30, 2018) and the first billing for GOY-56 (effective July 1, 2018) charges were reviewed separately by the Financial Services Department and the Executive Director to ensure they were charged to the appropriate contract. The review included ensuring payroll is charged to the correct contract should a payroll period cover two contract periods. This will be the standard procedure for every contract transition period moving forward.

It should be noted the costs charged were all allowable costs, however, they were charged to the incorrect contract.

Timekeeping practices. CRTPA's timesheet practices did not align with the payroll policy adopted from the City of Tallahassee. Also, CRTPA did not have adequate documentation of time records.

Management Response: In July 2017, as part of an overhaul of the CRTPA's Unified Planning Work Program (UPWP), CRTPA's timesheets were revised to accurately reflect work performed under each task. Time entry was standardized to eliminate the issue of inconsistent input by employees. Timesheets were further revised in July 2018 to include a brief description of work activities for each day to ensure the correct tasks are charged.

Once input in Kronos by the Administrative Assistant, the timesheets are reviewed by the Program Manager for accuracy then approved by the Executive Director electronically.

ATTACHMENT

- Attachment 1: FY 2017 CRTPA Financial Statements
- Attachment 2: Financial Statement Corrective Action Plan
- Attachment 3: FDOT OIG Audit

CAPITAL REGION TRANSPORTATION PLANNING AGENCY

Annual Financial Statements

**For the Fiscal Year Ended
September 30, 2017**



PREPARED BY:

**Financial Services Department, Financial Reporting Division
City of Tallahassee, Florida**

Financial Statements

Capital Region
Transportation Planning Agency

*Fiscal Year Ended September 30, 2017
with Independent Auditors' Report*

Thomas Howell
 Ferguson P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Law, Redd, Crona
& Munroe, P.A.

Capital Region
Transportation Planning Agency

Financial Statements

Fiscal Year Ended September 30, 2017

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Capital Region
Transportation Planning Agency

Financial Statements

Fiscal Year Ended September 30, 2017

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Capital Region
Transportation Planning Agency

Financial Statements

Fiscal Year Ended September 30, 2017

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FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:

Independent Auditors' Report
Management's Discussion and Analysis
Basic Financial Statements
Notes to Financial Statements

Independent Auditors' Report

Members of the Board
Capital Region Transportation Planning Agency

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Capital Region Transportation Planning Agency (CRTPA) as of and for the year then ended September 30, 2017, and the related notes to the financial statements, which collectively comprise CRTPA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Capital Region Transportation Planning Agency, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplementary information on pages 40 through 46, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise CRTPA's basic financial statements. The accompanying schedule of expenditures of federal awards, schedule of findings and questioned costs, and schedule of prior audit findings as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2018, on our consideration of the CRTPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CRTPA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CRTPA's internal control over financial reporting and compliance.

 

Thomas Howell Ferguson P.A.
Tallahassee, Florida
September 4, 2018

Law, Redd, Crona & Munroe, P.A.
Tallahassee, Florida

**MANAGEMENT'S
DISCUSSION & ANALYSIS**

**CAPITAL REGION
TRANSPORTATION PLANNING AGENCY**

Management’s Discussion and Analysis

This section of CRTPA’s annual financial report is designed to provide the reader with a better understanding of the financial activity for the fiscal year that ended September 30, 2017. Notes mentioned below are Notes to the Financial Statements, which follow the statements.

FINANCIAL HIGHLIGHTS

- Total assets of \$1,095,000 increased by approximately \$175,000 and total liabilities of \$1,157,000 increased by approximately \$248,000 as compared to the prior year due primarily to an increase in amounts due from other governments and an increase in pension balances.
- Net position decreased by approximately \$58,000 during the fiscal year.
- Revenues of \$1,060,000, primarily operating grants and contributions, were received during the fiscal year, as compared to approximately \$1,188,000 of operating grants and contributions in the prior year. Expenses of \$1,118,000 primarily personnel expenses and contractual services, were incurred during the fiscal year, as compared to approximately \$1,182,000 in the prior year.

An Overview of the Financial Statements

Required Components of CRTPA’s Annual Financial Report

Management’s Discussion and Analysis

Basic Financial Statements

Government-wide Financial Statements	Fund Financial Statements
Notes to the Financial Statements	

Required Supplementary Information

The focus of the financial statements is on both CRTPA's overall financial status and the major individual funds. The following briefly describes the component parts.

GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements are designed to report information about CRTPA as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position combines all of CRTPA's current financial resources with capital assets and long-term obligations. Net position, the difference between CRTPA's assets and liabilities, is one way to measure its financial health.

CRTPA is considered a single-function government with all activities classified as governmental rather than business-type. Consequently, the government-wide financial statements include only governmental activities. These are services that are financed primarily from Federal and State grants and contributions from member governments. Business-type activities by definition include services for which specific fees are charged, which are meant to cover the cost of providing those services.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of CRTPA's funds are considered to be governmental funds. CRTPA maintains a general fund and a special revenue fund; both of which are considered major funds. The following chart describes the fund requirements:

Scope	Includes CRTPA's revenues, which are primarily from operating grants
Required financial statements	Balance Sheet, Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting basis and Measurement focus	Modified accrual accounting and current financial resources focus
Type of asset / liability information	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets are included
Type of inflow / outflow information	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table reflects the condensed Statement of Net Position compared to the prior year. CRTPA's net position decreased by approximately \$58,000 in fiscal year 2017. Total assets increased by approximately \$175,000, and total liabilities increased by approximately \$248,000.

Table 1
Statement of Net Position
As of September 30
Governmental Activities
(in thousands)

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>
Assets			
Current assets	\$ 1,084	\$ 908	\$ 176
Capital assets, net of accumulated depreciation	<u>11</u>	<u>12</u>	<u>(1)</u>
Total assets	<u>1,095</u>	920	175
Deferred outflows			
Pension related outflows	<u>235</u>	<u>202</u>	<u>33</u>
Total assets and deferred outflows	<u>1,330</u>	1,122	208
Liabilities			
Current liabilities	882	659	223
Noncurrent liabilities	<u>275</u>	<u>250</u>	<u>25</u>
Total liabilities	<u>1,157</u>	909	248
Deferred inflows			
Pension related inflows	<u>89</u>	<u>71</u>	<u>18</u>
Total liabilities and deferred inflows	<u>1,246</u>	980	266
Net position			
Net investment in capital assets	11	12	(1)
Unrestricted	<u>73</u>	<u>130</u>	<u>(57)</u>
Total net position	<u>\$ 84</u>	<u>\$ 142</u>	<u>\$ (58)</u>

CHANGES IN NET POSITION

In 2017, CRTPA's total revenues were approximately \$1,060,000, a decrease in the fair market value of investments was \$302 and expenses were approximately \$1,118,000, resulting in a decrease in net position of approximately \$58,000. Revenues consisted primarily of operating grants and contributions; expenses consisted primarily of personnel costs and contractual services. The following table shows revenues and expenses by sources and programs and the resulting change in net position:

Table 2
Changes in Net Position
For the year ended September 30
Governmental Activities
(in thousands)

	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>
Revenues			
Operating grants and contributions	\$ 1,060	\$ 1,188	\$ (128)
Decrease in FMV of investments	-	(3)	3
Total revenues	<u>1,060</u>	<u>1,185</u>	<u>(125)</u>
Expenses			
Transportation	1,115	1,180	(65)
Depreciation	3	2	1
Total expenses	<u>1,118</u>	<u>1,182</u>	<u>(64)</u>
Increase (decrease) in net position	<u>\$ (58)</u>	<u>\$ 3</u>	<u>\$ (61)</u>

FUND FINANCIAL STATEMENTS

The following table reflects the sources and uses and the resulting change in fund balances for each fund:

Table 3
Governmental Funds
Financial Analysis
(in thousands)

<u>Fund</u>	<u>Fund Balances 9/30/16</u>	<u>Sources</u>	<u>Uses</u>	<u>Sources Over (Under) Uses</u>	<u>Fund Balances 9/30/17</u>
General	\$ 153	\$ 822	\$ 822	\$ -	\$ 153
Special revenue	136	238	280	(42)	94
Total	<u>\$ 289</u>	<u>\$ 1,060</u>	<u>\$ 1,102</u>	<u>\$ (42)</u>	<u>\$ 247</u>

BUDGETARY HIGHLIGHTS

A schedule showing the original budget for CRTPA's General Fund and the final budget and comparing the final budget to the actual results is included in the required supplementary information to the financial statements. There were no changes made to the budget during the year.

ECONOMIC AND OTHER FACTORS THAT MAY IMPACT CRTPA'S FINANCIAL POSITION

Projected population increases continue to place pressure on the transportation infrastructure for the four-county area; therefore, there continues to be a need for coordinated planning of the transportation needs of the area. CRTPA's funding is influenced by its ability to obtain federal and state grants.

FISCAL YEAR 2018 BUDGET

CRTPA's General Fund Budget for fiscal year 2018 totaling approximately \$845,000 consists primarily of personnel costs and contractual services; funding for these expenses continues to be primarily from federal and state operating grants.

FINANCIAL CONTACT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of CRTPA's finances and to demonstrate the CRTPA's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the City of Tallahassee's Financial Services Division, 300 South Adams Street, Box A 29, Tallahassee, Florida 32301-1731 or by calling 850-891-8048.

BASIC FINANCIAL STATEMENTS

These basic financial statements provide a summary overview of the financial position as well as the operating results of the Capital Region Transportation Planning Agency. They also serve as an introduction to the more detailed statements and schedules that follow in subsequent sections:

Government-wide Financial Statements
Fund Financial Statements
Notes to Financial Statements

Capital Region
Transportation Planning Agency

Statement of Net Position

September 30, 2017

Assets and deferred outflows of resources

Assets:

Current assets:

Cash and cash equivalents	\$ 46,735
Due from other governments	1,036,891
Total current assets	1,083,626

Capital assets, net of accumulated depreciation	11,385
Total assets	1,095,011

Deferred outflows of resources:

Pension related deferred outflows	234,957
Total deferred outflows of resources	234,957

Total assets and deferred outflows of resources	\$ 1,329,968
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Liabilities, deferred inflows of resources, and net position

Current liabilities:

Accounts payable	\$ 97,419
Due to other governments	739,662
Compensated absences	44,609
Total current liabilities	881,690

Noncurrent liabilities:

Other post-employment benefit obligations	42,825
Net pension liability	226,358
Compensated absences	5,482
Total noncurrent liabilities	274,665

Total liabilities	1,156,355
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Deferred inflows of resources:

Pension related deferred inflows	89,273
Total deferred inflows of resources	89,273

Net position:

Net investment in capital assets	11,385
Unrestricted	72,955
Total net position	84,340

Total liabilities, deferred inflows of resources, and net position	\$ 1,329,968
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The notes to the financial statements are an integral part of these financial statements.

Capital Region
Transportation Planning Agency

Statement of Activities

Year ended September 30, 2017

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>
					<u>Governmental Activities</u>
Primary government:					
Transportation	\$ 1,114,334	\$ -	\$ 1,059,744	\$ -	\$ (54,590)
Depreciation	2,750	-	-	-	(2,750)
Total primary government	\$ 1,117,084	\$ -	\$ 1,059,744	\$ -	\$ (57,340)
General revenues:					
					(302)
					(57,642)
					141,982
					\$ 84,340

The notes to the financial statements are an integral part of these financial statements.

Capital Region
Transportation Planning Agency

Balance Sheet
Governmental Funds

September 30, 2017

	General	Special Revenue	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ -	\$ 46,735	\$ 46,735
Due from other governments	920,355	116,536	1,036,891
Total assets	\$ 920,355	\$ 163,271	\$ 1,083,626
Liabilities and fund balance			
Liabilities:			
Accounts payable	\$ 27,803	\$ 69,616	\$ 97,419
Due to other governments	739,662	-	739,662
Total liabilities	767,465	69,616	837,081
Fund balance:			
Committed	152,890	93,655	246,545
Total fund balance	152,890	93,655	246,545
Total liabilities and fund balance	\$ 920,355	\$ 163,271	\$ 1,083,626

The notes to the financial statements are an integral part of these financial statements.

Capital Region
Transportation Planning Agency

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position

September 30, 2017

Total fund balance per the governmental funds financial statements	\$ 246,545
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources related to the pension liability are not receivable in the current period and are not reported in the funds.	234,957
Other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(42,825)
Certain amounts related to the net pension liability are deferred and amortized over time and are not reported in the funds.	(226,358)
Deferred inflows of resources related to the pension liability are not due and payable in the current period and are not reported in the funds.	(89,273)
Compensated absences are not due and payable with current resources and are not reported in the governmental funds.	(50,091)
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	<u>11,385</u>
Total net position per the government-wide statement of net position	<u><u>\$ 84,340</u></u>

The notes to the financial statements are an integral part of these financial statements.

Capital Region
Transportation Planning Agency

Statement of Revenues, Expenditures, and
Changes in Fund Balance
Governmental Funds

Year ended September 30, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
Revenues:			
Intergovernmental:			
Federal	\$ 800,436	\$ -	\$ 800,436
State	-	117,929	117,929
Local	-	120,000	120,000
CRTPA Members	21,379	-	21,379
Decrease in fair value of investments	(302)	-	(302)
Total revenues	<u>821,513</u>	<u>237,929</u>	<u>1,059,442</u>
Expenditures:			
Current:			
Transportation:			
Personnel services	650,173	-	650,173
Operating expenses	111,173	280,614	391,787
Administrative charges	60,165	-	60,165
Total expenditures	<u>821,511</u>	<u>280,614</u>	<u>1,102,125</u>
Excess of revenues over (under) expenditures	<u>2</u>	<u>(42,685)</u>	<u>(42,683)</u>
Net change in fund balance	2	(42,685)	(42,683)
Fund balances - October 1	<u>152,888</u>	<u>136,340</u>	<u>289,228</u>
Fund balances - September 30	<u>\$ 152,890</u>	<u>\$ 93,655</u>	<u>\$ 246,545</u>

The notes to the financial statements are an integral part of these financial statements.

Capital Region
Transportation Planning Agency

Reconciliation of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Year ended September 30, 2017

Net changes in fund balance per the governmental funds financial statements	\$ (42,683)
Amounts reported for governmental activities in the statement of activities are different because:	
The net change in compensated absences, which is reported in the statement of activities, does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	
	(297)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
	(2,750)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and changes are recorded to capital assets.	
	2,080
Pension related items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds.	
	(9,738)
The net change in other post-employment benefit obligations, which is reported in the statement of activities, does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	
	<u>(4,254)</u>
Change in net position per the government-wide statement of activities	<u>\$ (57,642)</u>

The notes to the financial statements are an integral part of these financial statements.

**NOTES TO THE
FINANCIAL STATEMENTS**

NOTE I – Summary of Significant Accounting Policies

NOTE II – Stewardship, Compliance, and Accountability

NOTE III – Detail Notes – All Funds

NOTE IV – Other Information

Capital Region
Transportation Planning Agency

Notes to Financial Statements

September 30, 2017

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist the reader in interpreting the financial statements of the Capital Region Transportation Planning Agency (CRTPA). These policies are considered essential and should be read in conjunction with the accompanying financial statements. The accounting policies of the CRTPA conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. This report, the accounting system of the CRTPA, and the classification of accounts, conform to standards of the Governmental Accounting Standard Board (GASB).

A. REPORTING ENTITY

In December 2004, the CRTPA was created through an inter-local agreement between the Florida Department of Transportation; the Counties of Leon, Gadsden, and Wakulla; the Cities of Midway, Quincy, and Tallahassee; the Town of Havana and the Leon County School Board as authorized by Section 163.01 Florida Statutes. CRTPA was established in order for the members to participate cooperatively in the development of transportation related plans and programs. Currently, the governing board consists of voting representatives from the Counties of Leon, Gadsden, Jefferson and Wakulla; the Cities of Midway, Quincy, Tallahassee, Chattahoochee and Gretna; the Towns of Greensboro and Havana, the Leon County School Board, and three nonvoting representatives from the Florida Department of Transportation, the Federal Highway Administration, and StarMetro (City of Tallahassee Transit system). The CRTPA is not a component unit of any of the entities listed or any other entity. In addition, the CRTPA has not identified any other entities for which the CRTPA has operational or financial relationships that would require them to be included as component units of the CRTPA.

