

**AGREED-UPON PROCEDURES REPORT
OF THE
NEBRASKA DEPARTMENT OF TRANSPORTATION
FORMULA GRANTS FOR RURAL AREAS**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2019, AND JUNE 30, 2020**

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Issued on August 24, 2022

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NEBRASKA DEPARTMENT OF TRANSPORTATION
FORMULA GRANTS FOR RURAL AREAS

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NEBRASKA DEPARTMENT OF TRANSPORTATION
FORMULA GRANTS FOR RURAL AREAS

BACKGROUND

The Nebraska Department of Transportation (NDOT) administers the Federal Formula Grants for Rural Areas Program. The objective of this grant is to improve, initiate, or continue public transportation service in nonurbanized areas (rural areas and small cities under 50,000 in population) and to provide technical assistance for rural transportation providers. The majority of the Federal funds are used to offset operating losses at public transportation service agencies in nonurbanized areas. Grant recipients report monthly revenues and expenditures to NDOT and are then reimbursed 50% for operating expenses (e.g., fuel, and operating personnel such as drivers and dispatchers) and 80% for nonoperating expenses (e.g., vehicle maintenance, nonoperating personnel, such as Director or office staff, and insurance).

NDOT's subrecipient monitoring procedures include requesting the underlying documentation that supports the subrecipient's monthly expenses. NDOT does not obtain supporting documentation for every subrecipient each month, but instead ensures that each subrecipient has a detailed review of one month for Fuel, Personnel, Maintenance, and General Administrative expenses.



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NEBRASKA DEPARTMENT OF TRANSPORTATION FORMULA GRANTS FOR RURAL AREAS

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Nebraska Department of Transportation
Lincoln, Nebraska

We have performed the procedures enumerated below on Findings 2019-071 and 2020-066 of the State of Nebraska Statewide Single Audits, relating to Formula Grants for Rural Areas (Assistance Listing 20.509), for the fiscal years ended June 30, 2019, and June 30, 2020, respectively. The Nebraska Department of Transportation (NDOT) is responsible for taking corrective action on State of Nebraska Statewide Single Audit findings 2019-071 and 2020-066.

An agreed-upon procedures engagement involves the practitioner performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

NDOT has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of determining whether documentation has been obtained to address questioned costs previously identified in findings 2019-071 and 2020-066 in the State of Nebraska Statewide Single Audit. This report may not be suitable for any other purpose. The procedures may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Procedures Performed and Results

- 1. Inspected documentation obtained by the Nebraska Department of Transportation (NDOT) to support the \$387,563 questioned costs, identified in Finding 2019-071 in the State of Nebraska Statewide Single Audit, were allowable per Uniform Guidance.**

| Finding | Questioned Costs Reported | Adequate Support Obtained | Remaining Unresolved Questioned Costs |
|----------|---------------------------|---------------------------|---------------------------------------|
| 2019-071 | \$ 387,563 | \$ 286,377 | \$ 101,186 |

NDOT did not provide adequate documentation to support that \$101,186 of the \$387,563 questioned costs were allowable per Uniform Guidance. We noted the following:

| Subrecipient | Personnel | | | Fuel | Maintenance and General Administrative | | | | TOTAL |
|--|-----------------------|------------------------|--|-------------------------------------|--|--|------------------------------------|--------------------|-------------------|
| | Timesheets Inadequate | Benefits Not Supported | Allocation of Expenditure Amount Not Supported | No Documentation to Support Payment | Allocation of Expenditure Amount Not Supported | Reimbursement of Indirect Cost Calculation Not Supported | Lack of Invoice or Payment Support | Cab Ticket Profits | |
| City of Broken Bow | \$ - | \$ 2,171 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 2,171 |
| City of Columbus | 5,318 | - | - | - | - | - | 114 | - | 5,432 |
| City of Schuyler | 208 | - | - | - | 29 | - | 240 | - | 477 |
| City of Wayne | 3,532 | - | - | - | 61 | - | - | - | 3,593 |
| Seward County | 9,020 | - | - | - | - | - | - | - | 9,020 |
| Kimball County | 2,384 | - | - | - | - | - | - | - | 2,384 |
| Blue Rivers Area Agency on Aging | 9,049 | 201 | - | - | 24,747 | - | - | - | 33,997 |
| Community Action Partnership of Mid-NE | - | 8,635 | - | - | - | - | 41 | - | 8,676 |
| Box Butte County Public Transit | - | 1,859 | - | - | 6,822 | - | 1,010 | - | 9,691 |
| Community Concern of Norfolk | 19,711 | - | - | 60 | - | - | - | 1,118 | 20,889 |
| Eastern Nebraska Office on Aging | - | - | 114 | - | - | - | - | - | 114 |
| Ponca Tribe | - | - | - | 15 | - | 4,207 | 520 | - | 4,742 |
| Totals | \$ 49,222 | \$ 12,866 | \$ 114 | \$ 75 | \$ 31,659 | \$ 4,207 | \$ 1,925 | \$ 1,118 | \$ 101,186 |

