



To Honorable County Council Members  
Honorable Steve Ehlmann, County Executive

March 27, 2017

The Transportation Fund examination opened April 12, 2016, has been completed, and the final report is being issued today. The scope of the review covered January 1, 2013, through March 31, 2016. Fieldwork for the review was completed on May 13, 2016, and our report reflects the results of work performed through that date. A follow-up review was conducted and the results are added to the observations.

The objectives of the review were to determine whether internal controls were adequate and effective, operations and records were in compliance with established standards, regulations, policies and procedures, and resources were being used efficiently.

The examination covered project planning, funding, and tracking and the associated Road Board activities. We reviewed the internal control environment surrounding those activities, as well as performed an evaluation of the effectiveness and efficiency with which department objectives are being achieved. In addition, reviews for compliance with the County Charter and Ordinances, Missouri Statutes, and internal policies and procedures were performed.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, and consisted of examining, on a test basis, sufficient evidence to afford a reasonable basis, for our opinion.

In our opinion, except for the opportunities included in this report, internal controls were adequate and effective and operations and records were in compliance with established standards.

The issuance of this report completes the formal examination process. However, if you wish to discuss any aspects of the audit or report, please contact me.

*Brent Statler*

Brent R. Statler, CPA, CGAP  
County Auditor

**Attachment**

Copy to John Greifzu, Director of Administration – Intergovernmental Affairs  
Amanda Brauer, Manager of Roads and Traffic



**Transportation Fund  
Examination Report  
Opened April 12, 2016**

Scope January 1, 2013 – December 31, 2015  
Follow-up Limited Scope: December 2016 – February 28, 2017

## Table of Contents

I. Background and Introduction .....	1
Authority and Activity.....	1
Funding.....	2
Staffing.....	3
II. Status Board.....	4
III. Executive Summary.....	7
IV. Detailed Findings.....	8
Compliance Opportunities.....	8
Interdepartmental Opportunities.....	10

## *BACKGROUND AND INTRODUCTION*

### **Authority and Activity:**

The Road Board was created by County Ordinance 95-185 to evaluate and recommend to the County Executive and the County Council road and bridge projects to be funded by the County's ½ cent transportation sales tax. Recommendations of the Road Board are formulated in three (3) separate components: 1) the Ten Year Transportation Improvement Program; 2) the Three Year Transportation Improvement Plan; and 3) the annual funding recommendations derived from the Three Year Transportation Improvement Plan. The Road Board also created a long-range Thoroughfare Plan which is included in the County's current Envision 2025 Master Plan. Projects are recommended for funding from the capital improvements sales tax for purposes which may include traffic relief, construction, reconstruction and repair of roads and bridges within St. Charles County. The Road Board is a twelve (12) member board appointed by the County Executive and approved by the County Council.

The County employs a Director of Transportation to accept road project requests and assist the Road Board in their duties. The Director of Transportation monitors approved road projects from receiving requests to approving and reimbursing such road costs.

Municipalities provide a match in the amount of at least ten percent (10%) of the total cost of the project they submit. The Road Board may recommend to the County Executive and the County Council that the matching fund requirement be waived or reduced. Municipalities must also apply for federal funding, which, if approved, would reduce the amount of funding provided by the Road Board.

The Transportation Fund's program mission as stated in the 2016 budget is as follows:

The St. Charles County Road Board was established to recommend road projects for funding from the ½ cent county wide sales tax, in accordance with house bill 542, for traffic relief, construction, reconstruction, and repair of roads and bridges within St. Charles County, Missouri.

The Board strives to recommend funding for local road improvements that enhance our communities and make it easier to travel throughout Saint Charles County. 2016 budget, pg. 195.

**Funding:**

The primary funding for the Transportation Fund is provided by a dedicated sales tax for road improvements that is deposited in to the Transportation Fund (205). The historical funding for the Transportation Fund is presented below.

Transportation Fund Transportation Fund (205) – Expenditures Fiscal Years 2011-2016								
Fiscal Year	Salaries & Benefits	% Increase	Operating Expenditures	% Increase	Capital Expenditures	% Increase	Total Expenditures	% Increase
2011	\$119,360	N/A	\$366,383	N/A	\$23,424,917	N/A	\$23,910,659	N/A
2012	\$123,075	3.1%	\$371,408	1.4%	\$42,241,131	80.3%	\$42,735,615	78.7%
2013	\$129,910	5.6%	\$385,848	3.9%	\$15,326,517	-63.7%	\$15,842,274	-62.9%
2014	\$195,142	50.2%	\$390,889	1.3%	\$13,861,958	-9.6%	\$14,447,990	-8.8%
2015	\$201,326	3.2%	\$365,095	-6.6%	\$30,454,621	119.7%	\$31,021,042	114.7%
2016*	\$215,552	7.1%	\$379,451	3.9%	\$46,265,873	52.0%	\$46,860,876	48.4%

Revenues generated by the Transportation Fund are deposited in the Transportation Fund. The historical funding is presented below:

Transportation Fund Transportation Fund (205) – Revenues Fiscal Years 2011-2016					
Fiscal Year	Sales Tax	Federal/State Funding	Transfers, Misc. & Interest	Total Revenue	Fees Collected by the Transportation as a Percentage of Expenditures
2011	\$22,113,083	\$7,618,137	\$441,359	\$30,172,579	126.2%
2012	\$23,494,013	\$5,807,404	\$95,554	\$29,396,972	68.8%
2013	\$23,814,201	\$3,176,069	\$11,007	\$27,001,276	170.4%
2014	\$25,577,621	\$7,708,508	\$613,333	\$33,899,463	234.6%
2015	\$26,882,304	\$1,960,791	\$834,153	\$29,677,248	95.7%
2016*	\$26,898,500	\$3,400,000	\$101,606	\$30,400,107	64.9%

\* These are the approved budget amounts from the 2016 budget.

**Staffing:**

The number of full-time equivalent authorized positions for the Transportation Fund increased (100%) from 1.0 full-time positions in 2011 to a total of 2.0 full-time budgeted employees in 2016 (increase occurred in 2014).

## II. STATUS BOARD

The status board provides a summary of the Transportation Fund’s functions and processes. Each cell located under a function represents an activity that is to be completed to ensure that the process is performed in an effective and efficient manner. The color of the cells represents the assessment regarding completion of the activity. The legend below gives a description of the definition of each color.

- Red indicates management's immediate attention is required.
- Yellow indicates an opportunity for improvement exists.
- Green indicates there is no action necessary at this time.
- Blue indicates a process that was not included in the scope of the review.
- Grey indicates a County issue that should be addressed by management, but is not necessarily a direct responsibility of the audited department/office.

Transportation Funding and Spending	3-Year Transportation Improvement Plan	10-Year Improvement Program	Budget Recommendation	Road Project Contracts	Road Board Members	Road Board Meetings
Funding for road projects comes from a Countywide ½ cent sales tax.	The plan is created annually by the Road Board and presented to the Executive and the Council.	The program was created by the Road Board and is updated as needed, at least once every ten years (A2).	Road sponsors are invited to submit project applications.	A contract between the County and a municipality must be executed before the County can authorize reimbursement for road improvements.	The Road Board is comprised of 12 members.	The Road Board must meet at least quarterly.
Revenue from that tax may only be used for new construction or improvements, not general maintenance.	It lists the projects recommended by the Road Board to receive funding during the next three years.	The program lists current projects and plans for future road improvements.	The Road Board analyzes the applications based on criteria from the 10-Year Program and available funding.	The contract must include:	7 members are from County Council districts – 1 from each district.	Any citizen may make comments or present evidence at the meetings.
The annual project funding recommendation must include at least \$600,000 for improvements to rural roads (B1).	The plan must be sent to the County Executive by October 1 <sup>st</sup> .	The program is approved by the Road Board and sent to the County Executive.	Projects are voted on by the Road Board at their September meeting.	1. A complete description of the project to be funded.	The other 5 members are appointed from 5 different municipalities within the County.	Meetings are taped and transcribed into minutes by the Transportation Director.

Transportation Funding and Spending	3-Year Transportation Improvement Plan	10-Year Improvement Program	Budget Recommendation	Road Project Contracts	Road Board Members	Road Board Meetings
Municipalities are required to provide a 10% fund match.	The County Executive must present the plan to the County Council by November 1 <sup>st</sup> .	The Executive presents the program to the County Council and it is voted on for approval.	Approved projects are included in the 3-Year Plan.	2. An allocation of project responsibilities.	Board members must: 1. Be registered voters in the County.	Minutes are approved by the Board at the next meeting.
Municipalities must also apply for Federal funding for the project.	The Council must approve the plan by December 31 <sup>st</sup> .	Projects in the 10-Year Program are categorized under 1 of 3 priorities:	The budget recommendation and revised 3-Year Transportation Plan is submitted to the County Executive annually.	3. The amount of the municipality's match.	2. Have lived in the County 1 year prior to appointment.	Approved minutes are signed by the Board Chair.
The Road Board can recommend reducing or waiving matching funds.		1 <sup>st</sup> Priority – new arterial roadways or improvements to existing arterials.		4. Instructions for submitting reimbursement requests.	3. May not be an elected member of a governing body or political subdivision in the County.	Within 30 days of approval, a copy of the approved minutes must be filed with the Registrar.
No project contract can be executed unless the matching amount is met or waived (approved via ordinance).		2 <sup>nd</sup> Priority – congestion mitigation/safety on non-arterial roads.			Members from Council districts must live in the district they represent.	
Road sponsors are reimbursed after the related portion of work is completed (A1).		3 <sup>rd</sup> Priority – economic development enhancement projects.			Members from cities must live in and not be an employee of that city.	

Transportation Funding and Spending	3-Year Transportation Improvement Plan	10-Year Improvement Program	Budget Recommendation	Road Project Contracts	Road Board Members	Road Board Meetings
Any cost over-runs must be paid for by the road sponsor.					A Board chair and vice-chair are elected at the first meeting of the year.	
					Members are replaced if they miss three consecutive meetings, unless the absences are excused.	

