

# Subrecipient Review

North Idaho Community Express (NICE)

Final Report

Review Completed By:  
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## Overview of the Review

The Idaho Transportation Department (ITD), Division of Public Transportation (PT) has completed a Site Review of North Idaho Community Express (NICE). This review assesses compliance with various State of Idaho and U.S. DOT Federal Transit Administration (FTA) requirements.

In the review, we looked for compliance within six broad areas:

1. Legal Authority and Agency Set up
2. Grant Management
3. Financial Management
4. Procurement
5. Service Requirements and Restrictions
6. Operations and Safety and Security
7. Personnel

## Results of the Review

This report will discuss the findings in each area. It will identify which areas need a corrective plan with timelines, specific activities and reasonable completion dates along with other areas where NICE can improve the efficiencies of the operations.

### 1. Legal Authority and Agency Setup

#### Board Bylaws:

NICE is not following its by-laws, which state:

- a. Section 1: Number and Qualification - The affairs of the Association shall be governed by a Board of Directors composed of a maximum twenty-five (25) persons, five (5) board positions will be reserved from each of the five (5) northern most counties in the state of Idaho, and the remaining board positions will be at large, but must be residents of one of the five (5) of the northern most counties of the state of Idaho.

NICE Board members consist of three members one who is a part-time driver for NICE

- b. Board meetings are not held as open meetings as required by Idaho Statute §67.2340-67.2347. NICE is a sub-recipient and receives 'pass through' funds from the Department of Transportation, therefore, it must comply with the same open meeting law as the Department.

c. Section 4: Election and Term of Office

Terms of office are not being followed according to the by-laws

d. Section 5: Books and Records

There was no evidence in the board minutes that the Board was given a full set of books and records showing the financial condition of the affairs of NICE in a manner consistent with generally accepted accounting principles.

e. Section 6: Board Vacancies

There was no evidence that the Executive Director was actively recruiting new board members to fill vacancies.

Currently, only two staff members have signature authority on the bank account for disbursements. The NICE policy for all checks written requires two signatures on all disbursements made with checks. This requires that the two staff members with signature authority must sign their own paychecks and reimbursement checks. Board members should have check signature authority and should be required to sign all checks made payable to staff that have signature authority on the account. This would provide a better segregation of duties and board oversight on the front end of the disbursement cycle.

In general, the NICE board does not provide active oversight and does not appear to be actively involved.

Corrective Action:

- a. NICE must follow its By-laws and Articles of Incorporation. The Board should provide NICE with guidance on policies that reflect the mission, direction and vision of the organization. By-laws should also contain policies that provide guidance in critical areas such as contract administration, purchasing, human resource management, and fiscal matters.
- b. NICE should recruit new board members to fill vacancies with new members who are committed to public transportation and to providing oversight according to the by-laws.
- c. The NICE Board should be more involved in the area of cash management and expenditure oversight. On a regular basis, members of the Board should review cash balances along with other balance sheet items as well as all expenditures made to determine the soundness and reasonableness of the expenditure. The Board should also review the financial results of NICE on a regular basis to ensure the operational and financial soundness of NICE and achievement of goals can be measured.

- d. NICE must provide public notice of board meetings, post an agenda for all meetings and take and retain minutes at all board meetings. Copies of all minutes from board meetings should be available to the general public.

## **2. Grant Administration**

### **Managing Grants**

NICE does not have an organizational chart that shows clear lines of authority.

NICE does not have a workable budget for the current fiscal year, which began on April 1, 2010. Sound financial management and best practices would require a financial budget be presented to and approved by the Board prior to the beginning of the fiscal year, providing goals, benchmarks, guidance, and direction to the company for the upcoming year. Periodic financial statements should then be prepared comparing actual results with budgeted amounts. These 'budget to actual' financial statements should then be presented to the Board and all material variances should be reviewed and discussed. In this way, management will be better equipped with information and direction to reach agency goals and/or make required adjustments to its operation throughout the fiscal year.

