

Grants and Fiduciary Responsibility

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What is fiduciary duty?

Fiduciary duty is commonly divided into two broad areas:

- Loyalty
- Due Care

Fiduciary duty and grants

- The textbook definition: The legal and ethical obligations of the grant recipient or the person administering a grant program to use the grant funds in a responsible and accountable manner. This includes ensuring that the funds are used for the intended purpose of the grant, following all legal and regulatory requirements, and properly accounting for the use of the funds.

How do you do satisfy
your duty?

- Understand the grant/program
- Monitor the program (spending and progress)
- Review the reports

Understand the grant

- Ask questions
 - Purpose
 - Amount of the grant
 - Length of the grant
 - Requirements of the grant

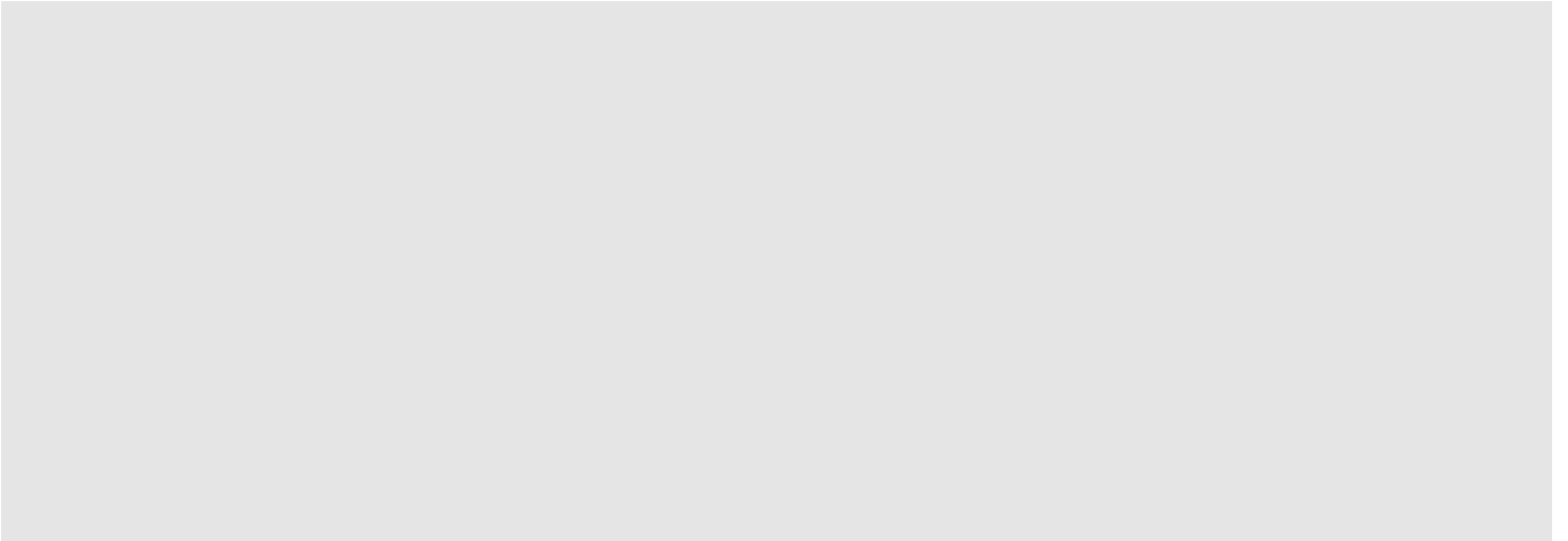
Monitoring

- Oversight
- Evaluation of progress
- Compliance

Auditors

- Financial Statement Audit and Single Audit
 - Threshold is \$750,000
 - Both Federal and State requirements
 - Prepare a report that is near the end of the annual financial statements

Single Audit



**CAPITAL REGION TRANSPORTATION PLANNING AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

I. Summary of Auditors' Results:

Financial Statements:

Type of audit report issued on the basic financial statements: *Unmodified.*

Internal Control over Financial Reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? ____ yes X no

Federal Awards:

Internal Control over Major Programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? _____yes X none reported

Type of report issued on compliance for each major federal program: *Unmodified.*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X none reported

Auditee qualified as a low-risk auditee? yes X no

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Major program identification:

CFDA Number	Program Name
20.205	Highway Planning and Construction Cluster

II. Financial Statement Findings: None.

III. **Federal Award Findings and Questioned Costs:** None.

IV. **Summary Schedule of Prior Audit Findings:** Not applicable as no findings were reported in the prior audit.

V. **Corrective Action Plan:** Not applicable as no findings have been reported.

CITY OF TALLAHASSEE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2019

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

<u>Type of Auditor's Report Issued:</u>	Unmodified Opinion	
Internal control over financial reporting:		
• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards and State Financial Assistance

Internal control over major programs/projects:		
• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported

Type of report issued on compliance for major federal programs and major state projects:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.554(1)(1)4, <i>Rules of the Auditor General</i>	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.554(1)(i), <i>Rules of the Auditor General</i>	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Identification of Major Federal Programs and Major State Projects