On November 17, 2007, CRTPA members voted to expand the boundaries of the planning area to include all of Gadsden County, Jefferson County, Leon County, and Wakulla County and to make the necessary changes to the Interlocal Agreement to reflect this change. On January 12, 2009, CRTPA members approved the Apportionment Plan, which is the initial step in recognizing new representatives from the expanded boundaries. CRTPA staff contacted each of the counties and municipalities to obtain a formal resolution from each governing body stating they wished to participate as a member of the CRTPA. An approved apportionment plan and all the resolutions obtained were sent to the Florida Department of Transportation on August 12, 2010 for review and were approved by the Governor's Office on March 17, 2011.

The CRTPA receives federal and state transportation planning funds for the performance of its transportation planning and programming activities. If operating expenses exceed the external funding obtained, the deficit is funded by the members of the CRTPA in proportion to their weighted votes.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements report information on all the activities of the CRTPA. The effect of interfund activity, if any, has been eliminated from these government-wide statements. These statements include the statement of net position and the statement of activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those expenses that are clearly identifiable with a specific function or segment. Program revenues are revenues that derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. Program revenues reduce the net cost of the function to be financed from the government's other revenues. Program revenues in the current year consisted of grant revenues from the Florida Department of Transportation, which includes pass-through funds from the U.S. Department of Transportation.

Separate fund financial statements are also provided for the individual governmental funds of the CRTPA. The CRTPA has no other types of funds. All funds are treated as major funds and are therefore presented in separate columns in the fund financial statements. The fund financial statements include the balance sheet and the statement of revenues, expenditures, and changes in fund balances.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Basis of accounting refers to when revenues, expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the CRTPA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

When an expense or expenditure is incurred for purposes for which both restricted and unrestricted net assets are available, it is the CRTPA's policy to use restricted resources first, and then unrestricted resources as they are needed.

The CRTPA reports the following major governmental funds:

- The General Fund is the CRTPA's primary operating fund. It accounts for all financial resources of the CRTPA, except those required to be accounted for in the Special Revenue Fund.
- The Special Revenue Fund accounts for federal and state grant revenues which are to be used for particular functions of the CRTPA and are not to be diverted to other uses.

D. ASSETS, LIABILITIES, AND NET POSITION

CASH AND CASH EQUIVALENTS - CRTPA considers cash on hand, demand deposits, liquid investments with an original maturity of 90 days or less, and balances included within the City of Tallahassee's (City) cash and investments pool to be cash and cash equivalents. The City's cash and investments pool is an internal cash management pool used to obtain efficiencies of operation and improved financial performance, and includes certain non-pension cash, cash equivalent, and investment securities. CRTPA maintains a share in the equity of the pool which is reported as cash and cash equivalents in the statement of net position since cash may be withdrawn from the pool at any time without penalty. Interest earned by the cash and investments pool is distributed to CRTPA monthly based on daily balances. Liquid investments classified as cash and cash equivalents include repurchase agreements purchased under the terms of the City's depository contract, open repurchase agreements, certificates of deposit, banker's acceptances, commercial paper, and U.S. Treasury direct and agency obligations. Investment securities are carried at fair value.

The bank balances are insured by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Public Depository Act (the Act). Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

Investments held in the cash and investments pool measured at fair value are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets. Investments classified in Level 2 of the fair value hierarchy are based upon observable, market-based inputs for similar, but not identical, investments. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments classified in Level 3 of the fair value hierarchy are based upon extrapolated data, proprietary pricing models and indicative quotes for similar securities.

CRTPA has adopted the City's Non-Pension Investment Policy, therefore, the investment policies used by CRTPA are the investment policies of the City. The City's Non-Pension Investment Policy, which is approved by the City Commission, governs the investment of all non-pension monies of the City, including the cash and investments pool, and specifies the types of investments that are authorized for purchase. The investment policies also identify various portfolio parameters addressing issuer diversification, term to maturity and liquidity, and requirement of "purchase versus delivery" perfection for securities held by a third party on behalf of and in the name of the City. Under the Non-Pension Investment Policy, the City Treasurer-Clerk is designated to invest all monies belonging to the City pursuant to the policy, and is responsible for managing the day-to-day investment of all monies. The investment policy is described in more detail in the City's Comprehensive Annual Financial Report (CAFR) along with fair value and credit and interest rate disclosures pertaining to the cash and investments pool. The City CAFR may be obtained by contacting the Financial Services Director at Mailbox A-29, 300 South Adams Street, Tallahassee, Florida 32301 or via the web at Patrick.Twyman@talgov.com.

CAPITAL ASSETS - Capital assets are defined as assets with a cost of \$1,000 or more and an estimated useful life greater than one year.

Capital assets are recorded at historical cost when purchased. Equipment is depreciated using the straight-line method over an estimated useful life of 5 to 10 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

COMPENSATED ABSENCES - CRTPA employees have the choice of selecting either the City of Tallahassee's benefit options or those of Leon County. As of September 30, 2017, all staff members have selected to participate in the City of Tallahassee's compensated absences policy. Permanent employees earn vacation and sick leave starting with the first day of employment. Accumulated current and long-term vacation and sick leave amounts are accrued when earned in the government-wide financial statements. A liability for the accumulated vacation and sick leave is reported in the governmental funds only if it is expected to be paid as a result of employee resignation or retirement as of September 30, 2017.

Vacation leave is earned based on years of continuous and creditable service as follows:

Executive		Senior Management		General	
Creditable service hours	Leave earned per hour	Creditable service hours	Leave earned per hour	Creditable service hours	Leave earned per hour
0-2,079	0.057693	0-2,079	0.057693	0-10,400	0.057693
2,080-10,400	0.080770	2,080-10,400	0.069231	10,401-20,800	0.069231
10,401-20,800	0.092308	10,401-20,800	0.080770	20,801-41,600	0.080770
over 20,800	0.103847	20,801-41,600	0.092308	over 41,600	0.092308
		over 41,600	0.103847		

A maximum of 344 hours of vacation leave time may be carried over from one calendar year to the next for executive employees and a maximum of 264 hours for senior management and general employees. An employee who terminates employment with the CRTPA is paid for any unused vacation leave accumulated to the time of termination.

Sick leave is earned at the rate of .023077 hours for each hour of service with no maximum limit on the number of hours which may be accumulated.

An employee who terminates from the CRTPA for any reason other than termination for cause will be paid one-half of the total amount of sick leave (without regard to catastrophic illness leave) accumulated by him or her on the effective date of termination. If the employee dies, the sick leave amount will be paid to the employee's beneficiary or estate. Retiring employees can elect the option of using the accumulated sick leave amount to purchase single coverage health insurance in lieu of receiving payment for such accumulated sick leave.

NET POSITION AND FUND BALANCE - In the government-wide financial statements, net position is unrestricted with the exception of amounts invested in capital assets. For governmental fund financial statements, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) that defines the different types of fund balances that a governmental entity must use for fund financial reporting purposes.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

- Nonspendable fund balance category includes amounts associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),
- Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the CRTPA Board (the CRTPA's highest level of decision-making authority),
- Assigned fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
- Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

CRTPA's fund balance is all committed for transportation.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

An annual budget is adopted on a budgetary basis for the General Fund. The CRTPA members must approve any revision that alters the total expenditures of the operating budget. There is no requirement to legally adopt a budget for the Special Revenue Fund.

Encumbrance accounting is used to reserve that portion of an applicable appropriation for which requisitions, purchase orders, contracts, and other commitments for the expenditures of resources have been issued. Any encumbrances outstanding at year-end are reported as reservations of fund balance, and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE III - DETAIL NOTES - ALL FUNDS

A. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Depreciable assets				
Equipment	\$ 27,415	\$ 2,080	\$ -	\$ 29,495
Total depreciable assets	<u>27,415</u>	<u>2,080</u>	<u>-</u>	<u>29,495</u>
Less accumulated depreciation for:				
Equipment	15,360	2,750	-	18,110
Total capital assets, net	<u>\$ 12,055</u>	<u>\$ (670)</u>	<u>\$ -</u>	<u>\$ 11,385</u>

There was \$2,750 of depreciation expense during the year ended September 30, 2017.

B. RELATED PARTY TRANSACTIONS

The CRTPA Bylaws state that to the extent that funding allocated for CRTPA operations is exceeded by expenses, the balance shall be funded by the members, with the exception of the Leon County School Board, in proportion to their weighted votes. Member funding for the year ended September 30, 2017 was \$21,379. At September 30, 2017, the combined amount due from members was \$98,745 which is included in due from other governments on the statement of net position.

Due to the reimbursement nature of the grants which primarily fund the CRTPA, the City of Tallahassee and Leon County provide up-front funding to CRTPA. At September 30, 2017, the amount due to the City of Tallahassee and Leon Country was \$258,325 and \$481,337, respectively, which is included in due to other governments on the statement of net position.

CRTPA has a staff services agreement with the City of Tallahassee (City) for the City to provide certain administrative support services. For the year ended September 30, 2017, the amount the City charged for these services was \$60,165.

C. NON-CURRENT LIABILITIES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 49,794	\$ 93,481	\$ (93,184)	\$ 50,091	\$ 44,609
OPEB liability	38,571	27,310	(23,056)	42,825	-
Net Pension liability	202,012	118,348	(94,002)	226,358	-
Total governmental debt	<u>\$ 290,377</u>	<u>\$ 190,267</u>	<u>\$ (161,370)</u>	<u>\$ 319,274</u>	<u>\$ 44,609</u>

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION

A. RISK MANAGEMENT PROGRAM

CRTPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; automobile liability; forgery and alteration; and fraud for which CRTPA carries commercial insurance. The primary coverage limits include General and Professional Liability at \$1,000,000, with various sublimits for specified types of claims including errors and omissions, employment-related matters, information security and privacy, extra-contractual legal expenses, and fire, each of which is subject to claims-made deductibles ranging from \$0 to \$35,000.

Liabilities for losses would be recorded when a loss occurs and the amount can be reasonably estimated. There are no such losses during the year ended September 30, 2017.

B. PENSION PLAN OBLIGATIONS

RETIREMENT PLANS - Employees of the CRTPA have the option of participating in either the City of Tallahassee or the Leon County benefits program. Employees electing to participate in the Leon County program are eligible to participate in the Florida Retirement System. Employees electing to participate in the City of Tallahassee (the City) program are eligible to participate in the City's General Employees' Pension Plan. Details concerning each program are below.

	Leon County		City of Tallahassee	Total
	FRS	HIS	City Plan	
Plan Obligations and Expenses:				
Net pension liability	\$91,766	\$22,592	\$112,000	\$226,358
Pension related deferred outflows	46,595	4,362	184,000	234,957
Pension related deferred inflows	(7,163)	(3,110)	(79,000)	(89,273)
Member Statistics – 2017:				
Retirees and beneficiaries, if deceased retirees currently receiving benefits	1	-	-	1
Terminated employees entitled to benefits, not yet receiving benefits	-	-	-	-
Active employees	1	-	5	6

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

FLORIDA STATE RETIREMENT SYSTEM (FRS) - The FRS is a cost-sharing, multiple-employer, defined benefit plan administered by the State of Florida, Department of Administration, Division of Retirement. The FRS provides retirement, in-line-of-duty or regular disability and survivors benefits. Chapter 121, Florida Statutes, establishes the authority for benefit provisions and contribution requirements. Changes to the law can only occur through an act of the Florida Legislature. The FRS issues financial statements and required supplementary information for the System, which may be obtained by writing to:

Department of Management Services
Division of Retirement
Bureau of Research and Member Communications
P.O. Box 9000
Tallahassee, Florida 32315-9000
850-488-4706 or toll free at 877-377-1737

In addition, a copy of the FRS's CAFR as of June 30, 2017 is available online at http://www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

Currently, there is one active participant of the CRTPA out of a total of 520,014 active FRS participants. Active employees are required to contribute 3% of their gross compensation to the retirement plan. The CRTPA is required to contribute at an actuarially determined rate. CRTPA participants who were members as of June 30, 2011 in the System are members of the Regular Class with a normal retirement benefit at age 62 or at least 30 years of service; the benefit accumulates at 1.60% times average compensation (5 highest years) times years of creditable service; vesting occurs after 6 years of creditable service. CRTPA participants who joined the System after June 30, 2011 are members of the Regular Class with a normal retirement benefit at age 65 or at least 33 years of service; the benefit accumulates at 1.60% times average compensation (8 highest years) times years of creditable service; vesting occurs after 8 years of creditable service. Employer contribution rates effective July 1, 2016 were 7.52%, and July 1, 2017 were 7.92%.

The CRTPA also participates in the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing, multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly cash payment to assist retirees of state-administered retirement systems in paying their health insurance costs. The HIS Program is funded by required contributions from FRS participating employers as set by the State Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees. Employees are not required to contribute. For the fiscal year ended September 30, 2017, the contribution rate was 1.66% of payroll pursuant to Section 112.363, Florida Statutes.

In addition to the above benefits, the FRS administers a Deferred Retirement Option Program (DROP). This program allows eligible employees to defer receipt of monthly retirement benefit payments while continuing employment with a Florida Retirement System employer for a period not to exceed 60 months after electing to participate. DROP benefits are held in the FRS Trust Fund and accrue interest.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

Net Pension Liability – At September 30, 2017, CRTPA reported for its share of the FRS and HIS plans the amount of the net pension liability as shown below:

	FRS	HIS	Total
June 30, 2017 – measurement date	\$ 91,766	\$ 22,592	\$ 114,358

The net pension liability for each plan was determined by the plans’ actuary and reported in the plans’ valuations dated July 1, 2017 and for the net pension liability as of June 30, 2017.

The CRTPA represents 0.076% of Leon County’s proportionate share of the FRS net pension liability. At September 30, 2017, the CRTPA’s proportionate share of the employer portion of the FRS and HIS net pension liability are shown below:

	FRS	HIS
June 30, 2017	0.000003102381%	0.000002112844%
June 30, 2016	0.000009706057%	0.000006517394%
Increase (Decrease) in share for 2017	(0.000006603676%)	(0.00000440455%)

The CRTPA’s proportionate share of the net pension liability was based on the County’s 2016-17 fiscal year contributions relative to the 2015-2016 fiscal year contributions of all participating members of FRS.

Actuarial Methods and Assumptions – Actuarial Assumptions for both defined benefit plans are reviewed by the Florida Retirement System Actuarial Assumptions Conference on an annual basis. The FRS Pension Plan has an annual valuation in accordance with 121.031(3), Florida Statutes while the Health Insurance Subsidy HIS program is valued biennially and updated for GASB reporting in the year a valuation is not performed. An experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008 through June 30, 2013. The HIS program is funded on a pay as you go basis and thus no experience study has been completed for this program. The actuarial assumptions that determined the total pension liability for the HIS program were based on certain results of the most recent experience study for the FRS Pension Plan.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2017, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%.

The plan's fiduciary net position was projected as available for all projected future benefit payments of current active and inactive employees. The discount rate for calculating the total pension liability is equal to the long term expected rate of return. Both the discount rate and the long term expected rate of return on investments used by the System was 7.10% for the Defined Benefit Pension Plan. The HIS program uses a pay-as-you-go funding structure, thus it utilized a municipal bond rate of 3.58% for its discount rate to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB Tables. The actuarial assumptions that determined the total pension liability as of June 30, 2017 were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2013 and are shown below.