Contract revenues from the Kootenai County Agreement are deemed program income and should not be included as local matching funds on the reimbursement request for the 5311 grant. For FY2010, ending March 31, 2010, local match requirements per the 5311 reimbursement requests should have been \$81,775. The actual local match revenues received for the same period was \$48,730. This was a deficiency in local match required for the period of \$33,045.

For FY2011, year to date through October of 2010, local match required based on 5311 reimbursement requests totaled \$47,016. The actual match received for the same period amounted to \$27,965. This is a shortfall of the local match required of \$19,051.

Based on the agreement with Kootenai County, NICE should be reducing the monthly amount received from the county of \$26,718 by the amount of fares and donations it received. No netting of fares and donations were made. The full amount of the monthly payment from the county was received into the NICE checking account.

It was noted that NICE appears to have a serious cash flow problems. Over the three months prior to our field work, several hundred dollars in late fees and return check charges were noted on NICE's bank statement. NICE does not utilize online banking tools to monitor the balance in its cash account. Additionally, an audit adjustment made during the FY2007 audit for \$3,261.82 overstates the book balance in the general ledger. Over the course of the past calendar year, several Federal and state tax deposits were not made on a timely basis. Finally, as of the last day of our fieldwork, December 10, 2010, the state and Federal tax deposits for October 2010 had not been made.

NICE has an ARRA funded bus that was accepted the end of September and has yet to be licensed and put into service.

Corrective Action:

NICE needs to better track cash needs and balances within its bank account. Online tools are currently available to enable staff to log into its bank records to provide better real time tracking of the entity's cash flow. More care should be taken to ensure all liabilities are paid in a timely manner to avoid needless and disallowable late fees, overdraft fees, and returned check charges. Finally, the book balance in NICE's general ledger should be adjusted to remove the journal entry made by auditors to more properly reflect the cash per bank records.

### 3. Financial Management

#### **Weakness in Internal Controls**

NICE lacks adequate segregation of duties in some key areas:

- a. Cash management function severely lacks proper control and oversight causing excessive bank fees to be assessed. The Director performs all cash management functions for NICE with no adequate separation of duties between director and business manager functions.
- b. No online banking functions are being performed. NICE relies on the general ledger balance during the month to determine available funds in the bank. However, it was noted that this number had been inflated by over \$3,200 stemming from a journal entry made in March 2007 by the auditors. In addition, bank fees including overdraft fees of several hundred dollars were identified over the past few months, reducing the cash balance in the bank and not discovered and reflected in the balance until the subsequent month when the statement is reconciled.
- c. Controls within the general ledger were not being utilized to help ensure that payroll tax payments are made on a timely basis. Over half of both the Federal and state payroll tax deposits for calendar year 2010 have not been made on a timely basis. As of December 10, 2010, the last day of the field work, October payroll tax deposits had not been made.
- d. Reimbursements of personal funds used to pay for business related items were not properly documented. No expense reimbursement policy was in place at the time of the site visit.
- e. Lack of documentation and original receipts for purchases made with the company credit card were noted. Charges on the card to certain vendors make determining the business purpose for the expenditure difficult without proper back up which was not

available. It was also noted at the time of the review that the credit limit on the credit card was fully utilized and the balance was not being paid off each month, thus creating additional interest charges and in some cases late fees.

- f. We noted weak or inadequate internal controls over blank check stock. Although the check stock was secured at night, it appeared that checks were not being written and used in sequential order. It also was discovered that blank checks were occasionally given to the Operations Manager after the Director had signed the blank check for expenditures made that required payment at the time of receipt of the products. This circumvented the normal vendor payment system, which allows payment for goods, and services monthly after invoices are received and can be matched with original receiving documents.
- g. NICE requires two signatures on all disbursements. However, only two employees have signature authority, the Director and the Operations Manager. This forces each of them to sign their own paychecks as well as any reimbursement check written to either of them. Lack of proper control and division of duties in this area was noted.

### **Cash Controls**

NICE does not have written financial management policies and procedures to address: collecting fares, bank deposit, accounts payable, accounts receivable, check signing, timesheets, payroll, etc.

#### Corrective Action

NICE should develop written financial policies and procedures that will identify the position in the organization who will perform certain tasks and that assures segregation of duties where there is a weakness or risk of loss.

