

January 21, 2020



## AGENDA ITEM 6 B

# FY 2018 CRTPA FINANCIAL STATEMENTS

TYPE OF ITEM: Action

### **STATEMENT OF ISSUE**

The purpose of this item is to discuss the FY 2018 CRTPA Financial Statements developed for the period October 1, 2017 – September 30, 2018.

### **RECOMMENDED ACTION**

Option 1: Accept FY 2018 CRTPA Financial Statements

### **HISTORY AND ANALYSIS**

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

#### **2018-001 Accounting and Financial Reporting (page 47)**

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 accounting errors that required adjusting journal entries which also impacted the Schedule of Expenditures of Federal Awards. 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 resulting in a negative cash balance of \$793,851 at September 30, 2018. In addition, employees' time is manually entered into the timekeeping system, Kronos, by one employee. A consistent,

documented reconciliation is not performed between the timesheets and Kronos. During our testing we noted discrepancies between the timesheets and Kronos reports both in total hours and classifications in tasks that are outlined in the grant agreement and utilized in grant reporting. *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 Schedule of Findings and Questioned Costs or the Management Letter as findings 2017-004 and 2017-002 in the preceding fiscal year, finding 2016-001 in the second preceding fiscal year, and finding 2015-001 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.

*Management Response:*

#### Journal Entries

*We have discussed the adjusting journal entries with Financial Services staff. There were two adjusting entries in FY2018 due to accounting errors. First one was to recognize revenue and a receivable from Blueprint for a joint project that hadn't been billed to Blueprint. The second entry was to reverse an accrual journal for expenses recognized in FY2017 and accrue some expenses for FY2018. Comparatively there were 10 adjusting journals for accounting errors in FY2017 for similar purposes.*

#### Negative cash balance

*Because the CRTPA grants are on a cost reimbursement basis, we will always carry a net negative cash balance. Improvements made in the billing process during FY2018 resulted in more timely reimbursement of expenditures and therefore a reduction of net negative cash. During FY 2018 the net negative cash balance was decreased \$302,000 from the FY2017 balance of negative \$1,095,000. The CRTPA is continuing to successfully reduce this balance in FY2019.*

#### Timekeeping procedures

*We implemented a new process for time keeping in January 2019. The process is as follows:*

- 1. Employee timesheets are entered into Kronos by the Administrative Assistant II*
- 2. The Assistant Director reviews both the employee timesheet and Kronos input to ensure accuracy.*
- 3. The Executive Director spot checks the Kronos input against the employee timesheet prior to final signoff.*

*We have made significant progress over the past eighteen months in improving our overall accounting procedures. While we are cognizant of our direct fiduciary responsibilities, we are confident that, with*

*our continued close coordination with the Financial Services Department, we can accomplish our requirements without additional staff. However, we will continue to monitor our progress to ensure that remains the case.*

**2018-002 Services Provided by the City of Tallahassee (page 50)**

CRTPA utilizes the accounting office of the City of Tallahassee for the processing of its cash receipts and disbursements, including payroll. CRTPA's financial records are also maintained in the City of Tallahassee's accounting system. This has allowed CRTPA to participate in the City of Tallahassee's cash management system and to utilize the expertise of the City's Financial Services Department. It is important to note that this arrangement does not alleviate the CRTPA's responsibilities over internal controls, financial reporting and oversight.

During the audit of the City of Tallahassee, we observed the Treasury account bank reconciliations were performed six to eleven weeks after month end. City staff established preliminary bank reconciliation procedures beginning in April 2018. Four of the six preliminary bank reconciliations were performed five to six weeks after month-end, with the preliminary bank reconciliation for the month ended September 30, 2018 performed on December 4, 2018 and the final reconciliation performed on December 18, 2018. The delay in performing bank reconciliations has been observed and included as part of various management letter comments over the past several years. The timely reconciliation of bank accounts is a critical control activity. Cash transactions account for almost every activity of a government's operations, including payroll and the purchase of goods and services. Delays in performing this key control allows for errors or fraudulent transactions to occur and not be identified in a timely manner.

In addition, during the audit of CRTPA it was determined that the implementation of an accounting standard was not done in accordance with the standard, which required an actuarial determination of its OPEB liability and other related amounts. CRTPA relied on the City of Tallahassee's accounting staff to provide this information, which was not available and had to be requested from the actuary late in the audit process.

It is important that CRTPA understand its responsibility for controls over its accounting function and monitor the functioning of these controls. We recommend CRTPA review its accounting and financial reporting function to ensure that the services and functions provided by the City of Tallahassee on the CRTPA's behalf, are meeting the expectations of CRTPA. See also Finding 2018-001 in the Schedule of Findings and Questioned Costs.

*Management Response:*

**Timeliness of reconciliations**

*We have reviewed this finding with Financial Services and will work with them as they look to continue to improve their process. (see COT Financial Services response below). We will also determine if we can have a staff member make regular checks on the reconciliations to ensure they are being done in a timely manner.*

*COT Financial Services response: [From the City of Tallahassee Comprehensive Annual Financial Report] Financial Reporting recognizes the importance of timely bank reconciliations and has succeeded in improving the timeliness since this comment was first made. They continue to review process and have for the last couple of months been cross training another employee on this task with the goal of completing the reconciliations within one month of closing each month in the general ledger which will represent approximately 5 weeks after month end.*

*Other Post-Employment Benefits - See response to 2018-003*

*We recognize our responsibility for controls over the accounting function and will continue efforts to monitor the functioning of these controls. We are also in the process of reviewing our services agreement with the City which governs the services and functions provided to CRTPA.*

### **2018-003 Other Post-Employment Benefits (OPEB) (page 52)**

It was determined during the audit that the implementation of an accounting standard was not done in accordance with the standard, which required an actuarial determination of its OPEB liability and other related amounts. CRTPA relied on the City of Tallahassee's accounting staff to provide this information, which was not available and had to be requested from the actuary late in the audit process.

It is important that CRTPA understands its responsibility for controls over its accounting function and monitor the functioning of these controls. We recommend that CRTPA review its accounting and financial reporting function to ensure that the services and functions provided by the City of Tallahassee on CRTPA's behalf, are meeting the expectations of CRTPA.

*Management Response:*

*Prior to FY 2018, CRTPA employees received benefits through either the City of Tallahassee or Leon County. The County pension (FRS) and OPEB (HIS) plans are administered by the Florida Retirement System. The City's OPEB plan is administered by the City. As of June 2019, new CRTPA employees do not have the option to select FRS benefits. The OPEB liability and related amounts are accounting estimates provided by an independent actuary. In prior years, the CRTPA's OPEB items, under the prior standard (GASB 45), were allocated by City Financial Services based on percentage of covered payroll. In future years, under the current standard (GASB 75), the CRTPA will ensure that the independent actuarial report provides separate numerical columns for our OPEB items as allocated by the actuary based on percentage of covered payroll.*

### **2018-004 Board Governance (page 52)**

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. 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:*

*Beginning in March 2019, the CRTPA Board began receiving quarterly budget reports detailing the utilization of each grant. In addition, periodic updates have been provided on the status of the responses to the FDOT IG Audit.*

**OPTIONS**

Option 1: Accept FY 2018 CRTPA Financial Statements  
(Recommended)

Option 2: CRTPA Board Discretion.

**ATTACHMENT**

Attachment 1: FY 2018 CRTPA Financial Statements