

**MINUTES OF THE LEE COUNTY METROPOLITAN PLANNING ORGANIZATION
BOARD'S EXECUTIVE COMMITTEE**

Held on November 20, 2012

The following members were present for the meeting of the Lee County Metropolitan Planning Organization Board's Executive Committee on November 20, 2012 at the offices of the Lee County Public Works Building, Conference Room 1B, 1500 Monroe Street, Fort Myers, Florida.

Councilman Kevin McGrail	City of Cape Coral
Vice-Mayor Stephen McIntosh	City of Bonita Springs
Mayor Kevin Ruane	City of Sanibel
Councilman Thomas Leonardo	City of Fort Myers
Commissioner Frank Mann	Lee County Commission
Mayor Bob Raymond	Town of Fort Myers Beach

Those also in attendance included: Andrew Laffin and Martin Redovan with CliftonLarsonAllen; and Don Scott and Meghan Marion of Lee County MPO.

CALL TO ORDER

The meeting was called to order at 11:00 a.m. by Mr. Scott.

Ms. Marion called the roll and announced that a quorum was present.

APPROVAL OF MINUTES

Agenda Item #1 – Approval of the Minutes of the September 17, 2012 Executive Committee Meeting

MOTION BY COUNCILMAN LEONARDO TO APPROVE THE MINUTES OF THE SEPTEMBER 17, 2012 EXECUTIVE COMMITTEE MEETING. SECONDED BY COUNCILMAN MCGRAIL. MOTION CARRIED UNANIMOUSLY.

NEW BUSINESS

Agenda Item #2 – Public Comments on New Business Items

None.

Agenda Item #3 – Review and Approval of the End of Year Audit Services Contract

Mr. Scott stated that we chose CliftonLarsonAllen as our consultant to perform our end of year audit. He stated that it is a three (3) year contract and that the Sub-committee asked to see the total cost before moving forward. Mr. Scott stated that the total cost is \$21,950.00. Mr. Scott asked the Committee if they had any specific questions.

Councilman Leonardo asked what was budgeted for this task.

Mr. Scott replied that it is included in our Consultant task of the UPWP so there was no specific budgeted amount.

Councilman Leonardo asked Mr. Martin Redovan if the Audit Fee should be a separate line item.

Mr. Redovan stated that he would recommend breaking out the professional services into line item detail. He stated that when he looks at most municipal budgets it is broken out that way.

MOTION BY COUNCILMAN LEONARDO TO DO DETAILED LINE ITEMS FOR CONSULTANT FEES. SECONDED BY MAYOR RUANE. MOTION CARRIED UNANIMOUSLY.

Councilman Leonardo stated that he would like to see line item consultant fees.

Mayor Ruane asked Mr. Redovan to give an overview of what goes into the process of completing an audit.

Mr. Redovan stated that with the MPO it will be a little different but that the standard approach is to plan an engagement and do a risk assessment when we plan the engagement. We look at the financial statements and the financial information and starting looking at where we think the risks are. He stated that they meet with governance and discuss from your perspective where you feel the risks are and then include that into the audit as well. He stated that they look at internal controls and the context of planning within the Risk profile and they may task certain controls and others they may not, it just depends on how significant they are to the audit. He stated then they complete the year end audit where they start hammering out the numbers when they are final. They start doing subtenant procedures and confirmation and detail testing. He stated with the MPO it will be a little different only because there is somewhat of an opening balance sheet that they will have to contend with.

MOTION BY MAYOR RUANE TO APPROVE THE AUDIT SERVICE CONTRACT. SECONDED BY COUNCILMAN LEONARDO. MOTION CARRIED UNANIMOUSLY.

Agenda Item #4 – Presentation of the Analysis and Recommendations from the Internal Control Audit Services Task

Mr. Redovan stated that Mr. Andrew Laflin has been in charge of the account and he will be presenting the PowerPoint. Attached is the PowerPoint presentation.

Mr. Laflin presented PowerPoint slides.

Councilman Leonardo asked what the Unified Planning Work Program is.

Mr. Scott replied that is our budget and it is done every two years.

Councilman Leonardo asked if the UPWP budget was keeping track of time.

Mr. Scott replied that it is broken down by task.

Mr. Laflin continued with PowerPoint slides.

Councilman Leonardo stated that he would like to see a progress report at least quarterly.

Mr. Laflin presented the recommendations.

MOTION BY MAYOR RUANE TO ADOPT THE INTERNAL CONTROLS AND RECOMMENDATIONS PRESENTED BY CLIFTONLARSONALLEN. SECONDED BY COUNCILMAN MCGRAIL.

Councilman Leonardo requested that the motion include a timeframe to implement.

