



Florida Department of TRANSPORTATION

Office of Inspector General
Kristofer B. Sullivan, Inspector General

A handwritten signature in black ink, appearing to read "KSullivan".

Report No. 19I-7001
Tri-County Community Council

January 27, 2020

What We Did

The Florida Department of Transportation's (Department) Office of Inspector General (OIG) conducted a review of Tri-County Community Council (TCCC), a subrecipient of the Department's Transit Office, to evaluate its cost allocation methodology based on federal regulatory requirements.

Additionally, OIG's review of TCCC includes the identification of any potential best practices regarding cost allocation, which could be used at other transit agencies state-wide.

The scope of this engagement included Federal Transit Administration¹ funded contracts and reimbursements made to TCCC by the Department during state fiscal years (FYs) 2016 through 2018. Evaluations were performed on a sample basis to accomplish the engagement objectives.

What We Found

We found TCCC's direct² and administrative costs are fairly allocated based on the proportional benefit of each program in accordance to Title 2, Part 200, Code of Federal Regulations (Uniform Grant Guidance).³

We also identified TCCC's detailed methodology for tracking its mileage records to allocate direct local route costs represents as a potential best practice for other transit agencies.

¹ The 5311 Program Formula Grants for Rural Areas authorized by 46 United States Code (USC) 5311.

² TCCC's direct costs include direct local route costs and direct program costs.

³ Title 2, Section 200.405(d), Code of Federal Regulations — Direct cost allocation principles.

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BACKGROUND AND INTRODUCTION

Transit agencies that receive federal funding are required to follow Title 2, Part 200, Code of Federal Regulations (C.F.R.), otherwise known as the Uniform Grant Guidance, to manage their federally assisted grants. Accordingly, all pass-through entities⁴ must ensure that their subrecipients are in compliance with the federal requirements.

2 C.F.R. 200.4 Allocation, states:

Allocation means the process of assigning a cost, or a group of costs, to one or more cost objective(s), in reasonable proportion to the benefit provided or other equitable relationship.

Due to the diversity of funding sources used to support transit programs, cost allocation for transit agencies poses complex challenges. Without appropriately defined procedures to resolve these challenges, transit programs are at higher risk of inappropriate billing (e.g., submitting the same set of costs to multiple sources for duplicate reimbursements).

Tri-County Community Council (TCCC)

TCCC is a Community Action Agency⁵ that was established in 1965 and provides program services for lower income residents, including Head Start, Community and Senior Center Services, as well as Public Transportations.⁶ TCCC's public transportation services include trips for local non-emergency medical treatment, nutritional, education, recreation, employment, and other daily needs. TCCC operates in various counties and is currently headquartered in Bonifay, Florida. TCCC falls under the oversight of the District Three Transit Office, as a subrecipient for Section 5311 funding.

FTA Section 5311 Funding

TCCC held two Federal Transit Administration (FTA) Section 5311 grant agreements with the Florida Department of Transportation's (Department) Transit Office during the review period.⁷ The purpose of the agreements is to provide operating assistance for non-urbanized public transportation related to Holmes, Washington, and Walton counties. See Table 1.

⁴ *Pass-through entity* means a non-federal entity that provides a subaward to a subrecipient to carry out part of a federal program (2 C.F.R. 200.74). TCCC's pass-through entity for Federal Transit Administration (FTA) funding is the Florida Department of Transportation's Transit Office.

⁵ Community Action Agencies are private or public nonprofit organizations created by the federal government to combat poverty in geographically designated areas and improve the quality of life of Americans at the local level.

⁶ See Attachment 1 – TCCC's Grant Programs and Locations.

⁷ Review period of state fiscal years 2016-17 and 2017-18.

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Table 1: FTA Grant Agreements between TCCC and the Department within the Review Period

Contract Number	Contract Term	Total Estimated Project Cost	Department's Share (50%)
G0P09	9/28/17 – 9/30/20	\$ 1,125,094	\$ 562,547
ARK56	9/2/14 – 9/30/17	\$ 2,735,127	\$ 1,503,582

Source: Florida Accountability Contract Tracking System (FACTS).