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Payroll Growth	0.65%
Inflation	2.60%
Salary Increase including inflation	3.25%
Rate of Return	7.10%
HIS Municipal Rate	3.58%
Mortality	Generational RP-2000 with Projection Scale BB
Actuarial Cost Method	Entry Age Normal

Investments - To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2016 the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by capital market assumptions teams from both Milliman and Aon Hewitt Investment Consulting, investment consult to the Florida State Board of Administration. The table below shows the assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

Asset Class	Target Allocation Percentage ⁽¹⁾	Annual Arithmetic Rate of Return
Cash	1%	3.0%
Fixed Income	18	4.5
Global Equity	53	7.8
Real Estate	10	6.6
Private Equity	6	11.5
Strategic Investments	12	6.1
Total	100%	

Assumed Inflation – Mean 2.6%

⁽¹⁾ As in the FRS Pension Plan’s investment policy.

For the year ended June 30, 2017, the annual money-weighted rate of return on the FRS plan investments, net of pension plan investment expense, was 13.59%. The money-weighted rate of return considers the changing amounts estimated as invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. Cash flows are estimated on a monthly basis and are assumed to occur at the beginning of each month. Cash inflows are netted with cash outflows, resulting in a net cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

Discount Rates – The discount rate used to measure the total pension liability was 7.10%, which is a decrease from 7.60% used to determine the total pension liability in the prior year. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

The tables below represent the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the CRTPA’s proportionate share of the FRS and HIS net pension liability if the discount rate is 1% higher or 1% lower than the current discount rates:

CRTPA Net Pension Liability – FRS

1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
\$166,092	\$91,766	\$30,059

CRTPA Net Pension Liability – HIS

1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
\$25,780	\$22,592	\$19,936

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

Pension Expense and Deferred Outflows/(Inflows) of Resources – In accordance with GASB 68, paragraph 54 and 71, changes in the net pension liability are recognized as pension expense in the current measurement period with the following exceptions shown below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or inflows of resources using a rational method over a time period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Changes of assumptions or other inputs which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Changes in proportion and differences between contributions and proportionate share of contributions which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Differences between expected and actual earnings on pension plan investments are amortized over five years.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2017 was 6.4 years for FRS and 7.2 for HIS. The components of collective pension expense reported in the pension allocation schedules for the year ended June 30, 2017 are presented for each plan.

Capital Region
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Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

For the fiscal year ended September 30, 2017, the CRTPA recognized pension expense of \$8,188 and \$551 for the FRS plan and HIS plan, respectively. In addition, the CRTPA reported deferred outflows of resource and deferred inflows of resources related to pensions from the following:

Description	FRS		HIS		Total
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	
Difference between expected and actual experience	\$8,422	\$(508)	\$ -	\$(47)	\$7,867
Change of Assumptions	30,840	-	3,176	(1,954)	32,062
Net difference between projected and actual earnings on FRS Plan investments	-	(2,274)	13	-	(2,261)
Changes in proportion and differences between CRTPA FRS & HIS Plan contributions and proportionate share of contributions	5,313	(4,381)	904	(1,109)	727
Total	\$ 44,575	\$(7,163)	\$4,093	\$(3,110)	\$38,395

Deferred outflows of resources related to the FRS plan of \$2,020 and to the HIS plan of \$269 and resulting from CRTPA contributions to the plan paid subsequent to the measurement date and prior to the employer's fiscal year, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the FRS's pension expense will be recognized as follows for CRTPA:

Year Ending September 30,	FRS / HIS Net Deferred Outflows
2018	\$ 5,296
2019	13,188
2020	9,580
2021	2,498
2022	6,126
Thereafter	1,707
Totals	\$ 38,395

CITY OF TALLAHASSEE GENERAL EMPLOYEES PENSION PLAN (PLAN) - The Plan is a cost sharing multiple-employer plan established by Chapter 14 of the City Code of Ordinances. Changes to the Plan can only occur through a change in the law by the City Commission. The Plan is administered by the City of Tallahassee Treasurer-Clerk's Office, under guidance from the Plan's Board of Trustees, which is composed of the members of the City Commission and one City police officer or firefighter. The Plan includes defined benefit and defined contribution provisions.

The Defined Benefit and Defined Contribution provisions are combined and reported as one plan in the City of Tallahassee's financial statements. The City does not issue a stand-alone financial report on the City Plan. The City's financial statements may be obtained by contacting the Financial Services Director at Mailbox A-29, 300 South Adams Street, Tallahassee, Florida 32301 or via the web at Patrick.Twyman@talgov.com.

1. DEFINED BENEFIT PROVISION

The City Plan is established in Chapter 14 of the City Code of Ordinances, through Parts A, B, C and D in Articles II, for general employees with Parts A, B and C closed to new participants. Effective April 1, 2013, the City Commission approved changes to the City's General Employees' Pension Plan creating Part D participants. Part D provides coverage to all new employees hired after that date. All members of the City Plan are covered by one of these parts depending upon employment date. These parts provide a detailed description of the various defined benefit

Capital Region
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Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

1. DEFINED BENEFIT PROVISION (CONTINUED)

provisions. These provisions include the types of employees covered, benefit provisions, employee eligibility requirements for normal, early and/or vested retirements, and the related benefits of these retirements, pre-retirement death benefits, and provisions for disability retirements. There are also post retirement cost-of-living adjustments (COLA) and health care supplements.

	City Plan	
	Part C—Employees hired prior to April 1, 2013	Part D—Employees hired after April 1, 2013
Normal Retirement Benefits:		
Age	62 (or 30 years of Credited Service, regardless of age)	65 (or 33 years of Credited Service, regardless of age)
Years of Credited Service (minimum)	5	5
Benefit Calculation	2.25% x AFC x Years of Credited Service	2.25% x AFC x Years of Credited Service
Average Final Compensation (AFC)	Higher of: 1) final 3 yrs; 2) any consecutive 3 yrs – 1/1987 to 12/2005, escalated by 3%; or 3) any consecutive 3 yrs during 1/1987 to the date of retirement.	Average of the highest consecutive 5 years of Credited Service
Maximum Benefit	81% of AFC	81% of AFC
COLA	3% increase in benefits each 10/1 starting at the later of normal retirement date, or age 55 (under age and service eligibility); or age 50 (under service eligibility)	3% increase in benefits each 10/1 starting at the later of normal retirement date of age 65
Early Retirement	<p>If a member is retiring under the age and service eligibility, Normal Retirement Benefit is reduced by 4.8% per year for each year by which the Early Retirement date precedes the Normal Retirement date.</p> <p>If a member is retiring under the service eligibility, the Normal Retirement Benefit is reduced by 5% per year for each year by which the Early Retirement date precedes the Normal Retirement date.</p>	

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

1. DEFINED BENEFIT PROVISION (CONTINUED)

	City Plan	
	Part C—Employees hired prior to April 1, 2013	Part D—Employees hired after April 1, 2013
Normal Retirement Benefits:		
Disability	Five years of Credited Service for non-service connected disability. None for service connected disability. Benefit: The greater of 1) the member's accrued benefit to date of disability; and 2) the member's benefit with service projected to normal retirement date not to exceed 50% of AFC in effect on the date of disability.	
Contributions Rates – actuarially determined as of September 30, 2016		
City	13.07%	
Employee	3.75%	

2. DEFINED CONTRIBUTION PROVISION

The City Plan's defined contribution provisions are described in Article V. All employees may elect to contribute a portion of their salary to the defined contribution plan, also known as the Matched Annuity Plan (MAP). Employees can contribute up to, but not exceed, the maximum amount allowed by the Internal Revenue Service. CRTPA contributes 5% to each employee's MAP account. Upon reaching normal retirement age or retiring, a participant shall be paid his contributions, together with accrued earnings. If an employee uses the contributions and accrued earnings to purchase an annuity contract, the Plan will increase the amount of funds (only on the CRTPA's 5%, employee flex matched contribution and employees' contribution up to the 5%) used by the participant by a factor of 50 percent. Employee and the employer's 5% contribution, plus accrued earnings thereon, are 100% refundable to the employee if the employee elects to terminate his vesting rights or is not vested at the date of employment termination.

Employer contributions required to support the benefits under Article V (MAP Program) are actuarially determined. Contributions are based on rates of covered payroll of 7.14% (5% employer contribution and 2.14% actuarial contribution) for the CRTPA. There were no forfeitures reflected in the employer's contribution amounts.

Net Pension Liability – The total and net pension liability for the reporting period ending September 30, 2017 were determined by an actuarial valuation as of October 1, 2016, rolled forward using a measurement date of September 30, 2016.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

2. DEFINED CONTRIBUTION PROVISION (CONTINUED)

The CRTPA's proportionate share of the City Plan is based on the covered pensionable payroll, since that was the basis for determining employer contributions. The CRTPA's portion of the net pension liability of the City Plan as of September 30, 2017 was as follows:

Total pension liability	\$ 2,703,000
Plan fiduciary net position	2,591,000
Net pension liability	112,000
Plan fiduciary net position as a % of total pension liability	95.86%
CRTPA's proportion of the net pension liability	0.26%

Actuarial Methods and Assumptions – The CRTPA's total pension liability and contribution rates were determined by an actuarial valuation as of September 30, 2016, using the following significant actuarial assumptions applied to all periods included in the measurement. The actuarially determined contribution rates are calculated as of October 1, which is two years prior to the end of the fiscal year in which contributions are reported. The actuarially determined contribution is projected to the contribution year using conventional actuarial projection methods.

	City Plan
Valuation Date	September 30, 2016
Actuarial Cost Method	Entry age, normal
Amortization Method	Level percentage, closed
Remaining Amortization Period	13 years
Asset Valuation Method	20% of the difference between expected actuarial value and market value is recognized annually with a 20% corridor around market value
Inflation rate	3.00%
Salary Increase, Including Inflation Rate	3.50%
Investment Rate of Return	7.75%
Mortality Rate:	RP-2000 Combined Mortality Table with 40%/60% blend of white/blue collar rates for males and females, with mortality improvement projected using Scale AA for 15 years from the valuation date (to October 1, 2031)
Experience Study	The last experience study was prepared on June 24, 2016.

Capital Region
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Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

3. INVESTMENTS

Investments – Plan assets are managed in accordance with the Pension Investment Policy. The table below presents the adopted asset allocation as of September 30, 2017.

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate of Return
Domestic Equity	40%	6.4%
International Equity	10	6.9
Emerging Markets Equity	5	9.2
Fixed Income	20	1.4
Real Estate	15	4.2
Private Equity	5	11.5
Timber	5	5.2
Total	<u>100%</u>	

The City Plan’s investments are managed by various investment managers under contract with the Boards who have discretionary authority of the assets managed by them and within the City Plan’s investment guidelines as established by the Board. The investments are held in trust by the City Plan’s custodian in the City Plan’s name. The City of Tallahassee Sinking Fund Commission is responsible for making investment policy changes. These assets are held exclusively for the purpose of providing benefits to members of the City Plan and their beneficiaries.

For the year ended September 30, 2017, the annual money-weighted rate of return on the City Plan’s investments, net of investment expense, was 13.1%. The money-weighted rate of return takes into account cash flows into and from the various investments of the City Plan.

The long-term expected rate of return on pension plan investments is based upon an asset allocation study that was conducted for the City Plan by its investment consultant toward the end of fiscal year 2013. The study was prepared by the City Plan's investment consultant, and went through numerous iterations before a final asset allocation was established. The study looked at expected rates of return for twenty-one (21) different asset classes, as well as examining expected standard deviations and correlations among these various asset classes.

Capital Region
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Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

4. DISCOUNT RATES

Discount Rates – A single discount rate 7.75% was used to measure the total pension liability for the City Plan. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. The projection of cash flows used to determine this single discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the employee rate. Based on these assumptions, the City Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments (7.75%) was applied to all periods of projected benefits payments to determine the total pension liability.

The table below represents the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the City Plan and the CRTPA's proportionate share if the discount rate calculated is 1% higher or 1% lower than the current discount rate (in thousands):

CRTPA Net Pension Liability (Asset) – City Plan

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City Plan	\$ 173,696,000	\$42,459,000	\$66,636,000
CRTPA's Proportionate Share	\$457,000	\$112,000	\$(175,000)

Pension Expense and Deferred Outflows/(Inflows) of Resources – In accordance with GASB 68, paragraphs 54 and 71, changes in the net pension liability are recognized as pension expense in the current measurement period, except as shown below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Changes of assumptions or other inputs which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

4. DISCOUNT RATES (CONTINUED)

- Changes in proportion and differences between contributions and proportionate share of contributions which are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan, both active and inactive.
- Differences between expected and actual earnings on pension plan investments are amortized over five years.

For the year ended September 30, 2017, CRTPA recognized pension expense of \$1,000 for its proportionate share of the Plan. At September 30, 2017 (based on measurement period ending September 30, 2016), CRTPA reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 37,000	\$ (25,000)	\$ 12,000
Change in cost-sharing allocation percentage	9,000	(1,000)	8,000
Net difference between projected and actual earnings on pension plan investments	88,000	(53,000)	35,000
Total	\$ 134,000	\$ (79,000)	\$ 55,000

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

B. PENSION PLAN OBLIGATIONS (CONTINUED)

4. DISCOUNT RATES (CONTINUED)

Net Amounts Reported as Deferred Outflows and Inflows of Resources Related to Pensions To be Recognized in Future Pension Expenses

Deferred outflows of resources related to the City Plan in the amount of \$50,000 related to CRTPA contributions to the plan paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized as follows:

<u>Year Ending</u> <u>September 30</u>	
2018	\$12,000
2019	11,000
2020	25,000
2021	1,000
2022	6,000
Thereafter	—
Total	<u><u>\$55,000</u></u>

C. OTHER POST- EMPLOYMENT BENEFITS (OPEB)

As previously indicated, employees of the CRTPA have the option of participating in either the City of Tallahassee or the Leon County benefits program. Employees electing to participate in the Leon County program are eligible to receive other post-employment benefits based upon the Leon County Plan. Employees electing to participate in the City of Tallahassee program are eligible to participate in the City of Tallahassee's Plan.

The CRTPA, through Leon County or the City of Tallahassee, as applicable, provides health insurance and prescription drug coverage to certain active and retired employees. Pursuant to Section 112.0801, Florida Statutes, the CRTPA is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. In addition, those employees electing the City of Tallahassee's benefits program also receive a partial subsidy to offset the cost of such health insurance. As of September 30, 2017, there were no retired employees of the CRTPA receiving benefits under the Leon County or the City of Tallahassee OPEB Plan.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

C. OTHER POST- EMPLOYMENT BENEFITS (OPEB) (continued)

The contribution required to support the OPEB Plan is calculated based on the annual required contribution (ARC), an amount determined in accordance with GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year, calculated using the entry-age actuarial cost method, and to amortize the unfunded actuarial liability over a period not to exceed thirty years.

The following table shows the components of the CRTPA’s share of the annual OPEB cost for the year, the amount actually contributed, and the change in the Agency’s net OPEB obligation:

Annual required contribution	\$	27,260
Interest on net OPEB obligation		1,063
Adjustment to annual required contribution		(1,013)
Annual OPEB cost		27,310
Contribution made		(23,056)
Increase in net OPEB obligation		4,254
Net OPEB obligation - October 1		38,571
Net OPEB obligation - September 30	\$	42,825

The CRTPA’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30 follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 10,328	33.7%	\$ 34,576
2016	\$ 32,192	87.6%	\$ 38,571
2017	\$ 27,310	84.4%	\$ 42,825

The City of Tallahassee Other Post Employment Benefit Plan is described in more detail in the City’s Comprehensive Annual Financial Report. That report may be obtained by contacting the Financial Services Director at Mailbox A-29, 300 South Adams Street, Tallahassee, Florida 32301 or via the web at Patrick.Twyman@talgov.com.

Capital Region
Transportation Planning Agency

Notes to Financial Statements (continued)

NOTE IV - OTHER INFORMATION (CONTINUED)

D. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time although CRTPA expects such amounts to not be significant.