During our site review it was noted that several employees utilized cash advances from NICE. Nothing formal was signed and no specific payback period was set as this was determined on a case-by-case basis. Cash advances have been taking place for years. Employees would borrow money from NICE and in some cases take several months to repay the advances through payroll deductions from their paychecks. At the time of our site review, three employees still had cash advances owed to NICE amounting to \$700.

#### Corrective Action:

No corrective action. Before the team left, NICE had implemented a new policy and employees were instructed that they would have to advances paid back by the end of January.

### **Cost Allocation**

NICE is not properly allocating costs to the various operations of the company. Regulations require a cost allocation policy be adopted and followed for all indirect costs incurred by the company for assigning overhead and indirect costs to the various programs. Currently, salaries of key management personnel are not being properly allocated to the various programs within the Company. This has the effect of either understating and/or overstating grant reimbursement requests.

#### Corrective Action:

NICE should adopt an acceptable cost allocation convention and adopt a policy which requires all indirect costs and overhead be allocated to the various programs within operations of NICE.

### **Reimbursement Requests (this item was added after the initial report)**

NICE is backdating checks and submitting the copy to PT to get reimbursed, then holding the checks for sometimes several months before the check was sent to pay the vendor. January 3, 2011 PT received a call from CDA Liberty Tire asking how to get paid \$6329.25 for tires sold to NICE. Upon research PT found that NICE had been reimbursed for the tires November 10, 2010. NICE included the check as back- up documentation to get reimbursed. Reimbursement means that the subrecipient pays the vendor then requests reimbursement. Requesting the funds before the vendor is paid violated NICE's agreement with ITD.

#### Corrective Action:

Item identified after cease of operations

## **4. Procurement**

### **Purchasing**

NICE does not have purchasing rules, procedures or policy and is noncompliant with Federal and State procurement regulations and other purchasing controls are weak.

NICE violated Federal and State procurement regulations by not issuing an RFP or getting three quotes, then justifying and documenting the choice for purchased tires, maintenance, fuel and professional services.

- State's procurement rules:  
<http://adm.idaho.gov/adminrules/rules/idapa38/0501.pdf>
- Certified Disadvantage Business Enterprises. Use the DBE Directory and include any eligible DBE in your solicitations:  
<http://www.itd.idaho.gov/civil/dbefirms.htm>

- FTA's third party procurement (C4220.1F) resource:  
[http://www.fta.dot.gov/funding/grants\\_financing\\_6036.html](http://www.fta.dot.gov/funding/grants_financing_6036.html)

Quick Procurement Guide: Please, use procurement web links provided above for detail.

- **Micro Purchase:** Must follow Federal threshold, which is more restrictive: the recipient may acquire property and services valued at less than \$3,000 without obtaining competitive quotations. Note: Davis-Bacon prevailing wage requirements, however, will apply to construction contracts exceeding \$2,000, even though the recipient uses micro-purchase procurement procedures.
- **Small Purchase:** Must follow State threshold, which is more restrictive than federal: Informal: between \$3,000 and \$75,000 must acquire three written quotes.
- **Large Purchase:** Must follow State threshold, which is more restrictive than federal: Formal, over \$75,000, must acquire sealed bids.

#### Corrective Action:

NICE must establish written Federal and State compliant procurement policies and procedures.

NICE must start immediately using Federal and State procurement regulations for all ongoing purchases such as tires. NICE must establish a plan and timeline to become compliant with procurements that require an RFP such as fuel and maintenance. NICE must follow procurement regulations for all professional services such as insurance, drug and alcohol and audit.

#### Recommendation:

The Board should establish a pre-approval purchasing threshold.