Single Audit

TCCC's Single Audits are conducted by Carr, Riggs and Ingram. TCCC's most recent Single Audit (for the period ending September 30, 2018) resulted in no findings.

RESULTS OF REVIEW

During the review of TCCC, we performed a review⁸ of the agency's cost allocation methodology to gain an understanding of its current allocation process cycle, potential operational risks, and implementation of internal controls. We also examined two FTA Section 5311 grant agreements⁹ on a sample basis, to verify information obtained from our review.

We determined TCCC's cost allocation procedures, as described below, comply with the Uniform Grant Guidance.

The criteria used to evaluate TCCC's cost allocation process was 2 C.F.R. 200.405(d) — Direct cost allocation principles, which states:

If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit.

If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.

TCCC utilizes three distinct methodologies and various bases to allocate its costs for:

- direct local route costs;
- direct program costs;
- traditional administrative costs; and
- mixed expenses.

Direct local route costs

Direct local route costs are shared direct costs, which primarily include maintenance expenses necessary to run a local bus route, such as (but not limited to) fuel, maintenance, or drivers' salaries. These costs typically benefit multiple programs in a single county.

TCCC utilizes percentages of miles driven for each program offered as the base for allocating direct local route costs. The agency develops its mileage percentages at least every six months, by utilizing past mileage statistics over a three-week period.¹⁰

⁸ The review included tracing a transaction (step-by-step) through the accounting system, from its inception to the final data utilization to evaluate its reliability.

⁹ Contract Numbers ARK56 and G0P09. See also: Table 1 under Background.

¹⁰ Section 28 Maintenance Procedure of TCCC's Financial Policies and Procedures Manual.

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To facilitate this model, TCCC vehicle operators (drivers) are required to enter mileage information for each passenger when they board the vehicle in the transportation manifests,¹¹ including the following information (but not limited to):

- applicable county;
- applicable program;
- applicable co-pay amount;
- time of pick up and drop off; and
- beginning and ending odometer.

The mileage records, i.e. information reflected in the manifest, are entered into the TCCC's Community Transportation System (CTS) at the end of each workday. Mileage data is then generated from the CTS to support the allocation percentages used for direct local route costs.

The completed information allows the TCCC to accurately tie each passenger to the particular program benefitted. The resulting mileage statistics are then utilized to distribute the total direct local route costs among funding sources.

Direct program costs

Direct program costs benefit multiple programs in either a single county or multiple counties. Accordingly, direct program costs are also considered as shared direct costs. For example: a utility bill containing charges for multiple facilities; or the maintenance of a company vehicle utilized for multiple programs in multiple counties.

As reflected in the TCCC's written Cost Allocation Procedure (procedure), the allocation bases for direct program costs vary depending on the expense type. See Table 2.

Table 2: Allocation Bases for Direct program costs

Allocation Base	Applicable Expense Type
Number of employees	<ul style="list-style-type: none">• Telephone/Internet• General Liability• Bonding
Number of transactions	<ul style="list-style-type: none">• Postage• Audit
Actual charges	<ul style="list-style-type: none">• Supplies or Copier• Vehicle Insurance or Maintenance
Square footage proportions	<ul style="list-style-type: none">• Utilities

Source: Section 17 Cost Allocation of TCCC's Financial Policies and Procedures Manual

¹¹ TCCC bus operators maintain both hard copy and digital copy of the manifests during the review period as the agency transitions into the practice of maintaining electronic records.

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Traditional administrative costs

Administrative costs, also known as indirect costs, are shared administrative expenses which can be attributed to multiple programs. For the purpose of this report, administrative costs include overhead costs.

2 C.F.R. 200.56 Indirect (facilities and administrative (F&A)) costs, states:

Indirect (F&A) costs means those costs incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved.