E. EVALUATION OF SUBSEQUENT EVENTS

The CRTPA has evaluated subsequent events through September 4, 2018, the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY INFORMATION**

THIS SUBSECTION CONTAINS THE FOLLOWING:

Budgetary Comparison Schedule

Proportionate Share of Net Pension Liability – City of Tallahassee Pension Plan

Proportionate Share of Net Pension Liability – Florida Retirement System

Proportionate Share of Net Pension Liability – Health Insurance Subsidy Program

Schedule of Contributions – City of Tallahassee Pension Plan

Schedule of Contributions – Florida Retirement System

Schedule of Contributions – Health Insurance Subsidy Program

Capital Region
Transportation Planning Agency

Budgetary Comparison Schedule
General Fund

Year ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
Budgetary fund balance - October 1	\$ 43,056	\$ 43,056	\$ -	\$ (43,056)
Resources				
Intergovernmental revenues	903,400	910,778	821,815	(88,963)
Interest earned	-	-	(302)	(302)
Amounts available for appropriations	946,456	953,834	821,513	(132,321)
Charges to appropriations				
Transportation	837,989	845,367	821,511	23,856
Transfer to other funds	65,411	65,411	-	65,411
Total expenditures	903,400	910,778	821,511	89,267
Budgetary fund balance - September 30	\$ 86,112	\$ 86,112	\$ 2	\$ (86,110)

Note: There is no requirement to legally adopt a budget for the Special Revenue Fund.

See independent auditors' report.

Capital Region
Transportation Planning Agency

Proportionate Share of Net Pension Liability
City of Tallahassee Pension Plan
September 30, 2017
(unaudited)

Measurement year ending September 30	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability (Asset)	\$ 112,000	\$ 67,000	\$ 95,000
Plan Fiduciary Net Position as a percentage of			
Total Pension Liability (Asset)	95.86%	97.48%	95.86%
Employer's proportion of the Net Pension Liability	0.26%	0.24%	0.23%
Covered Employee Payroll	\$ 380,000	\$ 294,000	\$ 257,000
Net Pension Liability as a percentage of			
Covered Employee Payroll	29.47%	22.79%	36.96%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

See independent auditors' report.

Capital Region
Transportation Planning Agency

Proportionate Share of Net Pension Liability
Florida Retirement System
Last Ten Fiscal Years*
(unaudited)

	2017	2016	2015
Proportion of the net pension liability	0.000003102%	0.000323535%	0.000365860%
Proportionate share of the net pension liability	\$ 91,766	\$ 81,693	\$ 47,256
Covered employee payroll	\$ 76,000	\$ 104,000	\$ 177,000
Proportionate share of the net pension liability as a percentage of its covered employee payroll	120.74%	78.55%	26.70%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%

** The amounts for each fiscal year were determined as of June 30, 2017 except for the covered payroll was determined as of September 30, 2017. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.*

See independent auditors' report.

Capital Region
Transportation Planning Agency

Proportionate Share of Net Pension Liability
Health Insurance Subsidy Program
Last Ten Fiscal Years*
(unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.000002112844%	0.000217247%	0.000263159%
Proportionate share of the net pension liability	\$ 22,592	\$ 25,319	\$ 26,838
Covered employee payroll	\$ 76,000	\$ 104,000	\$ 177,000
Proportionate share of the net pension liability as a percentage of its covered employee payroll	29.73%	24.35%	15.16%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%

** The amounts for each fiscal year were determined as of June 30, 2017 except for the covered payroll was determined as of September 30, 2017. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.*

See independent auditors' report.

Capital Region
Transportation Planning Agency

Schedule of Contributions
Florida Retirement System
Last Ten Fiscal Years*
(unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 8,071	\$ 7,890	\$ 8,920
Contributions in relation to the contractually required contribution	(8,071)	(7,890)	(8,920)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 76,000	\$ 104,000	\$ 177,000
Contributions as a percentage of covered employee payroll	10.62%	7.59%	5.04%

** The amounts for each fiscal year were determined as of June 30, 2017 except for the covered payroll was determined as of September 30, 2017. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.*

See independent auditors' report.

Capital Region
Transportation Planning Agency

Schedule of Contributions
Health Insurance Subsidy Program
Last Ten Fiscal Years*
(unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,118	\$ 1,114	\$ 1,006
Contributions in relation to the contractually required contribution	(1,118)	(1,114)	(1,006)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 76,000	\$ 104,000	\$ 177,000
Contributions as a percentage of covered-employee payroll	1.47%	1.07%	0.57%

** The amounts for each fiscal year were determined as of June 30, 2017 except for the covered payroll was determined as of September 30, 2017. The schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.*

See independent auditors' report.

OTHER REPORTS

THIS SUBSECTION CONTAINS THE FOLLOWING:

Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance

Schedule of Expenditures of Federal Awards

Schedule of Findings and Questioned Costs

Schedule of Prior Audit Findings

Management Letter

Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Members of the Board
Capital Region Transportation Planning Agency
Tallahassee, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Capital Region Transportation Planning Agency (CRTPA), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise CRTPA's basic financial statements, and have issued our report thereon dated September 4, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CRTPA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CRTPA's internal control. Accordingly, we do not express an opinion on the effectiveness of CRTPA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2017-001, 2017-002 and 2017-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2017-004 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CRTPA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Findings 2017-001, 2017-002, and 2017-003.

Capital Regional Transportation Planning Agency's Response to Findings

CRTPA's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. CRTPA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain other matters pursuant to the *Rules of the Auditor General*, Chapter 10.550 that we have reported to the management of CRTPA in a separate letter dated September 4, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CRTPA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 

Thomas Howell Ferguson, P.A.
Tallahassee, Florida
September 4, 2018

Law, Redd, Crona & Munroe, P.A.

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required By the Uniform Guidance

Members of the Board
Capital Region Transportation Planning Agency
Tallahassee, Florida

Report on Compliance for Each Major Federal Program

We have audited the Capital Region Transportation Planning Agency's (CRTPA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CRTPA's major federal programs for the year ended September 30, 2017. CRTPA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CRTPA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CRTPA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CRTPA's compliance.

Basis for Qualified Opinion on Highway Planning and Construction, CFDA 20.205

As described in the accompanying schedule of findings and questioned costs, CRTPA did not comply with requirements regarding Highway Planning and Construction, CFDA 20.205, as described in finding number 2017-003 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for CRTPA to comply with the requirements applicable to that program.

Qualified Opinion on Highway Planning and Construction, CFDA 20.205

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, CRTPA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Highway Planning and Construction, CFDA 20.205 for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of CRTPA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CRTPA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CRTPA's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2017-001, 2017-002, and 2017-003 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

CRTPA's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. CRTPA's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Thomas Howell Ferguson P.A. Law, Redd, Crona & Munroe P.A.

Thomas Howell Ferguson, P.A.
Tallahassee, Florida
September 4, 2018

Law, Redd, Crona & Munroe, P.A.

**Capital Region Transportation Planning Agency
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017**

Federal / State Agency Pass-through Entity <u>Federal Program / State Project</u>	<u>CFDA or CSFA Number</u>	<u>Grant Contract Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
<u>U.S. Department of Transportation</u>			
Pass through Florida Department of Transportation			
Highway Planning and Construction	20.205	43932311401/G0D29	\$ 589,410
Highway Planning and Construction	20.205	42793011401/ARJ23	642
Highway Planning and Construction	20.205	43932311403/G0D29	38,696
Highway Planning and Construction	20.205	43932311404/G0D29	71,816
Highway Planning and Construction	20.205	43932311402/G0D29	6,775
Total Highway Planning and Construction			<hr style="width: 100%; border: 0.5px solid black;"/> 707,339
Metropolitan Transportation Planning	20.505	ARL33	181,174
Total Expenditures of Federal Awards			<hr style="width: 100%; border: 0.5px solid black;"/> \$ 888,513 <hr style="width: 100%; border: 0.5px solid black;"/>

NOTES:

- (1) The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal programs of CRTPA for the year ended September 30, 2017. All expenditures related to federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included in the accompanying Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.
- (2) The accompanying Schedule was prepared on the modified accrual basis of accounting.
- (3) There were no transfers to subrecipients during the fiscal year.
- (4) No federal assistance was expended in noncash assistance.
- (5) CRTPA has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
- (6) Expenditures in the amount of \$24,826 were overreported on the September 30, 2016 Schedule for the Federal Department of Transportation, pass through Florida Department of Transportation, Metropolitan Transportation Planning, CFDA 20.505, Grant Contract Number ARL33.

See independent auditors' report.

**Capital Region Transportation Planning Agency
 Schedule of Findings and Questioned Costs
 For the Year ended September 30, 2017**

Section I -- Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs?	Modified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major program:	<u>CFDA Number</u>	<u>Name of Federal Program</u>
	20.205	U.S. Department of Transportation Pass-through Florida Department of Transportation Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II -- Financial Statement Findings

See Findings 2017-001 and 2017-004.

Section III -- Federal Award Findings and Questioned Costs

See Findings 2017-002 and 2017-003.

See independent auditors' report.

Capital Region Transportation Planning Agency
Schedule of Findings and Questioned Costs-Federal Awards (continued)
For the Year Ended September 30, 2017

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2017-001 - Untimely Remittance of Reimbursement Requests

Criteria: Capital Region Transportation Planning Agency has a number of grants funded by the U.S. Department of Transportation and passed through the Florida Department of Transportation, which are eligible for reimbursement as costs are incurred. A review of the grant agreements noted that reimbursement requests are required either monthly or no less frequently than on a quarterly basis.

Condition: During audit procedures, we reviewed and tested a number of reimbursement requests. We noted that the requests are not being submitted in a timely manner, and in most instances, they were noted as submitted between four to nine months following the end of the respective quarters for which they are seeking reimbursement. Reimbursement requests for the Federal Transit Metropolitan Planning grant were not billed for the entire fiscal year. Additionally, reimbursement requests for the Transportation Disadvantaged (CTD) Planning grant, which began on July 1, 2017, have also not been submitted.

Cause: Reimbursement requests are not being submitted in a manner consistent with CRTPA's disbursement of funds for expenditures already incurred. Audit findings related to the untimely remittance of reimbursement requests have been reported as finding 2016-002 in the preceding fiscal year and finding 2015-002 in the second preceding fiscal year.

Effect: Because the requests are not being submitted on a timely basis, CRTPA is also not being reimbursed timely for their disbursement of funds for payments of services already provided. Failure to submit these reimbursement requests ultimately negatively impacts the cash flow of the CRTPA, resulting in cash advances from the City of Tallahassee, and could potentially result in the loss of any remaining unbilled funding from the Florida Department of Transportation as the grantor or pass-through agency, or possible termination of their agreements, for failure to comply with the terms and conditions.

Recommendation: CRTPA should consider hiring an accountant that has the necessary experience, knowledge, and time required to handle grants management, to include the timely completion of the billing process. The recommendation to hire an accountant is also made in finding 2017-002 and 2017-004.

Capital Region Transportation Planning Agency
Schedule of Findings and Questioned Costs-Federal Awards (continued)
For the Year Ended September 30, 2017

Views of responsible officials and planned corrective actions:

The CRTPA and Financial Reporting staff has made significant progress over the past few months addressing the issue of late invoicing. As of August 8, 2018, all Federal Highway Administration (FHWA) funded grants as well as Transportation Disadvantaged grants have been invoiced and are up to date. We anticipate having all Federal Transit Administration grants up to date no later than August 30, 2018.

We have established a goal to have invoices submitted to their respective grant agency within 45 days after the close of the quarter. Progress towards this goal will be monitored by the Executive Director and the assigned City of Tallahassee Senior Accountant to ensure compliance.

Having established a strong process for the timely development and submittal of billings, we will continue to evaluate the need to hire an accountant as recommended.

SIGNIFICANT DEFICIENCY

2017-004 Accounting Staff

Criteria: Capital Region Transportation Planning Agency's management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America. Additionally, CRTPA has a number of grants funded through federal and state agencies and CRTPA must comply with federal and state laws and regulations, provisions of grant agreements, and accounting and reporting requirements associated with such grants. Professional auditing standards confine the functionality of the auditor to the audit of, rather than the preparation or determination of year-end balances; therefore, the audit process itself should not be relied upon to identify required adjustments to year-end balances.

Condition: During the audit, we identified numerous accounting errors that required adjusting journal entries. We noted that grant billings were not identified and invoiced in a timely manner. In addition, amounts due from member counties related to both the prior year and current year annual true-up of actual revenues and expenses had not been billed to the member counties. We also noted reconciliations of significant due to and due from accounts with the City of Tallahassee and Leon County were not timely performed, and CRTPA's cash balances were not actively monitored during the year.

Capital Region Transportation Planning Agency
Schedule of Findings and Questioned Costs-Federal Awards (continued)
For the Year Ended September 30, 2017

Cause: Currently, CRTPA does not have the staffing to perform its required accounting, financial reporting and grants management duties. These responsibilities have been assigned to the City of Tallahassee's Financial Services Division, which does not have adequate resources to perform these duties on behalf of CRTPA. Audit findings related to financial reporting and staffing have been reported in the Management Letter as finding 2016-003 in the preceding fiscal year, finding 15-02 in the second preceding fiscal year, and finding 14-02 in the third preceding fiscal year.

Effect: As a result of not having adequate accounting resources, CRTPA was not able to perform timely and accurate accounting, financial reporting and grants management duties.

Recommendation: CRTPA should consider hiring an accountant with the skills, experience, and knowledge to perform accounting, financial reporting and grants management duties. The recommendation to hire an accountant is also made in finding 2017-001 and 2017-002.

Views of responsible officials and planned corrective actions:

The changes in process referred to in 2017-001 above and the resolution of the billing issues is also anticipated to allow more time and resources from the Financial Services Division to be devoted to ensuring the timeliness and accuracy of financial reporting and grants management. We will continue to evaluate the need to hire an accountant as recommended.

Section III – Federal Awards Findings and Questioned Costs

We noted the following matters involving noncompliance that are required to be reported in accordance with 2 CFR 200.516(a) and Chapter 10.554(1)(1)(4), *Rules of the Auditor General*.

MATERIAL WEAKNESS

2017-002 – Schedule of Expenditures of Federal Awards

Criteria: Capital Region Transportation Planning Agency administers programs funded by federal awards and state financial assistance. For the year ended September 30, 2017, CRTPA expended over \$937,000 of federal awards and state financial assistance for these programs. As a condition of receiving federal and state grant funding, CRTPA must comply with federal and state laws and regulations, provisions of the grant agreements, and accounting and reporting requirements associated with the grants. Noncompliance could result in termination of existing agreements and possible reimbursement by the CRTPA for unallowable costs.

Capital Region Transportation Planning Agency
Schedule of Findings and Questioned Costs-Federal Awards (continued)
For the Year Ended September 30, 2017

Condition: During our current year audit, several corrections and material errors were noted in accounting for federal and state grant expenditures which required adjustments to programs and amounts reported in CRTPA's Schedule of Expenditures of Federal Awards (the Schedule). These adjustments were required due to:

- 1) There was an accrual entry made at September 30, 2016, which resulted in an over accrual in the amount of \$24,836 for the Federal Transit Metropolitan Planning grant contract number ARL33.
- 2) Current year expenditures for grant contract number GOD29 incorrectly included \$20,204, which related to a prior year accrual.
- 3) Grant identification numbers for projects included with grant GOD29 had not been updated.
- 4) The schedule did not roll forward from the September 30, 2016 schedule in that prior year due from amounts were incorrect and/or missing from the current year schedule. As a result, cash received was not included on the correct line of the grant schedule.
- 5) The original schedule provided combined certain grants which should have been presented separately on the schedule.
- 6) The schedule was revised two times during the course of our single audit procedures.
- 7) Adjustments were required as a result of items not included on the original schedule.

Cause: The accounting function for CRTPA is performed by the City of Tallahassee's accounting staff. As a result of the retirement of a CRTPA employee who formerly handled the majority of the billing process, the City's accounting staff has also been tasked with completing the billing of the grants as well. Audit findings related to the Schedule have been reported as finding 2016-001 in the preceding fiscal year, finding 2015-001 in the second preceding fiscal year, and finding 2014-001 in the third preceding fiscal year.

