



OFFICE
OF INTERNAL AUDIT

Tennessee Department of
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May 6, 2015

Kendell Poole, Director
Governor's Highway Safety Office
Tennessee Department of Transportation
505 Deaderick Street, Suite 1800
Nashville, TN 37243

Independent Auditor's Report on Applying Agreed-Upon Procedures

Dear Mr. Poole:

The Tennessee Department of Transportation's Office of Internal Audit (OIA) has performed procedures described in the attached *Schedule A*. We performed these agreed-upon procedures in order to assist you in evaluating the integrity of transactions pertaining to the Governor's Highway Safety Office (GHSO) *DUI Enforcement Program*. Specifically, we applied the agreed-upon procedures to all subrecipient reimbursement requests for Grant Number 154AL and contract numbers Z13GHS398, Z14GHS434, and Z15GHS450 including any associated amendments for the period October 2012 through January 2015.

We performed this agreed-upon procedures engagement in accordance with Government Auditing Standards (GAS), December 2011 Revision which incorporates the Statements on Standards for Attestation Engagements (SSAE) established by the American Institute of Certified Public Accountants (AICPA). The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described in *Schedule A* for the purpose for which this report has been requested or for any other purpose.

We provided a separate management letter to accompany this report. *Schedule B* of the management letter delineates our suggestions and recommendations to enhance current practices. Recommendations are suggestions for process improvements designed to address gaps from actual to expected outcomes and provide GHSO management information on how to achieve the desired outcomes. Recommendations are not prescriptive requirements. GHSO management could enact other measures not mentioned in *Schedule B* to achieve similarly desired results.

We were not engaged to and did not perform an audit or an examination, the objective of which would be the expression of an opinion or negative assurance on the specified elements, accounts, items, efficiency of processes, effectiveness of operations, and government service delivery. Accordingly, we do not express such an opinion here. Had we

Governor's Highway Safety Office Agreed-Upon Procedures

Date: May 5, 2015

Page 2 of 6

performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users of this report and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

We appreciate the courtesies and cooperation extended to us.

Kind regards,

Mel Marcella, CPA, CMA, CIA, CISA, CFE
Director, Division of Internal Audit
Tennessee Department of Transportation
505 Deaderick Street, Suite 1800
Nashville, TN 37243

Schedule A Agreed-Upon Procedures Engagement Procedures and Observations

The following agreed-upon procedures were performed for the GHSO. The scope of the work was for the period October 1, 2012 through September 30, 2015. The results of the procedures are detailed below.

Agreed-Upon Procedure #1

Conduct a forensic accounting review of Grant Number 154AL-14-119. In particular, we will evaluate all subrecipient reimbursement requests for the following grant numbers and any associated amendment(s):

- *Z13GHS398*
- *Z14GHS434*
- *Z15GHS450*

Procedures and Observations

OIA performed a forensic accounting review by conducting the following:

- Obtained copies of the grant applications and proposals
- Obtained copies and reviewed the relevant elements and stipulations of the awarded grant contracts
- Obtained and reviewed a copy of the Municipal Code for the town of Woodbury, Tennessee
- Researched information regarding the Woodbury Police Department, its organizational structure and current composition
- Obtained and reviewed GHSO's grant monitoring policies and procedures
- Obtained copies of reimbursement requests and accompanying supporting documents related to the program
- Created a schedule timeline to delineate every occurrence of claimed overtime including the dates and times for claimed activities
- Performed analytical procedures to ascertain discernible patterns of activity related to DUI enforcement
- Performed financial analysis of associated program costs and relative distribution of overtime hours

In performing the aforementioned procedures, we noted the following observations:

- The Woodbury Chief of Police is an appointed executive who is, by city ordinance, an exempt employee
- Exempt employees, per the Town of Woodbury's municipal code, are salaried employees who cannot avail themselves of overtime pay
- Analytical procedures showed that the Woodbury Chief of Police received a comparatively disproportionate percentage of the grant monies
- The Woodbury Chief of Police received overtime pay totaling \$ 19,172.26, \$27,695.95, and \$9,949.97 for 2013, 2014, and 2015 respectively

- The overtime pay attributable to the Woodbury Chief of Police accounted for 79.2%, 84.4%, and 100% of the grant monies for 2013, 2014, and 1st quarter 2015 respectively.
- All overtime pay received by the Woodbury Chief of Police was billed to the GHSO grant program.
- GHSO, after performing a monitoring review, withheld payment on \$11,064.37 reimbursement request for the first quarter of 2015; this reimbursement request included the \$9,949.97 charge for overtime for the 1st quarter of 2015, attributable to the Woodbury Chief of Police.
- Supporting documentation provided by the Town of Woodbury for reimbursement requests indicated that the chief of police created and approved his own time cards.

Agreed-Upon Procedure #2

Determine whether documentation requirements, under the aforementioned grants, are being met and whether the activities submitted for reimbursement reflected program requirements.

For this portion of the agreed-upon procedures, we relied on the analytical procedures and detailed review of records performed for *procedure #1*. We observed that although supporting documentation for reimbursement requests met the base minimum requirements, the Woodbury Police Department did not provide substantive detailed activity reports claimed for DUI enforcement activities.