### **III. EXECUTIVE SUMMARY**

Following is a summary of opportunities for improvement which were noted during our review of the Transportation Fund:

#### **A. Compliance Opportunities**

1. *Project Reimbursement Process:* During a review of project reimbursements, the following was noted: Six (25.0%) of the twenty-four reimbursement requests reviewed did not have the required supporting documentation included; and Five (20.8%) of the twenty-four reimbursement requests reviewed used calculations that did not agree to the terms of the contract.
2. *10-Year Transportation Improvement Program:* The 10-Year Program was last updated in 2003, covering the years of 2004 to 2013.

#### **B. Interdepartmental Opportunities**

1. *Project Funding:* A portion of the funds transferred in 2015 went unspent and were combined into the Road and Bridge Fund's 2016 beginning balance.

## Compliance – Project Reimbursement Process

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>The County contracts with municipalities to provide funding from the half-cent transportation sales tax for road projects. The contracts specify the percentage of costs to be reimbursed and the maximum reimbursement amount. The municipalities submit periodic requests for reimbursement of actual costs incurred.</p> <p>The requests are submitted to the Transportation Director for review and approval. Per the contract, the requests should include a cover letter, reimbursement summary, copy of invoices, and proof of payment. After approval by the Transportation Director, the Administrative Assistant will process the reimbursement request with the Finance Department and a check is mailed to the municipality.</p>	<p>The following was noted during a review of municipality reimbursements:</p> <ol style="list-style-type: none"> <li>1) Six (25.0%) of the twenty-four reimbursement requests reviewed did not have the required supporting documentation included; and</li> <li>2) Five (20.8%) of the twenty-four reimbursement requests reviewed used calculations that did not agree to the terms of the contract.</li> </ol>	<p>Compliance with contract terms. Potential for incorrect reimbursement payments.</p>	<p>The Transportation Department should ensure that:</p> <ol style="list-style-type: none"> <li>1) Municipalities submit the necessary supporting documentation before reimbursement requests are approved for payment; and</li> <li>2) Reimbursement requests are reviewed to ensure they are calculated according to the terms of the contract.</li> </ol>	<p><b>Auditor’s Note:</b> This item was reviewed in March 2017 and all five items reviewed were documented with a check request from the appropriate city and all calculations appeared to agree to the contract terms. The item appears to be resolved.</p>

**Compliance – 10-Year Transportation Improvement Program**

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>County Code Section 120.815 requires the County Road Board to annually submit to the County Executive and County Council a Transportation Improvement Plan (3-Year Plan) and, when appropriate, revise and submit a Transportation Improvement Program (10-Year Program). The 10-Year Program must base projects on guidelines listed in the Code and the 3-Year Plan should adhere as closely as possible to the 10-Year Program, adjusting to reflect changes to County demographics when necessary.</p>	<p>The 10-Year Program was last updated in 2003, covering the years of 2004 to 2013.</p> <p><u>Note:</u> The County has created a similar plan, the Thoroughfare Plan, as part of the County's Master Plan. The Thoroughfare Plan is included in "St. Charles County Master Plan - Envision 2025" and was last updated in 2013.</p>	<p>Compliance with County Code requirements.</p>	<p>The Transportation Department should update the 10-Year Program to reflect current conditions or change the code requirements to either eliminate the Program or replace it with the Thoroughfare Plan.</p>	<p><b>Auditor's Note:</b> During discussions with the Transportation Department, it appears that the Department is in agreement with the recommendation and will take corrective action.</p>

**Interdepartmental – Project Funding**

Discussion and Background	Cause	Risk/Effect	Recommendation	Management Response
<p>Code Section 120.825 states, "The Road Board annual budget recommendation shall include a minimum of six hundred thousand dollars (\$600,000.00) for the purpose of County improvements to rural roads and bridges which would otherwise not be improved due to the lack of available road and bridge funds. Transportation funds from the one-half cent (\$.005) sales tax shall not be used for maintenance purposes."</p> <p>To meet this requirement the Highway Department requests funding for rural road improvement projects through the Road Board. Approved funding is transferred from the Transportation Fund to the Highway Department's Road and Bridge Fund.</p>	<p>A portion of the funds transferred in 2015 went unspent and were combined into the Road and Bridge Fund's 2016 beginning balance.</p> <p><u>Note:</u> \$1,280,000.00 was transferred in 2015 and only \$1,121,704.50 was expensed; however, there were other sufficient qualified expenditures charged to different line item accounts.</p>	<p>Compliance with the County Code. Opportunity for improved processing of Transportation Fund payments.</p>	<p>The Transportation Department should transfer funds to the Highway Department as project expenses are incurred to better monitor the use of Transportation Funds.</p> <p><u>Note:</u> Currently funds are transferred as a lump sum.</p>	<p><b>Auditor's Note:</b> Starting with the 2017 budget, a Road Program work - reserve account line item was created to transfer money from the Transportation Fund to the Road and Bridge fund for completed/billed projects rather than an entire budget transfer at the beginning of the year. The item appears to be resolved.</p>