Effect: As a result of these errors, adjustments were required to increase revenue and due from other governments in the amount of \$100,176.

Recommendations: CRTPA should consider hiring an accountant that has the necessary experience, knowledge, and time required to handle the accounting function; grants management, to include the timely completion of the billing process; and the accurate preparation of the Schedule. The recommendation to hire an accountant is also made in finding 2017-001 and 2017-004.

Views of responsible officials and planned corrective actions:

The changes in process referred to in 2017-001 and the resolution of the billing issues is anticipated to allow sufficient time and resources for the billing process and the accurate preparation of the Schedule. We will continue to evaluate the need to hire an accountant as recommended.

Capital Region Transportation Planning Agency
Schedule of Findings and Questioned Costs-Federal Awards (continued)
For the Year Ended September 30, 2017

MATERIAL WEAKNESS

U.S. DEPARTMENT OF TRANSPORTATION, PASS THROUGH FLORIDA DEPARTMENT OF TRANSPORTATION

2017-003 – Highway Planning and Construction, Grant Number 43932311401/G0D29, CFDA 20.205

Criteria: Per 2 C.F.R., Section 200.331(a)(4), to charge an indirect cost rate to a grant, the rate must either be an approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient or a de minimis indirect cost rate of 10% as defined in Section 200.414 Indirect (F&A) costs, paragraph (b).

Condition: CRTPA utilized an indirect cost rate of 20.87% of total direct grant salaries, which was not approved by the grantor agency, U.S. Department of Transportation, or the pass-through entity, Florida Department of Transportation.

Cause: Lack of grants management experience in the use of the Unified Planning Work Program (UPWP) resulted in an indirect cost percentage that was incorporated into the UPWP, but was not formally approved by the grantor agency. The Florida Department of Transportation confirmed the indirect cost rate used was not approved. Use of the unauthorized rate did not result in questioned costs due to the differences in the base costs used in the different methodologies.

Effect: Noncompliance with 2 C.F.R., Section 200.331(a)(4).

Recommendations: CRTPA should negotiate an indirect cost rate with the grantor or charge the de minimis indirect cost rate of 10% of modified total direct costs.

Views of responsible officials and planned corrective actions:

We have discontinued the use of the indirect cost rate effective July 2018.

**Capital Region Transportation Planning Agency
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2017**

Financial Statement Findings:

2016-002 – Untimely Remittance of Invoices

Material Weakness: Invoices submitted to the Florida Department of Transportation were not being submitted in a timely manner, and in most instances, they were noted as submitted between four to eight and a half months following the end of the respective quarters for which they are seeking reimbursement.

Status: See current year finding 2017-001.

Federal Awards:

2016-001 – Schedule of Expenditures of Federal Awards

Material Weakness: Several material errors were noted in accounting for federal and state grant expenditures, which required an increase in revenue and accounts receivable in the amount of \$42,876, and an adjustment to decrease revenue and accounts receivable in the amount \$12,997, for a net adjustment in the amount of \$29,879.

Status: See current year finding 2017-002.

Management Letter

Members of the Board
Capital Region Transportation Planning Agency

Report on the Financial Statements

We have audited the financial statements of the Capital Region Transportation Planning Agency (CRTPA) as of and for the fiscal year ended September 30, 2017 and have issued our report thereon dated September 4, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance; and Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated September 4, 2018, should be considered in conjunction with this management letter.

Current Year September 30, 2017 Recommendation

2017-005 Board Governance

The CRTPA Board serves an important role in establishing the "tone at the top" and establishing and maintaining a control environment that fosters timely and accurate financial reporting and grants management. During the audit, we noted that the CRTPA Board did not monitor progress toward CRTPA addressing internal control findings identified during the prior year audit. We also noted the CRTPA Board did not perform timely monitoring of budget to actual results. We recommend the CRTPA Board works with management to establish formal financial reporting and grants management monitoring procedures. Such monitoring procedures should include review by the Board of quarterly budget to actual comparisons including explanations for variations from budget, and quarterly monitoring of progress towards the resolution of internal control findings and recommendations.

Management Response:

We are working to develop a monthly and/or quarterly budget report that provides an overview of the budget as well as the status of invoicing and resolution of internal control findings and recommendations.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except for the following:

Tabulation of Uncorrected Audit Findings			
Current Year Finding	2015-16 FY Finding #	2014-15 FY Finding #	2013-14 FY Finding #
2017-001	2016-002	2015-002	–
2017-002	2016-001	2015-001	2014-001
2017-004	2016-003	15-02	14-02

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. CRTPA was established by an inter-local agreement which is disclosed in Note 1 to the Notes to the financial statements. CRTPA has no component units.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the CRTPA has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions met. In connection with our audit, we determined that CRTPA did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for CRTPA. It is management's responsibility to monitor CRTPA's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we noted the matters discussed in the Current Year September 30, 2017 Recommendations section of this letter.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, requires us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for CRTPA for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. The final report will be submitted to the Florida Department of Financial Services upon approval of the annual financial audit report by CRTPA's Board of Directors.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we noted noncompliance, which is outlined in Finding 2017-003 in the Schedule of Findings and Questioned Costs.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the CRTPA Board, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

 

Thomas Howell Ferguson PA
Tallahassee, Florida
September 4, 2018

Law, Redd, Crona & Munroe, P.A.
Tallahassee, Florida



CORRECTIVE ACTION PLAN – FISCAL YEAR ENDED SEPTEMBER 30, 2017

Finding 2017-001 – Untimely remittance of reimbursement requests

Contact Person – Greg Slay, CRTPA Executive Director

Corrective Action Planned

The CRTPA and Financial Reporting staff has made significant progress over the past few months addressing the issue of late invoicing. As of August 8, 2018, all Federal Highway Administration (FHWA) funded grants as well as Transportation Disadvantaged grants have been invoiced and are up to date. We anticipate having all Federal Transit Administration grants up to date no later than September 15, 2018.

We have established a goal to have invoices submitted to their respective grant agency within 45 days after the close of the quarter. Progress towards this goal will be monitored by the Executive Director and the assigned City of Tallahassee Senior Accountant to ensure compliance.

Prior to March 31, 2019, will evaluate the effectiveness of the procedures currently in place to determine if additional staff are necessary.

Finding 2017-002 Related to untimely remittance of reimbursements and accounting staff

Contact Person – Greg Slay, CRTPA Executive Director

Corrective Action Planned

See response to 2017-001.

Finding 2017-003 – Use of an Indirect Cost Rate

Contact Person – Greg Slay, CRTPA Executive Director

Corrective Action Planned

Effective July 1, 2018, we have eliminated the Indirect Cost Rate.

Finding 2017-003 – Accounting Staff

Contact Person – Greg Slay, CRTPA Executive Director

Corrective Action Planned

See response to 2017-001.



Florida Department of TRANSPORTATION

Office of Inspector General Kristofer B. Sullivan, Inspector General

Audit Report No. 18I-9004
Capital Region Transportation Planning Agency (CRTPA)
Draft Report to CRTPA

November 30, 2018

What We Did

The Florida Department of Transportation's (department) Office of Inspector General (OIG) conducted an audit of the Capital Region Transportation Planning Agency (CRTPA or agency), a District 3 (district) subrecipient of the department, to determine if the agency complied with federal, state and contractual requirements for accurate fiscal and programmatic management over grant funds.

The scope of this engagement included Federal Transit Administration (FTA) and Federal Highway Administration (FHWA) funded contracts and reimbursements made to the CRTPA from July 1, 2016, through December 31, 2017.

What We Found

We observed following issues at the CRTPA:

1. **Governance.** The CRTPA's Board of Directors board needs to strengthen its governance over fiscal activities. The CRTPA management team needs to establish adequate fiscal procedures and hire a person of appropriate skills and experience to perform required fiscal duties.
2. **Financial Management System.** CRTPA did not maintain an adequate financial management system (defined as all processes, both automated and manual, used to meet federal recordkeeping requirements).
3. **Indirect Costs and Staff Services Agreement.** The Staff Services Agreement between the City of Tallahassee and CRTPA did not clearly define the terms for determining amounts owed by CRTPA. Instead, the city provided CRTPA with an annual indirect rate calculation unsupported by a written methodology. CRTPA charged this rate to the department as if it were its own rate, while direct charging other, internally incurred administrative costs.
4. **Invoicing.** During the audit period, the district rejected invoices submitted by CRTPA multiple times due to noncompliance, insufficient information, and incorrect data. Also, CRTPA did not submit its reimbursement requests for

FHWA funds using consistent service periods (e.g., monthly or quarterly) in a timely manner.

5. *Questioned Costs.* CRTPA submitted reimbursement requests that included:
 - \$19,118 in costs incurred prior to the execution of the MPO Agreement.
 - \$1,393 in costs without sufficient supporting documentation.
 - \$250 per month for an executive car allowance not supported by adequate documentation to confirm its allowability.

6. *Timekeeping practices.* CRTPA's timesheet practices did not align with the payroll policy adopted from the City of Tallahassee. Also, CRTPA did not have adequate documentation of time records.

What We Recommend

In accordance with 2 CFR 200.331(d)(2), the department has a responsibility to monitor CRTPA's compliance with Federal regulations, follow up audit findings, and ensure timely corrective action is taken to correct deficiencies. If timely corrective action is not taken, the department may exercise its discretion to direct certain actions under 2 CFR 200.207.¹

We recommend the district, in consultation with the Office of Policy Planning (OPP), ensure CRTPA takes the following corrective actions:

1. *Governance.* Improves the agency's control environment pertaining to fiscal activities at the board and management levels according to the detailed recommendations included in this report.

2. *Financial Management System.* Develops and establishes detailed written procedures for generating financial reports supporting invoice preparation. Assigns a specific account code for unallowable costs in its accounting system.

3. *Indirect Costs and Staff Services Agreement.* Complies with departmental guidance regarding indirect costs. Executes an updated Staff Services Agreement with the City of Tallahassee clearly referencing written procedures for documenting and invoicing actual costs of services provided to CRTPA.

4. *Invoicing.* Implement improved procedures and controls to ensure complete invoice packets are submitted timely. Ensure staff members receive proper training regarding required invoice packet components.

¹ Per Title 2 CFR 200.207 Specific Conditions, paragraph (a), subparagraphs 4-6, upon written notice the department may require CRTPA to (among other things) prepare more detailed financial reports, submit to additional monitoring, obtain additional approvals, or seek technical or management assistance.

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5. *Questioned Costs*. Ensure transaction dates are within appropriate contract dates. Ensure all invoiced costs are properly documented, including the business portion of the executive car allowance claimed.

6. *Timekeeping practices*. Train staff members regarding requirements of the city payroll policy adopted by CRTPA, and enforce policy's requirement for an approving signature. Perform reconciliations of (manual) timesheet hours reported versus recorded in system.

AFFECTED ENTITY DRAFT

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BACKGROUND AND INTRODUCTION

Capital Region Transportation Planning Agency

The Capital Region Transportation Planning Agency (CRTPA or agency) is the region's Metropolitan Planning Organization (MPO) that was established in 2004 via an Interlocal Agreement. As such, the CRTPA is responsible for coordinating transportation planning within Florida's Capital Region. The CRTPA includes all of Gadsden, Jefferson, Leon, and Wakulla counties. In cooperation with the state and public transit operators, the CRTPA develops transportation plans and programs for the metropolitan area. CRTPA is currently located at the Tallahassee City Hall and falls under the oversight and coordination of the District Three Planning Office.

CRTPA's Organizational Structure

The CRTPA structure is classified by the Florida Metropolitan Planning Organization Advisory Council (MPOAC) as Leaning Independent. This classification was based on an April 2011 study conducted by the Center for Urban Transportation Research (CUTR) titled "A Snapshot of Florida MPOs".

As a Leaning Independent MPO, CRTPA receives a defined set of services from a host government (currently the City of Tallahassee (city)) under a Staff Services Agreement. Although the city acts as a host government, CRTPA still operates as an independent entity, where it employs its own staff and has the authority to enter into any contract necessary for its operations and administration.

The services agreement between CRTPA and the city was executed on May 21, 2012, the purpose of which is to define a set of services to be provided by the city to assist CRTPA in carrying out its planning duties, including: accounting, annual funding and audit, human resources, central services (e.g. technical support, building maintenance, communications), as well as facilities (i.e. office space and meeting rooms).

As specified in CRTPA's by-laws, CRTPA's Executive Director serves at the pleasure of the CRTPA Board and reports directly to the board for all matters regarding the administration and operation of the agency. The Executive Director is also responsible for employing and overseeing staff members.

CRTPA Board of Directors

The CRTPA Board is comprised of representatives from county and municipal local governments in Gadsden, Jefferson, Leon, and Wakulla counties. Each local governmental entity is assigned different weighted voting rights depending on size. Attachment 2 contains a listing of current members and voting rights.

CRTPA By-Laws

CRTPA's by-laws contain policies and procedures as guidance to CRTPA and its Standing Committees to fulfill the requirements of the Interlocal Agreement which created the CRTPA, as well as applicable provisions of federal law and those of Chapter 339.175, Florida Statutes.

Supporting MPO Committees

Pursuant to Section 339.175(6)(e), Florida Statute, CRTPA's Supporting Committees included:

1. Technical Advisory Committee (TAC) – CRTPA's technical committee comprised of local and state planners and engineers. The committee provides technical reviews of CRTPA plans, programs, and projects and makes recommendations for need, feasibility, technical accuracy and consistency with local, state and regional plans, programs and projects.
2. Citizens Multimodal Advisory Committee (CMAC) – Provides comment and guidance to the CRTPA Board on transportation planning and policy issues. The CMAC is comprised of individuals in the community to represent various agencies and transportation interests.

In addition, the Leon County Transportation Disadvantaged Local Coordinating Board (TDLCB) is a subcommittee of CRTPA. The TDLCB is responsible for reviewing and discussing issues relating to providing transportation services to community members who are unable to provide their own transportation to vital services, such as medical appointments and employment. Within Leon County, membership selections for the TDLCB are made by the agency themselves.

Executive Committee

In 2017, the Board of Directors (board) amended the bylaws to establish an Executive Committee comprised of the Chair, Vice-Chair, and immediate Past-Chair. According to the agency's by-laws, the Executive Committee meets as directed by the Chair for any items that do not require board action. The duties of the Executive Committee include:

1. Advising the Executive Director on critical issues
2. Annual evaluation of the Executive Director
3. Reviews of the annual budget and the UPWP
4. Development of the annual legislative priorities
5. Establishment of CRTPA personnel policies and procedures
6. Reviews and approvals of contracts
7. Emergency approval of time-sensitive items

Single Audit Reports

Title 2 Code of Federal Regulations, Section 200.501 requires a non-federal entity that expends \$750,000 or more in federal awards have a single or program-specific audit conducted for that year. Similarly, the Florida Single Audit Act (FSAA)² requires subrecipients of federal awards have a state single audit if \$750,000.00 (effective July 1, 2016) or more in state financial assistance is expended during the non-state entity's fiscal year.

CRTPA's Single Audits are jointly conducted by Thomas Howell Ferguson, P.A. and Law, Redd, Crona & Monroe, P.A., located in Tallahassee, Florida.

Fiscal Year Ended September 30, 2016 Report

As of the outset of our fieldwork in May 2018, the agency's most recent Single Audit report was issued on July 18, 2017 for fiscal year (FY) ended September 30, 2016. The report identified two material weakness, regarding:

- Errors within the Schedule of Expenditures of Federal Awards (SEFA), and
- Untimely remittance of invoices. This finding was reported as a significant deficiency in CRTPA's FY 2015 Single Audit before being raised to a material weakness in its 2016 audit report.

The CPA firms recommended CRTPA make greater use of accounting services available through its host agency, the City of Tallahassee, to help resolve these issues.