We observed instances wherein *Form THS-04*, the main form used by GHSO grant recipients to submit reimbursement requests, did not consistently include timecards and /or officer activity reports. Additionally, we noted instances of inconsistent record keeping as evidenced by mismatched dates between *Form THS-04* and the support submitted by the grant recipient.

Agreed-Upon Procedure #3

Provide on-site verification of supporting documents for reimbursement requests.

To perform *agreed-upon procedures #3*, OIA scheduled a site visit to the Town of Woodbury to ascertain the existence of additional supporting documentation needed to validate the veracity of submitted reimbursement claims. During the site visit, we conducted payroll reconciliations and time records review to facilitate substantial support for reimbursed transactions.

Resulting from the work performed, we noted the following observations:

- Incomplete or nonexistent timecard support for the Chief of Police; the Chief of Police, because he was an *exempt employee*, did not submit a regular timecard preventing OIA from properly vouching time worked, including any overtime hours.
- The Town of Woodbury practice indicated that employee paid hours and not worked hours, determine overtime eligibility.
- All non-exempt police officers who earned overtime had a paid 40-hour workweek.

Agreed-Upon Procedure #4

Interview appropriate personnel regarding program related activities and transactions.

While on site, we interviewed city officials responsible for grant and general fiscal administration. These individuals expressed concerns over the fact that an exempt employee (Woodbury Chief of Police) was receiving overtime pay, and the financial extent of the overtime pay.

Based on transcripts of interviews conducted, we noted gross internal control gaps, which facilitated improper processing of overtime hours as they applied to the Chief of Police; these observations included:

- Lack of timesheets or time registers for the Chief of Police
- Non-existent supervisory review by the Town of Woodbury for the Chief of Police's reimbursement submissions
- Total reliance, by the Woodbury town officials, on the *trust factor* provided the opportunity gap which eventually facilitated accepting the Chief of Police's reimbursement submissions without question

Agreed-Upon Procedure #5

Determine whether all invoices submitted for reimbursement were allowable under the terms of the applicable contracts and state of Tennessee accounting requirements.

OIA reviewed the contracts for all of the periods covered under this engagement as well as grant proposals put forth by the Woodbury Police Department. We also obtained background information from GHSO managerial staff regarding the primary objectives of the program. Subsequently, we created a comparative table showing the requirements of the grant program to assess whether the Woodbury Police Department followed through on those requirements.

In light of missing or insufficient activity reports from the Woodbury Police Department, to validate that overtime actually occurred, we obtained all dispatch records for the Woodbury Police department through the Cannon County 911. The 911 dispatch communications provide records of actual activities for any given police officer, for any given date. We cross-referenced 911 activities with claimed overtime hours to determine the allowability of a given reimbursement cost. If there was any activity recorded for a claimed date, we accepted the overtime charge as valid; if there was none, we invalidated the transaction. Additionally, we also disallowed overtime claims, especially during the first quarter of the program's inception, when there was no radio traffic and/or when an officer worked alone.

While performing the procedures outlined above, OIA made the following observations:

The Woodbury Police Department did not adhere to commitments represented in the grant proposal, integral to the contract. Some examples are:

- *Interventions for high school education using Fatal Vision Goggles*
- *Sign-up sheets for volunteer overtime work*
- *Overtime schedules for saturation patrols*
- *Data collection and related analytics*
- *Holiday enforcement with saturation patrol*

Our detailed review also indicated that for the fiscal year 2013, the Woodbury Police Department did not conduct DUI enforcement activities until January 11, 2013. This indicated that holiday saturation patrols did not occur on Thanksgiving, Christmas, and New Year's Day. For the remaining fiscal year 2013, we also did not observe DUI enforcement activities for St. Patrick's Day and Memorial Day.

In fiscal year 2014, we did not observe DUI enforcement activities on Independence Day, Labor Day, Thanksgiving, and Christmas. Some activity was noted for the New Year's Day holiday.

For the fiscal year 2015, we did not observe coverage on Independence Day, Labor Day, Thanksgiving, Christmas, and New Year holidays. Additionally, 100% of the overtime accrued and charged to the program during the 4th quarter 2014 and 1st quarter 2015 was attributable only to the Woodbury Chief of Police.

Our detailed review found no evidence that the Woodbury Police Department or the Woodbury police Chief conducted educational initiatives at local high schools during the entire period we evaluated.

Our subsequent quantification efforts indicated that the Town of Woodbury should reimburse the GHSO for a total of \$28,602.48 from improper claims to the program. Of this amount, 97.34% or \$27,840.81 was directly attributable to unsupported and invalidated overtime claims by the Woodbury Chief of Police. The remainder of the disallowed cost totaling \$761.68 arose from various unsupported transactions attributable to multiple officers.

Agreed-Upon Procedures #6 and #7

Provide a report of procedures and observations. Provide suggestive recommendations for process improvements and highlight opportunities for improved internal controls.

Procedures and observations are included in this report. The accompanying Management Letter and *Schedule B* enumerate suggestions for enhancing process improvements and improving internal controls.