According to the Uniform Grant Guidance, administrative costs are typically recovered by an indirect rate. However, as approved by its cognizant agency for indirect costs,¹² TCCC has elected to treat its administrative costs as direct costs and currently does not utilize a rate.

Similar to direct program costs, the TCCC allocates its administrative costs according to the expense types (including salaries and benefits). See Table 3.

Table 3: Allocation Bases for Administrative Costs

Allocation Base	Applicable Expense Type
Number of employees	<ul style="list-style-type: none"> • All Human Resources (HR) staff costs; • Payroll processing; • Retirement fund management; • Telephone/utility; • Administrative recruitments; • Organization-wide training; • Non-program related memberships, subscriptions, and printing • General and liability insurance; and • Drug tests.
Number of transactions	<ul style="list-style-type: none"> • All fiscal staff costs; • Office and miscellaneous supplies; • Non-program related postage and mailing; • Audit fees, bank fees, and taxes.
Actual charges	<ul style="list-style-type: none"> • Executive Director's office staff; • Non-program related legal fees; • Miscellaneous corporate fees; • Travel and lodging for the Executive Director and his or her staff; and • Board expenses.
Number of computers	<ul style="list-style-type: none"> • Information Technology (IT) staff and consultant; • Computer equipment and the like; and • Non-program related software.

Source: Section 17 Cost Allocation of TCCC's Financial Policies and Procedures Manual

¹² The United States Department of Health and Human Services

Mixed expenses

Mixed expenses are a combination of both direct and administrative costs, resulting in added complexities in the allocation process. An example of a mixed expense is the maintenance of a company's multi-purpose vehicle, which is utilized for both programmatic and administration functions benefitting multiple counties.

The bases used to allocate direct program and administrative costs are developed by compiling the following records:

- most current employee list by program function for the number of employees;
- detailed general ledger (over a two-week period) for the number of transactions;
- actual spaces used for each program for square footage proportions;
- most current listing of computers used per program function; and
- itemized invoice issued by cost providers for actual charges.

Overall Compliance

TCCC's direct and administrative costs are fairly allocated based on the proportional benefit of each program.

TCCC provides Uniform Grant Guidance (2 C.F.R. 200) training for its staff members to ensure federal compliance. By providing the supplemental training, the TCCC enables its employees to better understand federal rules and regulations associated with grant management, thus promoting compliance across the workplace and a fair practice of direct cost allocation.

BEST PRACTICE

We also identified the following best practice which could be beneficial to other transit agencies in the state.

TCCC's procedures for allocating direct local route costs:

- ensure each rider is assigned a funding source at the time of the ride, minimizing the risk of double billing¹³ against participating programs;
- create an adequate documentation trail for audit purposes for amounts billed to the 5311 program; and
- increase transparency for stakeholders regarding the allocation basis for direct local route costs.

¹³ Double billing occurs when the same cost is being reimbursed by two different funding sources.

APPENDIX A – Purpose, Scope, and Methodology

The **purpose** of this engagement was to conduct a review of TCCC, a subrecipient of the Florida Department of Transportation's (Department) Transit Office, to evaluate its cost allocation methodology based on federal regulatory requirements and potential applicability to other transit agencies' needs.

The **scope** of this engagement included Federal Transit Administration Section 5311 funded grant contracts and reimbursements made to TCCC within the state fiscal years 2016-17 and 2017-18.

The **methodology** included a walk-through of the TCCC's cost allocation process, as well as interviews with TCCC executive and staff members.

Examinations were also performed for TCCC's records on a sample basis, including:

- Single Audit Reports for FY 2016 through 2018;
- FTA Contracts (grant agreements) ARK56 and G0P09;
- Invoice packages ARK56-12, G0P09-2, and G0P09-3 and applicable sampled supporting documentation;
- Financial Policies and Procedures Manual;
- Chart of Accounts;
- General Ledgers for the review period; and
- Additional sampled records for the allocation bases, including:
 - Cost allocation percentage calculations;
 - Bus drivers' manifests;
 - Accounts Receivable reports;
 - Bus route schedules;
 - Timesheets and Payroll records;
 - Agency mileage log;
 - Employee list by program functions; and
 - List of copiers and computers.