Fiscal Year Ended September 30, 2017 Report

CRTPA's Single Audit Report for FY 2017 was issued on September 4, 2018, and identified three material weaknesses and one significant deficiency:

- *Material Weaknesses.*
 - Errors within SEFA (repeated from 2016);
 - Untimely remittance of invoices (repeated from 2016); and
 - Use of an unapproved indirect rate.
- *Significant Deficiency.*
 - Inadequate accounting staff. The CPA firms found CRTPA's host agency, the City of Tallahassee, does not have sufficient resources to perform all necessary accounting, financial reporting, and grant management duties on CRTPA's behalf. The CPA firms recommended CRTPA hire an accountant with sufficient expertise.

² Section 215.97, Florida Statute

CRTPA's Budget and Funding

CRTPA's budget is based on their planning and programmatic tasks detailed in the UPWP, which covers the agency's planning operations in state fiscal year of July 1 through June 30. In contrast, CRTPA's host government on the other hand, the City of Tallahassee, operates on a federal fiscal year of October 1 through September 30.

According to the agency's UPWP, CRTPA receives federal, state, and local transportation planning funds for their primary functions, which includes funds from FHWA, Federal Transit Administration (FTA), Florida Commission for the Transportation Disadvantaged (FCTD), as well as state and local matches. If operating expenses exceed the external funding obtained, the deficit is funded by the members of the CRTPA in proportion to their weighted votes (Attachment 2).

CRTPA's Grant Agreements

Within the audit period of July 1, 2016, through December 31, 2017, CRTPA held two contracts with the department; contract GOD29 for FHWA funds and contract ARL33 for FTA funds. The District 3 Planning Office is responsible for reviewing the invoices (reimbursement requests) for expenditures charged to FHWA and FTA funds.

FHWA Funding

Contract GOD29, based on the **MPO Agreement** (Form 525-010-02) for FHWA funds, took effect on July 1, 2016, and expired on June 30, 2018 (project termination date):

- The original Agreement was executed in June 20, 2016, containing funds for PL (Planning) and SU (Surface Transportation Block Grant Program [STP] for Urban Areas):
 - PL funds are provided one hundred percent from the Federal Highway Trust Fund and are distributed by State Departments of Transportation (DOTs) to conduct planning activities required by Title 23 of the United States Code, Section 134; and
 - Per Title 23 United States Code, Section 133, STP is a Federal-aid highway flexible funding program that funds a broad range of surface transportation capital needs. STP Urban (also referred to as SU) funds are allocated specifically to Transportation Management Area (TMA) urbanized areas, which are based on population greater than 200,000.
- The second amendment was made and entered into on April 14, 2017, to incorporate the CM (Congestion Management) and SA (STP for any Area) funds, in which all terms and conditions of the original Agreement remains in full effect:

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- In accordance to Title 23 United States Code, Section 149, the Congestion Mitigation and Air Quality (CMAQ) program was implemented to support surface transportation projects and other related efforts that contribute air quality improvements and to provide congestion relief; and
- Similar to SU, SA is also an STP fund, however, SA funds can be utilized for any area, per Title 23 United States Code, Section 133.

Total amounts PL, SU, SA, and CM funds awarded to CRTPA during the life of Contract G0D29 are shown in Table 1.

Table 1: FY 2017/2018 Funding Source by Agency

Agency	Element	Amount	Total
FHWA	PL	\$854,056	\$2,630,522
	SU	1,117,948	
	SA	211,552	
	CM	446,966	
FTA	5305(d)	128,163	128,163
FDOT	Soft Match for FHWA	475,335	491,355
	Match for FTA 5305(d)	16,020	
Local	Match for FTA 5305(d)	16,520	16,520
FCTD	CTD	25,828	25,828
		Total	\$3,292,388

Source: CRTPA's UPWP FY 16/17-17/18

FTA Funding

Contract ARL33, based on the **Public Transportation JPA** (Form 725-030-06) for the FTA 5305(d) funds, was executed on September 15, 2014, and expires (after an extension) on September 30, 2019. Title 49 United States Code, Section 5303 establishes the FTA Section 5303 grant to support metropolitan transportation planning. To secure FTA funds, the state and/or local government must allocate matching funds to a project, as shown in the department's Work Program. FTA will fund up to 80 percent of project costs, with a required 20 percent non-federal match. Per the UPWP, this match is met with 10 percent state funds and 10 percent local funds. Total federal, state, and local funds allocated to Contract ARL33 are shown in Table 1.

FCTD Funding

As shown in Table 2, CRTPA also received \$25,828 in Transportation Disadvantaged Trust Fund (TDTF) from the Florida Commission for the Transportation Disadvantaged (CTD). Contract G0N61, based on the FCTD Joint Participation Agreement, describes the activities required by the MPO to carry out the CTD program. The CTD Joint Participation Agreement between CRTPA and the Florida CTD was established on July 1, 2017, and ended on June 30, 2018.

RESULTS OF REVIEW

During the engagement with the Capital Region Transportation Planning Agency (CRTPA or agency), we reviewed two agreements for federal funds that passed through the department: The Metropolitan Planning Organization (MPO) Agreement for Federal Highway Administration (FHWA) funds under Contract G0D29; and the Transportation Planning Joint Participation Agreement (JPA) for Federal Transit Administration (FTA) funds under Contract ARL33.³ As a result of our review, we determined the following six issues:

Issue 1 – Governance

Issue 1a – Board of Directors

The CRTPA's Board of Directors board needs to strengthen governance over fiscal activities in accordance with the roles and responsibilities defined by an appropriate framework of internal control, as required by Title 2 Code of Federal Regulations (CFR), Section 200.303.

Title 2 CFR 200.303 Internal Controls states:

The Non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).⁴
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

³ CRTPA did not submit any reimbursement requests for FTA funds within the audit period; therefore, our findings and observations are primarily derived from the examination of FHWA funds.

⁴ The "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States state:

Control Environment...The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude towards internal control...
2. The oversight body should oversee the entity's internal control system.

Attachment 1 contains a brief overview of the COSO framework and a link to additional guidance.

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During the audit period, governance (control environment) weaknesses were present within CRTPA, as evidenced by the following occurrences:

- The board did not discuss or inquire about corrective action needed to resolve a repeat Single Audit finding issued by CRTPA's CPAs (Thomas Howell Ferguson P.A and Law, Redd, Crona and Munroe, P.A.), which was elevated from a significant deficiency to a material weakness between 2015 and 2016. This finding specifically concerned the continued delays of invoice remittance;
- The board did not consistently monitor CRTPA's cash flow. In 2017, CRTPA's invoicing delays continued (specifically for PL funds), where only one PL reimbursement occurred until 2018. During the delays, the city provided cash advances to CRTPA until their reimbursements were processed;
- The board did not ensure management assigned fiscal responsibilities to appropriate persons.⁵ CRTPA does not have a staff member with an accounting background or fiscal expertise sufficient to perform the department's documentation standards for invoicing;
- The board did not ensure CRTPA had adequate financial systems⁶ or controls in place, nor did it require timely internal financial reports, such as budget to actual reports, to be prepared for its review. This financial information was only created as a byproduct of the invoicing process; and
- The board approved a UPWP⁷ budget increase of \$295,883 on June 19, 2017, without subsequently confirming approvals of the department or FHWA. CRTPA did not submit the new budget to the department for approval until approximately eight months later on February 16, 2018.

We **recommend** the district communicate to CRTPA's board its responsibility to:

- Regularly review and discuss the annual single audit results, management decision letters, and corrective action plans, including follow up reviews on such issues;
- Oversee the Executive Director's design and implementation of corrective actions, as well as the agency's internal control system, and provide constructive feedback on the Executive Director's remediation of deficiencies as necessary;

⁵ The "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States state:

- Control Environment... The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude towards internal control...
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
 4. Management should demonstrate a commitment to recruit, develop and retain competent individuals.
 5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

⁶ Finding 2: Inadequate Financial Management System

⁷ Unified Planning Work Program

- Ensure the agency employs individuals with the accounting or financial skills necessary to perform their responsibilities and to effectively carry out the agency's objectives;
- Periodically inquire regarding the agency's budget utilization, as well as the status of UPWP amendment approvals by the department and FHWA when applicable, to ensure the amended budget is not expended prior to its approvals; and
- Consider establishing an audit committee (or functional equivalent), consisting of members with the proper fiscal expertise to adequately perform the duties listed above and to provide effective fiscal controls and monitoring over the agency's operations, as well as provide guidance to the Executive Director as appropriate.

Issue 1b – Management Team

The CRTPA management team needs to establish effective controls over its fiscal activities. Particularly, the CRTPA needs to hire a person of appropriate skills and experience to perform required fiscal duties, establish adequate fiscal procedures, and adequately supervise the performance of these duties.

Title 2 CFR 200.303 requires grantees to establish and maintain effective control consistent with the COSO framework. According to this framework, the foundation which supports all other aspects of effective control is the environment established by management, including:

...the organizational structure and assignment of authority and responsibility; the process for attracting, developing, and retaining competent individuals; and the rigor around performance measures, incentives, and rewards to drive accountability for performance.⁸

During the audit period, invoicing activities were delegated to a staff member without proper fiscal skills. After new department invoice documentation requirements were implemented on July 1, 2016, the CRTPA preparer struggled with compliance:

- Invoices were delayed and subsequently rejected by the department for quarters one and two of FY 2017. Only quarter one was resubmitted prior to the staff member's departure in December 2017.
- After the staff member's departure, CRTPA attempted to compile and resubmit the invoice for quarter two of FY 2017 in 2018. However, the agency found many gaps in the documentation the preparer had been tasked to maintain, which led to the untimely invoice submission for quarters two, three, and four of FY 2017.

As noted in Issue 2, CRTPA relied on its invoice preparation procedures to generate budget to actual reporting information. Additionally, reconciliations were not performed to the accounting system⁹ to ensure completion and accuracy of records.

⁸ COSO's Internal Control – Integrated Framework Executive Summary: Components of Internal Control

⁹ City's accounting system: PeopleSoft

CRTPA also lacked written procedures to guide staff in the proper performance of fiscal duties, including in the areas of:

- Implementing corrective action plans for Single Audit findings, and reporting progress to the board;
- Tracking time by task in support of progress reports;
- Reconciling manual timesheets, which were prepared and signed by employees, to the hours entered into the payroll system (accounting system); and
- Monitoring the consistency and accuracy of financial reports prepared in different systems (e.g., budget to actual reports prepared by CRTPA in Excel spreadsheets versus expense totals by budget category exported from the accounting system).

We recommend the district communicate to CRTPA's management team its responsibility to:

- Appropriately define and staff a job position to support all necessary fiscal activities, including (but not limited to) invoicing;
- Ensure development of adequate, documented procedures supporting financial controls, including proper reconciliations; and
- Present timely updates to the board regarding the status of:
 - Budget to actual spending;
 - Appropriate modification or amendment requests; and
 - Corrective action plans.

Issue 2 – Inadequate Financial Management System

CRTPA was not compliant with the requirements set forth in Title 2 CFR 200.302 (Financial Management) and the MPO Agreement regarding the adequacy of the MPO's financial management system, consisting of all processes (both automated and manual) used to meet federal recordkeeping requirements.

Title 2 CFR 200.302(a) states:

the...non-Federal entity's financial management systems...must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

CRTPA's MPO Agreement (Contract G0D29), Section 8C states:

The MPO's financial management system must comply with the requirements set forth in 2 CFR 200.302 (Financial Management), specifically:

- i. Identification, in its accounts, of all Federal awards received and expended and the Federal programs.

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- ii. Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with s.200.327 Financial Reporting and 200.328 Monitoring and Reporting Program Performance.
- iii. Records that identify adequately the source and application of funds for federally-funded activities.
- iv. Effective control over, and accountability for, all funds, property, and other assets.
- v. Comparison of expenditures with budget amounts for each Federal award.
- vi. Written procedures to implement the requirements of 200.305 Payment.
- vii. Written procedures for determining the allowability of costs.

The agency did not have adequate or effective control over, and accountability for grant funds. Discrepancies were found during the reconciliations of invoices and supporting documentation,¹⁰ including:

- Expenditures charged to an invoice prior to the contract's effective date;
- Lack of signatures of an approving authority within timesheets to attest for their accuracy and completion (see Issue 6a for details);
- Inconsistencies between hours reflected in the timesheet versus hours in the accounting system (see Issue 6b for details); and
- Inconsistencies between transaction dates in the Itemized Expenditure Detail Report included in the invoice package and the transaction dates within the accounting system and source documentation (i.e. invoices and receipts).

CRTPA did not have a tracking mechanism in place to monitor the agency's expenditures in real time against the remaining budget. Instead, the agency retroactively monitored its expenditures quarterly when constructing cost totals by budget category during invoice preparation. However, due to extended delays in invoicing (Finding 4), CRTPA was unable to compare its budget versus actual spending in a timely manner.

CRTPA's financial processes were unsupported by written procedures for the identification of unallowable costs or the segregation of expenditures into separate accounts at the time of data entry. Instead, CRTPA manually marked unallowable transactions within the city's ledger on an ad hoc basis at the time of invoicing. CRTPA's financial processes were also unsupported by an indirect cost methodology.¹¹

We recommend the district require CRTPA to:

- Develop and establish a detailed written procedure regarding the process for composing, calculating, and submitting invoices, including a step-by-step

¹⁰ Findings 4 (Invoicing), 5 (Questioned Costs), and 6 (Timekeeping Practices)

¹¹ Finding 3: Indirect Costs

procedure to generate financial reports and filtering data for invoice calculation; this procedure should be communicated to staff appropriately; and

- Assign a specific account code for unallowable costs incurred by CRTPA to be utilized at the time of data entry to PeopleSoft.

Issue 3 – Indirect Costs and Staff Services Agreement

Issue 3a – Inconsistent Treatment of Indirect Costs

CRTPA recouped administrative costs by direct charging amounts for some administrative costs, while simultaneously using an indirect rate to recover others. Federal regulation requires the utilization of a single, consistent treatment for the same type of costs. In addition, the indirect rate utilized by CRTPA was calculated by its host agency (City of Tallahassee), and had not been reviewed or approved by the department, as required by Federal regulation (see Finding 3b below, for an explanation of cause).¹²

Federal regulation defines Indirect costs as “those that have been incurred for common or joint purposes. These costs benefit more than one cost objective and cannot be readily identified with a particular final cost objective without effort disproportionate to the results achieved.”¹³

Federal regulations also state: a cost “may not be allocated to a Federal award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to a Federal award as a direct cost.”¹⁴ Indirect costs are normally charged to Federal awards by the use of an indirect cost rate.¹⁵

Examples of indirect costs may include certain state/local-wide central service costs, general administration of the non-Federal entity accounting and personnel services performed within the non-Federal entity, depreciation on buildings and equipment, and the costs of operating and maintaining facilities.¹⁶

Indirect cost rates are required to be negotiated and monitored by the federal awarding agency or (if inapplicable) the subrecipient’s pass-through entity. Title 2 CFR 200, Appendix VII, Paragraph D.1.b states, “where a non-Federal entity only receives funds as a subrecipient, the pass-through entity will be responsible for negotiating and/or monitoring the subrecipient's indirect costs.”

If CRTPA wishes to use an indirect rate to recover administrative costs from the department:

¹² Title 2 CFR 200 Appendix VII, Paragraph D.1.b

¹³ Title 2 CFR 200 Appendix VII, Paragraph A.1

¹⁴ Title 2 CFR 200 Appendix VII, Paragraph A.1

¹⁵ Title 2 CFR 200 Appendix VII, A.3

¹⁶ Title 2 CFR 200 Appendix VII, Paragraph A.4

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- The rate should be CRTPA's, not the city's;
- The rate should be inclusive of all administrative costs, whether billed to CRTPA by the city or incurred internally;
- No other administrative costs should be billed as direct costs; and
- The rate should be reviewed and approved by the department; or be limited to the 10% de minimis rate available under 2 CFR 200.414(f).¹⁷

However, **we observed** the city began billing CRTPA for actual cost of services (based on usage) as of July 1, 2018 to facilitate direct billing of administrative costs by CRTPA in accordance with department guidance (MPO Handbook, Section 3.4.2):

The department will accept one of four methods for reimbursing indirect costs for MPOs:

1. Federally Approved Indirect (FAI) Cost Rate Agreement;
2. Indirect Cost Rate Allocation Plan (ICAP);
3. 10 percent de minimis indirect cost rate; and
4. Actual costs incurred.