<u>CFDA Number</u>	<u>Name of Federal Programs</u>
20.507 & 20.526	Federal Transit Cluster
97.036	Disaster Grants – Public Assistance

<u>CSEA Numbers</u>	<u>Name of State Projects</u>
40.901	State Housing Initiatives Partnership Program (SHIP)
55.010	Public Transit Block Grant Program
55.026	Transportation Regional Incentive Program (TRIP)

Dollar threshold used to distinguish between	
Type A and Type B programs/projects: Federal	\$ <u>750,000</u>
State	\$ <u>750,000</u>

Auditee qualified as low-risk auditee pursuant to the Uniform Guidance?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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CITY OF TALLAHASSEE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*
For the Year Ended September 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

2019-001 – Unbilled Utility Revenue

Type of Finding – Significant Deficiency

Criteria:

U.S. GAAP requires that charges for services revenue be reported in the fiscal period in which the service were provided. Services provided during the fiscal year but billed subsequent to fiscal year end should be accrued at year end.

Condition:

During our testing of accounts receivable, it was noted that unbilled utility revenue had not been evaluated and recorded in the current and prior periods. Due to this error, accounts receivable and net position were understated by approximately \$22.3 million across the City's general fund and proprietary funds except the City's Airport, StarMetro and Golf as of October 1, 2018.

Cause:

The City had deemed the unbilled utility revenue as immaterial in prior years. However, there was no process in place to evaluate the potential financial impact of unbilled utility revenues on a regular (annual) basis. There was also a lack of communication between the Utility Services Department and the Financial Reporting Division regarding this issue. The Financial Reporting Division was not aware that the Utility Services Department was not recording or evaluating unbilled utility revenues.

Effect:

A prior period adjustment due to a correction of an error was made to restate the applicable beginning fund balance/net positions and the related accounts receivable for the general fund and all proprietary funds except the Airport, StarMetro and Golf.

Recommendation:

We recommend that the City continue to record unbilled utility revenue in future years and strengthen communication between the Utility Services Department and the Financial Reporting Division.

Views of responsible officials and plan corrective action:

The City will continue to estimate and record unbilled utility revenue and will ensure that there is improved communication between the Utility Services Department and the Financial Reporting Division specifically as part of the close out process. Additionally, a requirement has been added to the RFP for new CIS software which requires the ability to generate estimated unbilled consumption and the resulting estimated charges using defined estimation rules.

CITY OF TALLAHASSEE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)*
For the Year Ended September 30, 2019

2019-002 – Capital Asset Reconciliation

Type of Finding – Significant Deficiency

Criteria:

The City has a significant investment in capital assets. The City's asset management system is used as the inventory record of these assets. This system maintains various required information related to capital assets including: cost, depreciable life, depreciation expense, accumulated depreciation, asset location, asset custodian, etc. Capital assets recorded in an asset's subledger should be reconciled on a regular basis to the City's general ledger accounting system to ensure proper financial reporting.

Condition:

During our audit, we noted that the City's asset management system required a significant manual reconciliation process. This process includes information contained in excel spreadsheets required to reconcile to the general ledger. Information maintained in spreadsheets include significant assets in numbers and dollars which are not reported in the asset management system.

Cause:

Due to prior asset system conversions and a lack of coordination between various departments responsible for capital projects, the City has relied upon a manual process to reconcile its asset management system to the general ledger.

Effect:

Although the City's capital assets are materially correct, this manual reconciliation process could lead to misstatements in the City's financial statements. Over the years, this has resulted in various financial reporting issues related to asset acquisition, disposal and reporting of asset depreciation.

Recommendation:

We recommend that the City review the capabilities of the asset management system to determine if the City can reduce the reliance on excel spreadsheets and manual reconciliations. We also recommend that the City begin a process to ensure that all assets be properly maintained in the asset management system.

Views of responsible officials and plan corrective action:

Financial Services will go through the 9/30/2019 reconciliation and make sure that assets are either correctly entered into the asset management module or adjusted in the City's general ledger as appropriate. Additionally, Fixed Assets will work with the Enterprise Resource Planning group to develop a query or report to assist in simplifying the reconciliation process. Financial Services is planning to re-implement the asset management module. That process will involve a comprehensive review of the capabilities of the module as we continue to try to leverage technology to move towards paperless processes.

**SECTION III - FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE FINDINGS
AND QUESTIONED COSTS SECTION**

None Reported.

CITY OF TALLAHASSEE, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

2018-002 – Capital Asset Accounting

Significant Deficiency: There were various issues related to capital asset accounting including reconciling the fixed asset management system to the general ledger, physical inventory and capital assets acquired by federal and state funds.

Status: Corrective actions have been implemented; however, a portion of the comment is still applicable. See current year finding 2019-002 in the schedule of findings and questioned costs.

SECTION III - FEDERAL AWARD AND STATE FINANCIAL ASSISTANCE FINDINGS
AND QUESTIONED COSTS SECTION

None Reported.

Questions

- Any questions?