MAYOR RUANE CLARIFIED THE MOTION TO STATE THAT IT INCLUDES ACCEPTING THE INTERNAL CONTROLS TO GIVE AN ACCURATE DETAILED ANALYSIS AND THE TIMEFRAMES IN WHICH THEY WOULD BE ACCURATELY IMPLEMENTED IN. COUNCILMAN MCGRAIL AGREED TO THE CLARIFICATION. MOTION CARRIED UNANIMOUSLY.

Other Business

Agenda Item #5 – Public Comments on Items not on the Agenda

None.

Agenda Item #6 – Announcements

None.

Agenda Item #7 – Information & Distribution Items

Distributed in agenda packet.

ADJOURNMENT

Meeting adjourned at 11:47 a.m.

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**INTERNAL CONTROL OVER FINANCIAL
REPORTING AND COMPLIANCE**

ANALYSIS & RECOMMENDATIONS

By
CliftonLarsonAllen LLP

www.cliftonlarsonallen.com




Objectives

The objectives of our consulting services engagement included:

- Evaluating internal controls over financial reporting, including significant transaction processing cycles
 - Payroll
 - Receipts / Disbursements
 - Financial closing and reporting
- Evaluating internal controls over compliance with laws & regulations, namely expenditures of federal awards and state financial assistance
- Making recommendations for improvement in the areas evaluated

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Payroll Disbursements - Evaluation

- Personnel manual drafted in December 2011
- Bi-weekly timesheets are prepared by each employee and reviewed and approved by the Executive Director each pay period (Executive Director's timesheets are reviewed/approved by Meghan Marion, Transportation Planner)
 - Time is segregated according to the Unified Planning Work Program
 - Timesheets are maintained in Excel, stored on a network drive, and submitted to Goodwill Industries, who processes payroll
- Employees must complete 'Paid Time Off Request' form in advance of taking leave; forms are signed by both employee and supervisor for approval and are stored on a network drive

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Payroll Disbursements - Recommendations

- To attract and retain qualified personnel, devise a more clearly defined health insurance policy (Section 4.2, Benefits, within personnel manual)
 - Current policy states "The MPO will pay a portion of coverage for the employee and dependant coverage. The percentage paid by the MPO is evaluated annually and is subject to change."
 - Recommend eliminating ambiguity regarding coverage within the policy
- Consider upgrading to a more sophisticated timekeeping system, especially if the MPO hires additional employees
 - Current process to accumulate time by UPWP category each monthly billing cycle is manual and time-consuming

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Payroll Disbursements – Recommendations, continued

- After each pay period, review payroll report to be provided by Goodwill Industries to ensure wages, payroll taxes, and PTO utilized for each pay period have been accurately processed and paid
 - Cross-check amount paid per payroll report to bank statement (SunTrust ledger report)
 - Sign off on documentation, evidencing review and approval (maintain either manually or store on network drive)
- Each month-end, review P&L report prepared by the Accountant (Goodwill Industries) and assess reasonableness of the following GL accounts: ‘wages exempt’, ‘accident/life insurance’, ‘health insurance’, ‘pension’, ‘social security tax’, and ‘medicare tax’
 - Sign off on documentation, evidencing review (maintain either manually or store on network drive)

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Non-Payroll Disbursements - Evaluation

- Operating Procedure for Equipment Purchase, Maintenance, & Disposal approved 2/17/12
- Two signatures required for all check withdrawals (Executive Director and Officer)
- Invoices are time stamped and reviewed and signed off by Transportation Planner and/or Project Manager, depending on nature of costs incurred
- Executive Director, the MPO designee, and the Accountant (who processes the check) sign off on the check request form, which contains the relevant backup documentation

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Non-Payroll Disbursements – Evaluation, continued

- PO Request Form must be completed prior to using corporate credit card (used primarily for employee travel)
 - Executive Director signs PO Request Form, evidencing approval, and then credit card is signed out to the individual making the request
 - Receipts must be submitted and attached to credit card statement
- For all travel-related costs to be reimbursed, FDOT Travel Form must be completed and signed by the traveler and Executive Director

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Non-Payroll Disbursements – Controls, continued

- Specific policy exists over procurement, depending on nature and amount of purchase:
 - Less than \$2,000: Complete PO Request Form, which will contain approval and signature of Executive Director
 - \$2,001 to \$10,000: Obtain 3 verbal quotes and complete Request for Quotations Form
 - \$10,001 to \$25,000: Obtain 3 written quotes
 - Over \$25,000: Requires MPO Board approval

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Non-Payroll Disbursements – Recommendations