We recommend the district continue to monitor departmental guidance regarding indirect costs and ensure compliance by CRTPA.

Issue 3b - Staff Services Agreement

The Staff Services Agreement did not clearly define the terms for determining amounts owed for the services provided by the city, and no invoice or documentation was provided to CRTPA for the charged costs. Instead, the city provided an annual indirect rate calculation unsupported by a written methodology, and expected CRTPA to pass the rate onto the department to recoup its costs

Regarding the documentation of indirect costs, 2 CFR 200.403 states:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles...
- (g) Be adequately documented.

Section 3.0 of the Staff Services Agreement between CRTPA and the city states:

The City will provide...administrative support services to CRTPA and CRTPA's staff to assist in managing the...planning process for the CRTPA region. Cost of these services shall be expensed at the rates determined by the City's cost allocation plan for such services unless noted otherwise herein.

¹⁷ Unless the 10% de minimis rate is used, as allowed per 2 CFR 200.414(f).

Although the agreement referenced a “cost allocation plan” which determined how the cost of services provided under the agreement were expensed, the plan could not be provided by CRTPA. Instead, the following documents were provided to illustrate how these costs were expensed:

- Excel spreadsheets used to allocate CRTPA’s share of costs for various types of services provided under the agreement. The bases for this allocation were not described by a written procedure, but determined by historical custom. For example, upon inquiry we determined the city used the relative number of journal entries completed on CRTPA’s behalf as the basis for allocating the costs of accounting services;
- A “City of Tallahassee Central Services Full Cost Allocation Plan” prepared by Maguire and Associates in FY 2015 to allocate costs of the city’s central service departments (e.g., the mayor’s office) to all other departments (including CRTPA); and
- A one-page document titled “CRTPA Department Indirect Cost Rate Calculation” containing CRTPA’s final rate calculation, derived from the following accounting totals:
 - For the numerator of the rate: Allocated costs of services provided under the Staff Services Agreement; allocated overhead; and total fringe and benefit costs for CRTPA employees; and
 - For the denominator of the rate: total direct wages paid to CRTPA employees, less administrative leave.

No written procedure existed to tie these documents together and provide underlying support for the reasonableness of the allocation methods used to determine costs used to calculate the rate.

We recommend the district require CRTPA to:

- Ask the city to create a documented procedure for calculating administrative costs under the Staff Services Agreement (including descriptions for the basis used to allocate costs to each service category defined in the agreement) and submit copies of the procedure to CRTPA; and
- Execute an updated Staff Services Agreement with the city that:
 - Clearly references this procedure; and
 - Requires the city to invoice periodically for the costs of services provided under the agreement and fully document all invoiced costs.

Issue 4 – Invoicing

Issue 4a – Incomplete Invoice Submissions

The following invoices were rejected by the district prior to reimbursement due to noncompliance, insufficient information, and incorrect data:

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- Invoice G0D29-1 (for the billing period of July 1, 2016 – September 30, 2016) was rejected once prior to reimbursement; and
- Invoice G0D29-2 (for the billing period of October 1, 2016 – December 31, 2016) was rejected twice prior to reimbursement.

The first submission of invoice G0D29-1 was submitted by CRTPA on December 8, 2016, and was rejected by the district on December 23, 2016, due to the absence of the Itemized Expenditure Detail Report. The MPO Liaison instructed the agency to provide the required report and included its source of criteria as a reference.¹⁸ CRTPA resubmitted this invoice on March 9, 2017, with the required invoice components, and the billing was subsequently reimbursed on March 23, 2017.

CRTPA submitted invoice G0D29-2 on July 26, 2017, which was rejected by the district on July 31, 2017, due to insufficient documentation, as follows:

- Absence of the Itemized Expenditure Detail Report;
 - Sample of the required report was provided by the District Planning Office to assist in the revision of the invoice.
- Progress report could not be verified due to the absence of the Itemized Expenditure Detail Report;
- Further clarification was needed for the information in the Progress Report; and
- An activity was billed to the incorrect UPWP task.

CRTPA resubmitted invoice G0D29-2 on September 5, 2017, and the district rejected it for the second time on September 7, 2017, due to the following deficiencies:

- Incorrect information on the cover page regarding the invoice amount;
- Incorrect amount for the total previous payments by FHWA;
- Incorrect remaining balance for the fiscal year 2017;
- An additional \$10,000 was listed in the FHWA budgeted amount, which did not align with the UPWP budget;
- The Itemized Expenditure Detail Report did not break down the “Other Direct Expenses” category by expenditure line item; and
- Activities listed in the Progress Report did not align with the activities billed within the invoice.

CRTPA resubmitted invoice G0D29-2 for the third time on February 19, 2018. During its third resubmission, invoice G0D29-2 was revised and renumbered to G0D29-3, and the billing period was expanded to October 1, 2016, through June 30, 2017. Invoice G0D29-3 was subsequently reimbursed by the district on February 27, 2018.

¹⁸ OPP’s MPO Agreement and Invoicing web page

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We recommend the district require CRTPA to implement improved procedures and controls to ensure invoice packages contain all components required by the MPO Agreement and Handbook.

Issue 4b - Untimely Invoice Submission

CRTPA did not submit its reimbursement requests for FHWA funds using consistent service periods (e.g., monthly or quarterly) in a timely manner.

The MPO Agreement (Contract G0D29), Section 9A states:

The MPO shall submit a request for reimbursement to the department on a quarterly or a monthly basis.

As shown in Table 2, the five invoices reimbursed within the audit period¹⁹ did not demonstrate a consistent pattern as to service periods covered or timing of submission.

Table 2: Untimely Invoice Submissions During Audit Period*

Invoice No.	Service Dates	Receipt Date	Comment
G0D29-1 (PL)	7/1/16 – 9/30/16	3/9/17	Invoice period of 3 months; 161 days lapsed to invoice submission.
G0D29-1SU	10/1/16 – 12/31/16	7/25/17	207 days lapsed between service dates and invoice submission; over 4 months since last invoice submission.
G0D29-1CM	5/31/17 – 9/30/17	11/17/17	Nonstandard invoice period of 4 months; approximately 4 months since last invoice submission.
G0D29-1SA	5/1/17 – 9/30/17	12/14/17	Nonstandard invoice period of 4 months.
G0D29-3 (PL)	10/1/16 – 6/30/17	2/19/18	Nonstandard invoice period of 9 months; 235 days to invoice submission; approximately 11 months since the last PL invoice.

*See Attachment 3 for complete listing of invoices submitted.

With the new invoicing requirements that took effect beginning July 1, 2016, the agency's had difficulty in preparing the invoice package to satisfy the required

¹⁹ Attachment 3 – CRTPA Reimbursement Requests

components. As a result, multiple invoice submissions were rejected by the district due to inadequacy of records.

We recommend the district require CRTPA to:

- Develop mechanisms to ensure invoice reimbursement requests are submitted to the department on a monthly or quarterly basis, as required by the MPO Agreement; and
- Work with the department to ensure staff members receive proper training regarding the required invoice package components.

Issue 5 – Questioned Costs

Issue 5a - Expenses Incurred Prior to the Execution of the MPO Agreement

CRTPA submitted reimbursement requests that included expenses incurred prior to the execution of the MPO Agreement totaling \$19,118.

The MPO Agreement (Contract G0D29), Section 4 states:

No work shall begin before the Agreement is fully executed and a “Letter of Authorization” is issued by the department.

During the review of invoice G0D29-1, operating and travel expenses were incurred prior to the execution of the MPO Agreement,²⁰ totaling \$2,116 and \$43 respectively.²¹ Personnel expenses for pay periods ended June 24, 2016 and July 8, 2016 (totaling \$16,959), were also earned prior to the execution of the agreement.²²

CRTPA utilized paycheck dates to pull payroll records from PeopleSoft; the agency’s bi-weekly pay period ends one week prior to the respective paycheck date. Therefore, when paychecks dated July 1, 2016, were pulled from the accounting system, pay period ended June 24, 2016, was included in the records. Correspondingly, when paychecks dated July 15, 2016, were utilized to filter the records for pay period ended July 8, 2016, the week ended July 1, 2016, was included in the data generated for the reimbursement request.

We recommend the district ensure transaction dates for CRTPA’s requested reimbursements are within the appropriate contract dates.²³

²⁰ Contract G0D29, Effective July 1, 2016

²¹ Attachment 4 – Questioned Costs Summary

²² See Attachments 4, 4a, and 4b for the schedules of itemized salaries

²³ “Incurred cost” is an accrual concept implying the liability to pay has been incurred, i.e., goods or services have been provided. The MPO Agreement only covers costs incurred within contract dates.

Issue 5b - Unsupported Expenses

CRTPA received reimbursements for expenses that did not contain sufficient supporting documentation totaling \$1,393.

The MPO Agreement (Contract G0D29), Section 9E states:

All costs charged to the Project, including any approved services contributed by the MPO or others, shall be supported by properly executed payrolls, time records, invoices, contracts, or vouchers evidencing in proper detail the nature and propriety of the charges.

During the review for invoice G0D29-1SU, personnel expense reimbursement of the Planning Manager²⁴ for the week ended October 7, 2016, was not supported by a properly executed payroll. The reimbursement for invoice G0D29-1SU was charged to UPWP Task 9.2. Upon further inquiry and examination of the employee's timesheet and payroll ledger, no entry was recorded for Task 9.2 and no additional supporting documentation could be provided by CRTPA to substantiate the charges.

We recommend the district require CRTPA to properly document all expenses incurred with properly executed payrolls, time records, invoices, contracts, or vouchers evidencing in proper detail the nature and propriety of the charges to substantiate the reimbursement requests submitted to the department.

Issue 5c - Car Allowance

CRTPA received reimbursements for a car allowance via the Executive Director's payroll compensation. The car allowance was not supported by adequate documentation to confirm its allowability.

Title 2 CFR 200.431(f) states:

That portion of automobile costs furnished by the entity that relates to personal use by employees (including transportation to and from work) is unallowable as fringe benefit or indirect (F&A) costs regardless of whether the cost is reported as taxable income to the employees.

As reflected in the Executive Director's Employment Agreement, monthly car allowance of \$250 was included as part of the Executive Director's benefits package. However, supporting documentation for the car allowance (e.g. car mileage log) could not be provided by the agency to verify its allowability. Per the employment agreement, the Executive Director was not required to maintain documentation to segregate personal (unallowable) and business (allowable) portions of the car allowance.

²⁴ Employee ID Number 48516

We recommend the district require CRTPA to:

- Implement board review of the Executive Director's car allowance to determine if any portion of the car allowance is utilized for personal use;²⁵
- Revise the Executive Director's Employment Agreement to include additional documentation requirements for car allowance²⁶, such as mileage log, to distinguish business and personal usage; and
- Alternatively, consider eliminating the car allowance portion from the Employment agreement to avoid its administrative burden.

Additionally, **we recommend** an overall improvement to invoice processing to include:

- Regular weekly timesheet reconciliations;
- A second reviewer for invoice packages to verify its accuracy and completion, prior to the Executive Director's approval and invoice submission; and
- Requirement of signatures reflected in the invoice for the preparer, reviewer, and the approving authority as evidence for its accuracy attestation and accountability.

Issue 6 – Timekeeping Practices

Issue 6a - Noncompliance with the Payroll Policy

CRTPA's timesheet practices did not align with the payroll policy adopted from the City of Tallahassee.

City of Tallahassee Policy No. 615 on Timesheet Requirements for Payroll Processing, Section 615.05 (Definitions) specifies a minimum requirement for timesheet documentation to include the following information: employee name, identification number, ...and signatures of both the employee and the approving authority.

Upon examinations of CRTPA's timesheets, the Executive Director's timesheets did not contain his signature and the signature of an approving authority to indicate a confirmation and verification of completeness and accuracy, prior to data entry in Kronos.²⁷ Additionally, CRTPA employees' timesheets did not consistently contain the signature of the approving authority to indicate a confirmation review and verification of their completeness and validity, prior to data entry in Kronos.

CRTPA's management clarified there is an electronic approval process for hours entered into Kronos. However, verification for the electronic approvals could not be produced at the time of our review.

²⁵ Title 2 CFR 200.431(f) Compensation-fringe benefits, Automobiles

²⁶ Title 2 CFR 200.403 Factors affecting allowability of costs

²⁷ CRTPA's Timekeeping Software

We recommend the district require the CRTPA management team to:

- Provide training to staff members regarding the adopted policy requirements for payroll processing; and
- Enforce the signature of an approving authority for each timesheet to attest for completion and accuracy.

Issue 6b - Inadequate Documentation of Time Records

CRTPA did not have adequate documentation of time records.

Title 2 CFR 200.403 Factors affecting allowability of costs states:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: (g) Be adequately documented.

The MPO Agreement (Contract G0D29), Section 9E states:

All costs charged to the Project, including any approved services contributed by the MPO or others, shall be supported by properly executed payrolls, time records, ... evidencing in proper detail the nature and propriety of the charges.

Through the timesheet reconciliations performed for invoice G0D29-1, it was found that varied calculation methods were utilized by the staff members to record their timesheets, including:

- Some staff members utilized sixty-minutes increments to calculate their hours (e.g. 5.30 for five hours and thirty minutes), while others used one hundred percent proportions (e.g. 5.50 for five hours and thirty minutes); and
- Some staff members also used both sixty-minutes increments and one hundred percent proportions simultaneously within the same timesheet.

In addition, discrepancies were found between the hours reflected in the timesheets and hours recorded in the accounting system.

We recommend the district require CRTPA to perform reconciliations for the hours reflected in the timesheets and hours reported in the accounting system. Additionally, the reconciliation activity should be performed by a staff or executive member with the appropriate expertise.

APPENDIX A – Purpose, Scope, and Methodology

The **purpose** of this engagement was to determine if the Capital Region Transportation Planning Agency (CRTPA) followed the mandatory requirements for accurate fiscal and programmatic management over grant funds.

The **scope** of this engagement included Federal Transit Administration (FTA) and Federal Highway Administration (FHWA) funded contracts and reimbursements made to the CRTPA from July 1, 2016, through December 31, 2017.

The **methodology** included interviews with:

- CRTPA Executive Director and staff members;
- Accounting services staff of CRTPA's host agency;²⁸ and
- District 3 Planning Office staff members.

Reviews were also conducted for:

- The department's MPO Handbook;
- Title 2 Code of Federal Regulations, Section 200; and
- Sections 215 and 339, Florida Statutes.

Additionally, examinations were performed for CRTPA's records, including:

- Single Audit Reports for fiscal years 2015 and 2016;
- Interlocal Agreement;
- MPO Agreement, Contract G0D29;
- Joint Participation Agreement, Contract ARL33;
- Invoices submitted to the department for reimbursement within the audit period: G0D29-1, G0D29-3, G0D29-1SU, G0D29-1CM, G0D29-1SA;
- Chart of Accounts;
- General ledgers for the audit period:
 - Trial Balances;
 - Account Detail Ledgers; and
 - Payroll Detail Ledgers.
- Supporting documentation for expenses billed to the department, including (not limited to) employee timesheets and consultant service invoices;
- Staff Services Agreement with the City of Tallahassee (city);
- Executive Director Employment Agreement;
- Policies and procedures (adopted from the city);
- Board meeting minutes;
- Structure Review; and
- By-Laws.

²⁸ City of Tallahassee

APPENDIX B – Affected Entity Response

Section 20.055(6)(e), Florida Statutes (2018), provides you an opportunity to submit a written response within 20 working days after receipt of the draft report. Your response will be included in our final report.

AFFECTED ENTITY DRAFT

APPENDIX C – Management Response

Section 20.055(6)(d), Florida Statutes (2018), provides you an opportunity to submit a written response within 20 working days after receipt of the Preliminary and Tentative (P&T) report. Your response will be included in our final report.