#### **Meals and Travel**

NICE does not follow State of Idaho meeting rules. Subrecipients of the State are required to follow all the rules of the State. Food for the Board and training where allocated to the FTA grant. The meetings do not meet the length of time criteria to be an allowable cost. See <https://www.sco.idaho.gov/web/sbe/sbweb.nsf/pages/trvlpolicy.htm#11.%20Meal%20Expenses%20Not%20Allowable>

#### **C. Refreshments and Meals for Official Meetings**

The State Board of Examiners recognize the importance of sponsoring meetings and training sessions. Further, the Board understands that to facilitate the needs of the attendees and to ensure the best utilization of attendee time, refreshments and/or meals may be provided



to those attending department-sponsored meetings and/or training sessions under the following criteria:

1. Refreshments

- a. The meeting or training session has a published agenda and attendance is mandatory.
- b. The meeting or training session has an intended duration of three (3) hours or more;
- c. There are five (5) or more attendees; and
- d. The total per attendee cost of the refreshments, per refreshment break, will not exceed \$7.50, which is the allowable partial day per diem amount established for breakfasts, pursuant to Appendix B.

2. Meals

- a. The meeting or training session has a published agenda and attendance is mandatory;
- b. Location or scheduling conflicts do not lend themselves to a meal recess;
- c. The meeting's business is furthered by speeches, presentations or interpersonal exchange that would not normally occur on a daily basis;
- d. The meeting or training session has an intended duration of six (6) hours or more;
- e. There are five (5) or more attendees; and
- f. The per attendee cost of the meal does not exceed the allowable partial day per diem reimbursement, pursuant to Appendix B.

Corrective Action:

NICE can provide food for meetings; however, meals are not allowable for reimbursement from the FTA grants unless they meet all of the criteria. NICE must provide documentation that shows that expenses are an eligible cost or deduct from the next request for reimbursement.

**Continuing Control of Assets**

NICE does not track assets over \$5,000. All assets over \$5,000 purchased with Federal money must be tracked by maintaining records that include: description, ID number, title information, procurement source, acquisition date, cost, percentage of state or federal grant share, the grant number/contract number from which it was procured, location of use, condition, and disposition dated including date of disposal, sale price, and method of determining market value.

Corrective Action:

NICE must track past and future assets over \$5,000 purchased with any federal funds.

## 5. Service Requirements and Restrictions

### **Title VI Civil Rights**

NICE is required to have a Civil Rights policy that ensures that federally supported transit services and related benefits are distributed in an equitable manner.

#### Corrective Action:

NICE must develop a written policy that informs the public of Title VI obligations, a statement the agency is committed to nondiscriminatory service, description of the procedures that members of the public should follow to file a discrimination complaint.

## 6. Operations and Safety and Security

### **Safety and Security Plan**

NICE does not have a current written safety and security plan. NICE has a safety and security officer and it appears to follow and safety and security procedures.

#### Corrective Action:

NICE should update safety and security plan to include coordination with local public safety agencies. The plan should be given to and reviewed with staff.

### **Fleet Management**

NICE does not have a written vehicle maintenance plan that establishes thresholds and schedules for maintenance and addresses manufacture's recommendations.

#### Corrective Action:

NICE should establish a written plan.

### **Operational Goals and Data Collections**

NICE does not have established written goals to measure service delivery efficiencies. NICE should be monitoring operations to develop efficiencies in the operations.

#### Corrective Action:

NICE must establish written goals to measure service delivery. Some examples of services to measure could be cost per ride, cost per mile, rides per mile, and per hour. NICE should use the collected data to monitor operations and to develop efficiencies in providing transit services.

## 7. Personnel

### **Training**

It appears that NICE does not provide training since there was no documentation.

#### Corrective Action:

NICE must provide training and documentation of the training employee received.

### **Employee Performance Evaluations**

NICE employees do not have current performance evaluations.

#### Recommendation:

Provide employees with current evaluations.

### **Employee handbook**

NICE's Employee Hand Book states that NICE has as EEO policy but no policy was available.

The handbook is deficient in its policies and procedures on

- Leave
- Recruitment and selection
- Evaluation
- Travel
- Drug/alcohol
- EEO
- Grievance
- Sexual Harassment
- Salary Chart
- Conflict of Interest

#### Corrective Action:

NICE must establish a written EEO policy.

NICE must update the employee handbook, give each employee a copy and have them sign they received the copy and maintain the record in the employee files.