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APPENDIX B – Affected Entity Response



Tri-County Community Council, Inc.

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Treasurer
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Executive Director
Joel Paul, Jr.

December 17, 2019

Kristofer B. Sullivan, Inspector General
Florida Department of Transportation
Office of Inspector General
605 Suwannee Street, MS 44
Tallahassee, FL 32399-0450

RE: Tri-County Community Council, Inc. response to Report No. 19I-7001

Dear Mr. Sullivan:

Tri-County Community Council, Inc. concurs with the above referenced report issued by Office of Inspector General, Florida Department of Transportation.

The agency has high standards and we recognize that compliance with regulations is vital to the success of the program. We value the feedback and thank the department for their continued support.

Sincerely,

Joel Paul, Jr.
Executive Director

JP/sk

APPENDIX C – Management Response

On January 23, 2020, the OIG received an e-mail from Elizabeth Stutts, State Transit Manager, stating, “The Transit Office does not intend to submit a written response to this report. We appreciate the support provided by your team in assisting us with our efforts in trying to develop a cost allocation model for our recipients.”

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DISTRIBUTION

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Elizabeth Stutts, State Transit Manager, Transit Office

Affected Entity:

Joel Paul, Jr., Executive Director, Tri-County Community Council

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Heather Craft, Chief Financial Officer, Tri-County Community Council

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PROJECT TEAM

Engagement was conducted by:
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Under the supervision of:
Tim Crellin, Senior Audit Supervisor
Nancy Shepherd, Deputy Audit Director for Intermodal
Joseph W. Gilboy, Director of Audit

Approved by:
Kristofer B. Sullivan, Inspector General

STATEMENT OF ACCORDANCE

The Department's mission is to provide a safe transportation system that ensures the mobility of people and goods, enhances economic prosperity, and preserves the quality of our environment and communities.

The Office of Inspector General's mission is to promote integrity, accountability, and process improvement in the Department of Transportation by providing objective, fact-based assessments to the DOT team.

This work product was prepared pursuant to section 20.055, Florida Statutes, in accordance with the Association of Inspectors General *Principles and Standards for Offices of Inspector General*, and conforms with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Please address inquiries regarding this report to the Department's Office of Inspector General at (850) 410-5800.

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ATTACHMENT 1 – TCCC’s Grant Programs and Locations

A Comprehensive List of TCCC’s Grant Programs and Program Locations by County.¹⁴

Program Category	Grant Program	Program Locations
Transportation	Transportation Disadvantaged	<ul style="list-style-type: none"> • Holmes • Washington • Walton • Santa Rosa
	FTA Section 5311 passed through the Florida Department of Transportation	<ul style="list-style-type: none"> • Holmes • Washington • Walton
	FTA Section 5311 passed through the Santa Rosa County Board of County Commissioners	<ul style="list-style-type: none"> • Santa Rosa
Head Start	Head Start and Early Head Start	<ul style="list-style-type: none"> • Holmes • Washington • Walton
Community Service	Low-Income Home Energy Assistance Program (LIHEAP)	<ul style="list-style-type: none"> • Holmes • Washington • Walton • Santa Rosa • Okaloosa
	Community Services Block Grant (CSBG)	<ul style="list-style-type: none"> • Holmes • Washington • Walton • Santa Rosa • Okaloosa • Bay • Jackson
	Emergency Food and Shelter (EFS)	<ul style="list-style-type: none"> • Holmes • Washington
	Protection is Knowledge (PINK)	<ul style="list-style-type: none"> • Holmes
Senior Center	Senior Center	<ul style="list-style-type: none"> • Walton

Source: TCCC’s Web Page and Invoice Supporting Documentation

¹⁴ During the review period of state fiscal years 2016-17 and 2017-18.