AFFECTED ENTITY DRAFT

**Office of Inspector General
Florida Department of Transportation**

DISTRIBUTION

Affected Entity:

Capital Region Transportation Planning Agency (CRTPA)

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Teddi Pitts, Executive Director, Florida Transportation Commission
Greg Slay, Executive Director, CRTPA
Commissioner Nick Maddox (Chair, CRTPA Board)

PROJECT TEAM

Engagement was conducted by:
Linda Tan, Auditor

Under the supervision of:
Ashley Clark, Senior Audit Supervisor
Nancy Shepherd, Deputy Audit Director for Intermodal
Joe Gilboy, Director of Audit

Approved by:
Kristofer B. Sullivan, Inspector General

STATEMENT OF ACCORDANCE

The department's mission is to provide a safe transportation system that ensures the mobility of people and goods, enhances economic prosperity, and preserves the quality of our environment and communities.

The Office of Inspector General's mission is to promote integrity, accountability, and process improvement in the Department of Transportation by providing objective, fact-based assessments to the DOT team.

This work product was prepared pursuant to section 20.055, Florida Statutes, in accordance with the Association of Inspectors General *Principles and Standards for Offices of Inspector General*, and conforms with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Please address inquiries regarding this report to the department's Office of Inspector General at (850) 410-5800.

**Office of Inspector General
Florida Department of Transportation**

ATTACHMENT 1 – Overview of COSO Framework

Component	Description
Control Environment	In a control environment , management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. In a control environment, the organization ²⁹ also demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives, including holding individuals accountable for their internal control responsibilities in pursuit of objectives.
Risk Assessment	Risk assessment involves a dynamic and iterative process for identifying and assessing risks to the achievement of objectives, including the determination of how the risks should be managed.
Control Activities	Control activities are the actions established through policies and procedures that help ensure that management’s directives are carried out to mitigate risks. Segregation of duties is typically built into the selection and development of control activities.
Information and Communication	Relevant and quality information is obtained or generated and utilized by management from both internal and external sources to support the functioning of other components of internal control. Communication (internal and external) is the continual, iterative process of providing, sharing, and obtaining the necessary information.
Monitoring	Monitoring activities assess the quality of performance over time and promptly resolve the findings of audits and other reviews. Corrective actions are a necessary complement to control activities for achieving objectives.

For additional information, see *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States, available at <https://www.gao.gov/greenbook/overview>.

²⁹ For the purposes of COSO’s framework, the term “organization” is used to collectively capture the board, management, and other personnel.

**Office of Inspector General
Florida Department of Transportation**

ATTACHMENT 2 – CRTPA Board (Voting Members)

Governmental Entity	Members	Voting Points	Representative (Voting Member)
Leon County School Board	1	1	Rosanne Wood
Jefferson County ³⁰	1	4	Commissioner Betsy Barfield
Gadsden Municipalities ³¹	1	5	Commissioner Daniel McMillan (City of Quincy)
Wakulla County ³²	1	7	Commissioner Randy Merritt
Gadsden County	1	9	Commissioner Sherrie D. Taylor
Leon County ³³	3	37	Commissioner John Dailey Commissioner Kristen Dozier Commissioner Nick Maddox (Chair)
City of Tallahassee ³⁴	3	37	Commissioner Scott Maddox Commissioner Nancy Miller Commissioner Curtis Richardson
Total	11	100	

Source: CRTPA's Web Page and By-Laws (revised on March 21, 2017)

³⁰ The County Representative will also represent the City of Monticello.

³¹ The Cities of Chattahoochee, Greensboro, Gretna, Havana, Midway, and Quincy will consolidate their membership and weighted vote into one membership.

³² The County Representative will also represent the Cities of St. Marks and Sopchoppy.

³³ The number of voting points is determined by the number of voting members agreed upon by the Leon County Board of County Commissioners.

³⁴ The number of voting points is determined by the number of voting members agreed upon by the City of Tallahassee.

**Office of Inspector General
Florida Department of Transportation**

ATTACHMENT 3 – CRTPA Reimbursement Requests

18I-9004 MPO Select:								
Audit Period: July 1, 2016 through December 12, 2017								
FHWA Funds								
State Fiscal Year	Invoice Billing Quarter	Fund Type	Invoice Number	Invoice Period	Invoice Amount	Department Receipt Date	Invoice Status	Payment Date
16/17	1	PL	G0D29-1	7/1/2016 - 9/30/2016	\$ 146,113.64	12/22/2016	Rejected	N/A
16/17	1	PL	G0D29-1	7/1/2016 - 9/30/2016	\$ 146,113.64	3/9/2017	Reimbursed	3/23/2017
16/17	2	SU*	G0D29-1SU	10/1/2016 - 12/31/2016	\$ 1,392.68	7/25/2017	Reimbursed	7/31/2017
16/17	2	PL	G0D29-2	10/1/2016 - 12/31/2016	\$ 121,392.66	7/31/2017	Rejected	N/A
16/17	2	PL	G0D29-2	10/1/2016 - 12/31/2016	\$ 121,392.66	9/26/2017	Rejected	N/A
16/17 - 17/18	4 (FY 16/17), 1 (FY 17/18)	CM**	G0D29-1CM	5/31/2017 - 9/30/2017	\$ 38,695.86	11/17/2017	Reimbursed	11/28/2017
16/17 - 17/18	4 (FY 16/17), 1 (FY 17/18)	SA**	G0D29-1SA	5/1/2017 - 9/30/2017	\$ 70,423.50	12/14/2017	Reimbursed	12/22/2017
16/17	2, 3, 4	PL	G0D29-3	10/1/2016 - 6/30/2017	\$ 411,411.36	2/19/2018	Reimbursed	2/27/2018

*There were no expenditures charged to SU fund for Quarters 1, 3, and 4 of FY 16/17.
 **CM and SA funds were not included in the MPO Agreement until it was amended on April 14, 2017 (quarter 4 of FY 16/17).

Note: During the audit period, no reimbursement requests were submitted by CRTPA for FTA funds.

AFFECTED ENTITIES

**Office of Inspector General
Florida Department of Transportation**

ATTACHMENT 4 – Questioned Costs Summary

Questioned Costs for Invoice G0D29-1: Expenses Incurred prior to the MPO Agreement's Effective Date*						
UPWP TASK	PS #	EXPENSE ITEM	AMOUNT	DESCRIPTION	DATE	
Operating Expenses						
1.1 Program Admin	701	Operating	\$ 22.43	MyOfficeProducts	6/6/2016	
			\$ 17.78	MyOfficeProducts	6/27/2016	
			\$ 74.68	Verizon Services	5/23/2016	
			\$ 72.55	Verizon Services	4/23/2016	
			\$ 75.00	Lewis Digital	3/29/2016	
			\$ 765.99	Target Print & Mail	5/9/2016	
			\$ 557.97	Target Print & Mail	6/13/2016	
			\$ 414.43	Konica Minolta	6/30/2016	
			\$ 114.72	Konica Minolta	5/31/2016	
Total Operating Expenses prior to July 1, 2016			\$ 2,115.55			
Travel Expenses						
1.1 Program Admin	701	Travel	\$ 21.28	Employee # 91387	6/20/2016	
			\$ 22.19	Employee # 48516	3/15/2016	
Total Travel Expenses prior to July 1, 2016			\$ 43.47			
Personnel Expenses						
1.1 Program Admin	701	Salaries	\$ 2,395.78	All Staff Members	7/1/2016	
4.1 TIP	990		\$ 1,469.92		7/1/2016	
6.1 Public Involvement	705		\$ 397.20		7/1/2016	
7.1 Bike and Pedestrian	752		\$ 1,465.69		7/1/2016	
8.1 CRTPA Coordination	704		\$ 1,649.68		7/1/2016	
Total Salaries			\$ 7,378.27		See Attachment 4a	
Indirect at 14.60% of Salaries			\$ 1,077.23			
Fringe at 43.37%** of Salaries			\$ 3,199.96			
Total Personnel Expenses for pay period ended June 24, 2016			\$ 11,655.45	Salaries plus indirect and fringe		
Personnel Expenses						
1.1 Program Admin	701	Salaries	\$ 540.47	All Staff Members	7/8/2016	
3.1 UPWP	702		\$ 211.01		7/8/2016	
4.1 TIP	990		\$ 640.32		7/8/2016	
7.1 Bike and Pedestrian	752		\$ 893.20		7/8/2016	
8.1 CRTPA Coordination	704		\$ 1,072.40		7/8/2016	
Total Salaries			\$ 3,357.40		See Attachment 4b	
Indirect at 14.60% of Salaries			\$ 490.18			
Fringe at 43.37%** of Salaries			\$ 1,456.10			
Total Personnel Expenses for pay period ended July 8, 2016			\$ 5,303.68	Salaries plus indirect and fringe		
Total expenses incurred prior to the execution of the MPO Agreement			\$ 19,118.16			
*The MPO Agreement was executed and taken into effect on July 1, 2016.						
**Fringe rate of 43.37% was utilized within invoice G0D29-1						
Questioned Costs: Unsupported Expenses						
INV NUM	UPWP TASK	PS #	EXPENSE ITEM	AMOUNT	DESCRIPTION	DATE
G0D29-1SU	9.2 Special Projects	995	Salaries	\$ 882.00	Employee Number: 48516**	Week Ended 10/7/2016
			Indirect at 14.60% of Salaries	\$ 128.77		
			Fringe at 43.30% of Salaries	\$ 381.91		
Total expenses incurred without supporting documentation				\$ 1,392.68		
**There was no entry for Task 9.2 (PS 995) within the employee's timesheet for the salary billed to the department.						
Total Questioned Costs				\$ 20,510.84		

**Office of Inspector General
Florida Department of Transportation**

ATTACHMENT 4a – Itemized Salaries for Pay Period End 6/24/2016

Finding 3 - Questioned Costs				
CRTPA				
Itemized Salaries				
For Pay Period Ended June 24, 2016				
Employee ID Number	FMS Subsid	Amount	Check Date	Pay Period Ended
48516	OPS701	\$ 91.72	7/1/2016	6/24/2016
48516	OPS701	\$ 91.72	7/1/2016	6/24/2016
48516	OPS701	\$ 86.48	7/1/2016	6/24/2016
48516	OPS701	\$ 91.72	7/1/2016	6/24/2016
48516	OPS701	\$ 86.48	7/1/2016	6/24/2016
48516	OPS701	\$ 86.48	7/1/2016	6/24/2016
48516	OPS701	\$ 101.62	7/1/2016	6/24/2016
48516	OPS701	\$ 110.27	7/1/2016	6/24/2016
48516	OPS701	\$ 102.91	7/1/2016	6/24/2016
48516	OPS701	\$ 37.85	7/1/2016	6/24/2016
48516	OPS701	\$ 40.14	7/1/2016	6/24/2016
91387	OPS701	\$ 5.77	7/1/2016	6/24/2016
91387	OPS701	\$ 5.76	7/1/2016	6/24/2016
91387	OPS701	\$ 37.85	7/1/2016	6/24/2016
91387	OPS701	\$ 37.78	7/1/2016	6/24/2016
93012	OPS701	\$ 37.85	7/1/2016	6/24/2016
93012	OPS701	\$ 39.34	7/1/2016	6/24/2016
93123	OPS701	\$ 106.15	7/1/2016	6/24/2016
93123	OPS701	\$ 138.08	7/1/2016	6/24/2016
93123	OPS701	\$ 135.76	7/1/2016	6/24/2016
93123	OPS701	\$ 153.73	7/1/2016	6/24/2016
93123	OPS701	\$ 107.42	7/1/2016	6/24/2016
93123	OPS701	\$ 116.94	7/1/2016	6/24/2016
93123	OPS701	\$ 155.42	7/1/2016	6/24/2016
93123	OPS701	\$ 151.61	7/1/2016	6/24/2016
93123	OPS701	\$ 161.55	7/1/2016	6/24/2016
93123	OPS701	\$ 37.85	7/1/2016	6/24/2016
93123	OPS701	\$ 39.53	7/1/2016	6/24/2016
93012	OPS990	\$ 160.26	7/1/2016	6/24/2016
93012	OPS990	\$ 159.90	7/1/2016	6/24/2016
93012	OPS990	\$ 160.26	7/1/2016	6/24/2016
93012	OPS990	\$ 158.49	7/1/2016	6/24/2016
93012	OPS990	\$ 24.76	7/1/2016	6/24/2016
93012	OPS990	\$ 160.26	7/1/2016	6/24/2016
93012	OPS990	\$ 165.21	7/1/2016	6/24/2016
93012	OPS990	\$ 160.26	7/1/2016	6/24/2016
93012	OPS990	\$ 160.26	7/1/2016	6/24/2016
93012	OPS990	\$ 160.26	7/1/2016	6/24/2016
93012	OPS990	\$ 160.26	7/1/2016	6/24/2016
91387	OPS705	\$ 0.84	7/1/2016	6/24/2016
91387	OPS705	\$ 197.62	7/1/2016	6/24/2016
91387	OPS705	\$ 198.74	7/1/2016	6/24/2016
91387	OPS752	\$ 92.95	7/1/2016	6/24/2016
91387	OPS752	\$ 256.24	7/1/2016	6/24/2016
91387	OPS752	\$ 264.61	7/1/2016	6/24/2016
91387	OPS752	\$ 267.40	7/1/2016	6/24/2016
91387	OPS752	\$ 151.29	7/1/2016	6/24/2016
91387	OPS752	\$ 111.65	7/1/2016	6/24/2016
91387	OPS752	\$ 321.55	7/1/2016	6/24/2016
48516	OPS704	\$ 268.10	7/1/2016	6/24/2016
48516	OPS704	\$ 268.10	7/1/2016	6/24/2016
48516	OPS704	\$ 268.10	7/1/2016	6/24/2016
48516	OPS704	\$ 41.08	7/1/2016	6/24/2016
48516	OPS704	\$ 268.10	7/1/2016	6/24/2016
48516	OPS704	\$ 268.10	7/1/2016	6/24/2016
48516	OPS704	\$ 268.10	7/1/2016	6/24/2016
Total Salaries For Pay Period Ended June 24, 2016		\$ 7,378.27		

**Office of Inspector General
Florida Department of Transportation**

ATTACHMENT 4b – Itemized Salaries for Pay Period End 7/8/2016

Finding 3 - Questioned Costs					
CRTPA Itemized Salaries For Pay Period Ended July 8, 2016					
Employee ID Number	FMS Subsid	Check Date	Pay Period Ended	Amount	Day Worked
48516	0PS701	7/15/2016	7/8/2016	\$ 180.75	6/30/2016
48516	0PS701	7/15/2016	7/8/2016	\$ 233.07	6/28/2016
93012	0PS701	7/15/2016	7/8/2016	\$ 126.65	6/28/2016
48516	0PS704	7/15/2016	7/8/2016	\$ 268.10	6/30/2016
48516	0PS704	7/15/2016	7/8/2016	\$ 268.10	6/29/2016
48516	0PS704	7/15/2016	7/8/2016	\$ 268.10	6/28/2016
48516	0PS704	7/15/2016	7/8/2016	\$ 268.10	6/27/2016
91387	0PS752	7/15/2016	7/8/2016	\$ 334.95	6/30/2016
91387	0PS752	7/15/2016	7/8/2016	\$ 251.21	6/29/2016
91387	0PS752	7/15/2016	7/8/2016	\$ 307.04	6/28/2016
93012	0PS990	7/15/2016	7/8/2016	\$ 160.26	6/30/2016
93012	0PS990	7/15/2016	7/8/2016	\$ 159.90	6/29/2016
93012	0PS990	7/15/2016	7/8/2016	\$ 159.90	6/28/2016
93012	0PS990	7/15/2016	7/8/2016	\$ 160.26	6/27/2016
71329	PS702			\$ 211.01	Jul-16
Total Salaries For Pay Period Ended July 8, 2016				\$ 3,357.40	

AFFECTED