Personnel Expenses:

Subrecipient timesheets were not adequate per Uniform Guidance, resulting in questioned costs of \$49,222. The timesheets at seven subrecipients did not support the distribution of employee wages between different activities when the employee did not work solely on the Federal program, as required by 2 CFR § 200.430(i)(1) (January 1, 2019). In addition, the timesheets at these subrecipients did not specify the hours worked on operating or nonoperating activities related to the grant. As a result, it was not clear how the hours reimbursed at 50% (operating personnel) and the hours reimbursed at 80% (nonoperating personnel) were determined. Lastly, timesheets for staff who were reimbursed at the 80% nonoperating rate did not include descriptions of the activities performed to support being reimbursed at 80% rather than the 50% operating rate.

One subrecipient had an employee whose timesheet was split between operating and nonoperating, but the leave used was recorded entirely to nonoperating expenses, which were reimbursed at 80% rather than split between operating, reimbursed at 50%, and nonoperating. This resulted in questioned costs of \$114.

Title 2 CFR § 200.430(i)(1) (January 1, 2019) states the following, in relevant part:

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

* * * *

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

In addition, for four subrecipients, NDOT did not obtain documentation to support the reimbursement of certain employee benefits. For these subrecipients, reimbursement for employee benefits was requested, but the subrecipient either did not provide documentation of which benefits were being reimbursed or did not provide documentation to support the amount requested for reimbursement. As a result, questioned costs of \$12,866 remained.

Maintenance and General Administrative Expenses:

NDOT did not obtain adequate documentation to support how the subrecipient allocated expenses between the Transit department and the primary government (e.g., city or county) in accordance with Uniform Guidance. Specifically, many costs allocated to the Federal program were not adequately documented as required by 2 CFR § 200.403 (January 1, 2019) and, thus, it could not be determined if the costs assigned were comparable to the benefits received, as required by 2 CFR § 200.405(a) (January 1, 2019). Additionally, NDOT did not obtain sufficient documentation to support that certain expenses were necessary and reasonable in accordance with 2 CFR § 200.403 (January 1, 2019).

Title 2 CFR § 200.403 (January 1, 2019) states the following, in relevant part:

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.

Per 2 CFR § 200.405(a) (January 1, 2019), “A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received.”

Subrecipients of the Formula Grants for Rural Areas may be transit agencies within a city or county. Due to this, the transit agency may pay a portion of the city’s/county’s utilities, rent, and insurance depending on the city/county space used or vehicles insured. In these instances, NDOT is required to obtain documentation from the subrecipients to ensure the amount charged to the grant agrees to the benefits received.

Four subrecipients were reimbursed \$31,659 for maintenance or general administrative expenses that had been allocated to the transit agency and where NDOT did not have documentation to support how the allocation was determined or that the allocation was reasonable. Two subrecipients made up \$31,569 of the \$31,659 questioned costs. One subrecipient was reimbursed \$24,747 for insurance costs, but NDOT did not obtain documentation to support that the allocation of the subrecipient’s insurance costs to the transit program was reasonable. Another subrecipient was reimbursed \$6,822 for insurance and other administrative costs for which NDOT did not obtain documentation to support how the costs were allocated to the transit program. The two remaining subrecipients had questioned costs, totaling \$90, and lacked similar supporting documentation.

Additional questioned costs were the result of NDOT not maintaining adequate documentation to support the reasonableness or allowability of the expenditure reimbursed, as required by 2 CFR § 200.403 (January 1, 2019). NDOT reimbursed five subrecipients \$1,925 without obtaining documentation to support the amount being requested for reimbursement (e.g., invoice) or to support that payment to the vendor had occurred (e.g., cleared check or bank statement). Without an invoice, NDOT was unable to determine what cost was reimbursed; without documentation to support payment was made, NDOT was unable to verify that the expense was actually incurred by the subrecipient.

One subrecipient was reimbursed \$4,207 for indirect costs that appeared to be calculated incorrectly. NDOT obtained the subrecipient’s indirect cost rate, but the direct costs reported to NDOT multiplied by the indirect cost rate was \$4,207 less than what was requested for reimbursement.

Lastly, one subrecipient was unable to meet transportation demands with its own buses and drivers, so it purchased cab tickets and sold the tickets to the public for less than the purchase price. Because the cab ticket purchase is classified as a non-operating expense and the subsequent sale is classified as operating revenue, the Federal and State reimbursement rates are different for each side of the transaction. As a result, the subrecipient makes a profit every time it buys and sells a cab ticket, instead of providing service through its normal operations. Questioned costs noted were \$1,118.