- Include section within the 'Operating Procedure for Equipment Purchase, Maintenance, & Disposal' document to include discussion on capitalization threshold for equipment acquisitions, recommended useful lives of each category of capital assets, and depreciation method to be used (see recommended language separately attached at **Appendix A**)
- Require that a PO Request Form be used on all non-routine, non-recurring purchases, rather than solely being used for transactions using the corporate credit card
 - Check request forms should only be used for ordinary, recurring purchases or for emergency situations; consider using an annual P.O. for recurring (i.e. monthly) purchases, such as rent, Comcast, phone, virtual data storage, etc.
 - For all purchases over \$2,000, a Request for Quotations Form **and** a PO Request Form should be executed prior to initiating the purchase with the vendor
 - Consider updating the 'Operating Procedure for Equipment Purchase, Maintenance, & Disposal' to account for these policy changes if enacted

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Non-Payroll Disbursements – Recommendations, continued

- On a periodic basis (recommended monthly), the MPO Designee should scan all debits (disbursements) within a SunTrust Transaction Activity report for said period, verifying the legitimacy of all payments from the bank account; sign off on the Transaction Activity report and retain documentation containing evidence of review
- Monthly bank reconciliations should be prepared by the Accountant and provided to the Executive Director for review and sign off; retain documentation containing evidence of review
- Maintain a capital asset depreciation schedule annually (see example separately attached at **Appendix B**)

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Cash Receipts & Cash Management - Evaluation

- Local jurisdictions are invoiced once annually for assessments to MPO
- Primary source of revenues is grant-related reimbursements from federal/state agencies
- Other income includes bank interest
- There is no cash handling at the MPO; all receipts are either received via ACH or checks are deposited by the MPO and processed by the Accountant
- Per Resolution 12-05 adopted February 2012, “no separate written policy shall be adopted for the investment of public funds in excess of amounts needed to meet current operating expenses”

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Cash Receipts & Cash Management - Recommendations

- On a periodic basis (recommended monthly), the MPO Designee should scan all credits (receipts) within a SunTrust Transaction Activity report for said period, verifying the accuracy and, more importantly, the completeness of all receipts into the bank account; sign off on the Transaction Activity report and retain documentation containing evidence of review
- Monthly bank reconciliations should be prepared by the Accountant and provided to the Executive Director for review and sign off; retain documentation containing evidence of review

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Cash Receipts & Cash Management – Recommendations, continued

- Since bank balance typically ranges between \$150k and \$200k at any given time, consider investing excess cash in semi-liquid vehicles, such as CDs, money market funds, or U.S. government securities. If a more complex, sophisticated investment approach is desired, the MPO will need to adopt a more comprehensive investment policy rather than the default to Sec. 218.415(17), FL Statutes

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Financial Reporting & Grant Compliance - Evaluation

- Monthly financial statements (balance sheet and P&L statement) are prepared by the Accountant
- MPO Board approves UPWP every two years
- Invoice packages are provided monthly to FDOT, including support for all payroll and non-payroll expenditures for which reimbursement is requested, as well as a progress report on FHWA-funded tasks
- The MPO requires external contractors/consultants who work on federally-funded projects to certify that they are not a suspended or debarred party

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Financial Reporting & Grant Compliance - Recommendations

- Designate someone from within the organization (or an external party) with sufficient knowledge and understanding of governmental accounting and financial reporting to review the annual financial statements prepared by the auditor
- Scan through the July SunTrust Transaction Activity and identify all transactions that cleared the bank in July that related to revenues or expenditures that occurred in the previous fiscal year; consult with the Accountant to ensure that those transactions are included within the 6/30 year end trial balance prepared by the Accountant

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Financial Reporting & Grant Compliance – Recommendations, continued

- In addition to obtaining a certification from the contractor, consult the Excluded Parties List System (<https://www.epls.gov/>) to verify that all new contractors/consultants are not suspended or debarred parties; retain EPLS documentation
- For all new agreements relating to projects subject to federal or state reimbursement that the MPO shall enter into, be sure to read and understand all requirements under the grant **prior to** expending any federal or state funds (seems obvious but often overlooked)

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Financial Reporting & Grant Compliance – Recommendations, continued

- Complete a SEFA, or Schedule of Expenditures of Federal Awards (and State Financial Assistance, if applicable), annually as of 6/30, and reconcile expenditures to revenues recorded to the general ledger for the applicable year ended (see attached example SEFA for the period ended 6/30/12 at **Appendix C**)
- Include Sec. 5303 funding from Federal Transit Administration passed through to Lee County on the SEFA; due to MPO's responsibility over those funds, provide evidence of review and approval of those expenditures incurred and requested for reimbursement by Lee County

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Questions and Comments

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