Area	Corrective Action	Due date
<b>1. Legal Authority and Agency Setup</b>		
Board By-laws	<ol style="list-style-type: none"> <li>1. NICE needs to follow its By-laws and Articles. The Board needs to provide NICE with guidance on policies that reflect the mission, direction and vision organization. Bylaws should also contain policies that provide guidance in critical areas such as contract administration, purchasing, human resource management, and fiscal.</li> <li>2. NICE needs to recruit new board members to fill vacancies with members who are committed to providing oversight according to the by-laws.</li> <li>3. NICE must have Board involvement in the area of cash management and expenditure oversight needs to be implemented. On a regular basis members of the Board should review all expenditures made by staff to determine the soundness and reasonableness of the expenditure. The Board should also review the financial results of NICE on a regular basis to ensure the operational and financial soundness of NICE.</li> <li>4. NICE needs provide public notice of board meetings, post an agenda for the meeting and take and retain minutes at all board meetings.</li> </ol>	March 31, 2011
<b>2. Grant Administration</b>		
Managing Grants	NICE needs to better track cash needs and balances within its bank account. Online tools are currently available to enable staff to log into its bank records to enable better real time tracking of cash flow. More care should be taken to ensure all liabilities are paid in a timely manner to avoid needless and disallowable late fees, overdraft fees, and returned check charges. Finally, the book balance in NICE's general ledger should be adjusted to remove the journal entry made by auditors to properly reflect the cash per bank records.	Immediately
<b>3. Financial Management</b>		
Weakness in Internal Controls/Cash Controls	<p>NICE should develop written financial policies and procedures that will identify the position in the organization that will perform certain tasks and that assures segregation of duties where there is a weakness.</p> <p>NICE must cease employee advances practice immediately. All</p>	March 31, 2011

Area	Corrective Action	Due date
	employees must pay their balances in full by January 31, 2011.	
Cost Allocation	NICE should adopt an acceptable cost allocation convention and adopt a policy which requires all indirect costs and overhead be allocated to the various programs within operations of NICE.	March 31, 2011
<b>4. Procurement</b>		
Purchasing	<p>NICE should establish written Federal and State compliant procurement policies and procedures.</p> <p>NICE should start immediately using Federal and State procurement regulations for all ongoing purchases such as tires. NICE should establish a plan and timeline to become compliant with procurements that require an RFP such as fuel and maintenance. NICE must follow procurement regulations for all professional services such as insurance, drug and alcohol and audit.</p> <p>The Board should establish a pre-approval purchasing threshold.</p>	<p>March 31, 2011</p> <p>Immediately</p> <p>Recommendation</p>
Meals and Travel	NICE can provide food for meetings; however, meals are not allowable for reimbursement from the NICE grant unless they meet all of the criteria. RPT must provide the documentation that make the expenses an eligible cost or deduct from the next request for reimbursement.	Immediately
Continuing Control of Assets	RPT must track past and future assets over \$5,000 purchased with any federal funds.	March 31, 2011
<b>5. Service Requirements and Restrictions</b>		
Title VI Civil Rights	NICE must develop a written policy that informs the public of Title VI obligations, a statement the agency is committed to nondiscriminatory service, description of the procedures that members of the public should follow to file a discrimination complaint.	March 31, 2011
<b>6. Operations and Safety and Security</b>		
Safety and Security Plan	NICE should update safety and security plan that includes coordination with local public safety agencies. The plan should be given to and reviewed with staff.	March 31, 2011
Fleet	NICE should establish and follow a written plan.	March 31, 2011

Area	Corrective Action	Due date
Management		
Operational Goals and Data Collections	NICE must establish written goals to measure service delivery. Some examples of services to measure could be cost per ride, cost per mile, rides per mile, and per hour. NICE should use the collected data to monitor operations and to develop efficiencies in providing transit services.	March 31, 2011
<b>7. Personnel</b>		
EEO/employee handbook	NICE must establish a written EEO policy.  NICE must update the employee handbook, give each employee a copy and have them sign they received the copy and maintain the record in the employee files.	March 31, 2011
Training	NICE must provide training and documentation of the training employee received.	March 31, 2011
Employee Performance Evaluations	Provide employees with current evaluations.	Recommendations