Fuel Expenses:

Two subrecipients did not have documentation on file to support the reimbursement of \$75 in fuel expenses.

2. Inspected documentation obtained by NDOT to support the \$212,788 questioned costs, identified in Finding 2020-066 in the State of Nebraska Statewide Single Audit, were allowable per Uniform Guidance.

| Finding | Questioned Costs Reported | Adequate Support Obtained | Remaining Unresolved Questioned Costs |
|----------|---------------------------|---------------------------|---------------------------------------|
| 2020-066 | \$ 212,788 | \$ 68,564 | \$ 144,224 |

NDOT did not provide adequate documentation to support that \$144,224 of the \$212,788 questioned costs were allowable per Uniform Guidance. We noted the following:

| Subrecipient | Personnel | | | | Fuel | | Maintenance and General Administrative | | | | TOTAL |
|---|-----------------------|------------------------|------------------------------|--|-------------------------------|--|--|------------------------------------|----------------|---|-------------------|
| | Timesheets Inadequate | Benefits Not Supported | Payment Support Not Provided | Allocation of Expenditure Amount Not Supported | Lack of Support Documentation | Allocation of Expenditure Amount Not Supported | Allocation of Expenditure Amount Not Supported | Lack of Invoice or Payment Support | Sales Tax Paid | Lack of Documentation to Support Reasonableness | |
| Saline County | \$ 17,215 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 17,215 |
| Eastern Nebraska Office on Aging | 923 | - | - | - | - | - | 146 | - | - | - | 1,069 |
| City of Neligh | - | - | - | 827 | 21 | - | 55 | - | - | - | 903 |
| Wolf Memorial Good Samaritan Public Transit | 2,794 | - | - | - | - | - | 126 | - | - | - | 2,920 |
| Avera Creighton Hospital | 11,283 | 559 | 1,382 | - | - | - | - | 69 | - | - | 13,293 |
| Community Concern of Norfolk | 12,740 | - | - | - | - | - | - | 7,441 | - | - | 20,181 |
| Ponca Tribe | - | - | - | - | - | - | 3,182 | - | - | - | 3,182 |
| Blue Valley Community Action Partnership | - | 1,218 | - | - | - | - | - | - | - | - | 1,218 |
| Village of Guide Rock | 1,011 | - | - | - | - | - | 119 | - | - | 147 | 1,277 |
| Kimball County | 17,340 | - | - | - | - | - | - | 123 | - | - | 17,463 |
| Scottsbluff County | 21,455 | - | - | - | 166 | - | - | - | - | - | 21,621 |
| Morrill County | - | - | 9,950 | - | - | - | - | - | - | - | 9,950 |
| City of Ogallala | 5,474 | - | - | 183 | - | - | - | 356 | - | - | 6,013 |
| City of McCook | 3,376 | - | - | 2,382 | - | - | 178 | - | - | - | 5,936 |
| Hall County | - | - | - | 2,363 | - | 346 | 1,070 | - | - | - | 3,779 |
| Phelps County | 2,463 | - | - | - | - | - | 352 | - | - | - | 2,815 |
| City of Benkelman | 594 | - | - | - | - | - | 27 | - | - | - | 621 |
| Box Butte County Public Transit | - | 2,863 | - | - | - | - | 5,368 | - | - | - | 8,231 |
| City of Central City | 6,272 | - | - | - | - | - | 264 | - | 1 | - | 6,537 |
| Totals | \$ 102,940 | \$ 4,640 | \$ 11,332 | \$ 5,755 | \$ 187 | \$ 346 | \$ 10,887 | \$ 7,989 | \$ 1 | \$ 147 | \$ 144,224 |

Personnel Expenses:

Subrecipient timesheets were not adequate per Uniform Guidance requirements, resulting in questioned costs of \$102,940. The timesheets at 13 subrecipients did not support the distribution of employee wages between different activities when the employee did not work solely on the Federal program, as required by 2 CFR § 200.430(i)(1) (January 1, 2020). In addition, the timesheets at these subrecipients did not specify the hours worked on operating or nonoperating activities related to the grant. As a result, it was not clear how the hours reimbursed at 50% (operating personnel) and the hours reimbursed at 80% (nonoperating personnel) were determined. Lastly, timesheets for staff who were reimbursed at the 80% nonoperating rate did not include descriptions of the activities performed to support being reimbursed at 80% rather than the 50% operating rate.

Title 2 CFR § 200.430(i)(1) (January 1, 2020) states the following, in relevant part:

Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

NDOT reimbursed two subrecipients \$11,332 for employee compensation and benefits without obtaining adequate documentation to support that pay and benefits for some employees were actually paid (e.g., paystubs or payroll reports).

For four subrecipients, NDOT reimbursed \$5,775 when the allocation of personnel expenditures was not supported. Two subrecipients that were reimbursed \$3,209 utilized percentages other than those determined based on actual time worked on the Federal program, and NDOT did not obtain documentation to support that the allocation method used was reasonable and supported. One subrecipient was reimbursed \$2,363 in personnel costs based upon an allocation of rural and urban rides; however, NDOT did not obtain documentation to support the number of riders used to calculate the allocation. One subrecipient requested \$183 in reimbursement for a portion of an employee's time even though the employee's timesheet had not indicated any time worked on the Federal program.

Lastly, for three subrecipients, NDOT reimbursed \$4,640 and did not obtain documentation to support the reimbursement of certain employee benefits. For these subrecipients, reimbursement for employee benefits was requested, but the subrecipient provided documentation for neither which benefits were being reimbursed nor to support the amount requested for reimbursement.

Maintenance and General Administrative Expenses:

NDOT did not obtain adequate documentation to support how the subrecipient allocated expenses between the Transit department and other divisions/entities (e.g., primary government, senior centers) in accordance with Uniform Guidance. Specifically, many costs allocated to the Federal program were not adequately supported, as required by 2 CFR § 200.403 (January 1, 2020); thus, it could not be determined if the costs assigned were comparable to the benefits received, as required by 2 CFR § 200.405(a) (January 1, 2020). Additionally, NDOT did not obtain sufficient documentation to support that certain expenses were allowable in accordance with 2 CFR § 200.403 (January 1, 2020).

Title 2 CFR § 200.403 (January 1, 2020) states the following, in relevant part:

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.

Per 2 CFR § 200.405(a) (January 1, 2020), "A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received."

Subrecipients of the Formula Grants for Rural Areas may be transit agencies within a city, county, or outside senior center. As a result, the transit agency may pay a portion of these entity's utilities, rent, insurance, or other expenses. In these instances, NDOT is required to obtain documentation from the subrecipients to ensure the amount charged to the grant agrees to the benefits received.

Eleven subrecipients were reimbursed \$10,887 for maintenance or general administrative expenses that had been allocated to the transit agency and where NDOT did not have documentation to support how the allocation was determined or that the allocation was reasonable. Seven subrecipients made up \$9,367 of the \$10,887 questioned costs. These subrecipients were reimbursed for insurance and other administrative costs for which NDOT did not

obtain documentation to support how the costs were allocated to the transit program. One subrecipient was reimbursed \$126 for utilities and provided supporting documentation for its allocation calculation; however, that calculation was incorrect, as the utilities were for the entire building, and only the garage area was utilized as the denominator in the percentage calculation. Another subrecipient was reimbursed \$178 for insurance costs, which was allocated based on budgeted premiums. When the actual premiums were obtained, the subrecipient did not adjust the amount requested for reimbursement to account for the excess amount previously reimbursed. The remaining two subrecipients were reimbursed \$1,216 for maintenance and general administrative expenses in which costs were allocated based on the number of rural and urban riders, and NDOT did not obtain documentation to support the number of riders.

Additional questioned costs were the result of NDOT not maintaining adequate documentation to support the reasonableness or allowability of the expenditure reimbursed, as required by Title 2 CFR § 200.403 (January 1, 2020). We also noted that NDOT reimbursed four subrecipients \$7,989 without obtaining documentation to support the amount being requested for reimbursement (e.g., invoice) or to support that payment to the vendor had occurred (e.g., cleared check or bank statement). In addition, NDOT reimbursed one subrecipient \$147 without obtaining documentation to support the reasonableness of the expenditure to determine allowability. Without an invoice or payment support, NDOT is unable to determine what cost was reimbursed; without documentation to support payment that was made, NDOT was unable to verify that the expense was actually incurred by the subrecipient.

Lastly, NDOT reimbursed one tax-exempt subrecipient \$1 for sales tax paid.

Fuel Expenses:

Two subrecipients did not have documentation on file to support the reimbursement of \$187 in fuel expenses. In addition, NDOT reimbursed one subrecipient \$346 in fuel expenses but did not obtain documentation to support the allocation percentage used to charge the Federal program.

* * * * *

The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We were not engaged to, and did not, conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether NDOT obtained documentation to support the previously identified questioned costs on the State of Nebraska Statewide Single Audit Findings 2019-071 and 2020-066. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of NDOT and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is to determine whether documentation has been obtained to address questioned costs previously identified in findings 2019-071 and 2020-066 in the State of Nebraska Statewide Single Audit. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.



Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

August 22, 2022