

Final Audit Follow Up

As of March 31, 2003



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City Auditor

“Open Capital Projects” (Report #0018, Issued September 7, 2000)

Report #0323

August 20, 2003

Summary

The Office of Budget & Policy has implemented the PeopleSoft Projects Management Module for Capital Projects to address issues identified in our previous Audit of Open Capital Projects (#0018). Based on our analysis of capital projects for the last three years, management needs to continue to monitor capital projects.

In our audit of Open Capital Projects, issued September 7, 2000, we identified several areas where compliance with the Capital Projects Management Policy could be improved and strengthened. The Office of Budget & Policy was receptive to the issues raised in the audit and, with the implementation of the PeopleSoft Projects Management Module, addressed the action plan steps contained in the audit.

Our analysis of Open Capital Projects for the last three years shows:

- ◀ On March 31, 2001, there were 575 active capital projects with an unencumbered balance of \$228,100,186. There were 32 projects open past their due dates, nine projects with deficit balances totaling \$35,484, and three projects had zero balances.
- ◀ On March 31, 2002, there were 747 active capital projects with an unencumbered balance of \$258,825,385. The same number of projects, 32, were open past their due dates. In addition, 19 active capital projects had deficit balances totaling \$84,800, and 12 active projects had zero balances.
- ◀ As of March 31, 2003, there were 760 active capital projects with an unencumbered balance of \$251,294,728. There were 25 projects open past their due

dates. In addition, one active capital project had a deficit balance of \$479. Fourteen active projects had zero balances compared to twelve in 2002 and three in 2001.

Unencumbered balances as of March 31, 2003, were primarily composed of Utility Repair, Replacement & Improvement (\$112 million), Sales & Gas Tax (\$52 million), Airport and Taltran federal funds (\$47 million) and Capital Improvement (\$21 million). As of March 31, 2003, we also noted that 61 active capital projects totaling \$2,761,832 had original start dates before September 30, 2001, but did not have any recorded encumbrances or expenditures. In addition, 32 projects, totaling \$26,318,329, with start dates before September 30, 2002, did not have any encumbrances or expenditures recorded as of March 31, 2003.

A review of active capital projects, dated April 25, 2003, showed that as of March 31, 2003, the number and amount of deficit balances had been reduced dramatically. It is management's responsibility to monitor capital projects.

Scope, Objectives, and Methodology

The audit and this subsequent follow up were conducted in accordance with Generally Accepted Government Auditing Standards, and accordingly included such tests of the records and other auditing procedures as were considered necessary.

Report #0018

The scope of Report #0018 was to determine compliance with the Capital Projects Management Policy and follow up on a previous review. Specifically, we sought to identify the number of projects not in compliance with the policy (see Table 1, page 2) and to determine if improvement had been made over our previous review.

Report #0323

This audit follow up focuses on the action plan steps that the Office of Budget & Policy has implemented. We reviewed the documentation provided by the Office of Budget & Policy. We also reviewed capital projects as of March 31, 2001, March 31, 2002, and March 31, 2003.

Previous Conditions and Current Status

In Report #0018, we identified three areas of compliance with the Capital Projects Management Policy that needed improvement. Table 1 summarizes all conditions identified in Report #0018 and shows their current status.

**Table 1
Conditions Identified in Report #0018 and Current Status**

Previous Conditions	Current Status
<ul style="list-style-type: none"> • Departments are not submitting revised completion dates for approval and input into the financial management system in a timely manner. 	<ul style="list-style-type: none"> ◇ On March 31, 2001, there were 575 active projects, 32 projects were open past their due dates; nine projects had deficit balances totaling \$35,494; and three projects had zero balances. On March 31, 2002, there were 747 active projects, 32 were open past their due dates, 19 projects had deficit balances totaling \$84,800, and 12 projects had zero balances. On March 31, 2003, there were 760 active projects, 25 projects were open past their due dates, one project had a deficit balance of \$479, and 14 projects had zero balances.
<ul style="list-style-type: none"> • Oversight over capital projects at the Assistant City Manager and Appointed Official level needs to improve. 	<ul style="list-style-type: none"> ◇ The Office of Budget & Policy has offered to meet with all Assistant City Managers and provide assistance to them in establishing procedures for oversight of capital projects within their respective areas. However, based on our analysis of capital projects for the last three years ACMs and department directors need to monitor capital projects on a continuing basis.
<ul style="list-style-type: none"> • Controls are needed for expenditure or transfer of funds from a capital project that is open beyond its scheduled completion date. 	<ul style="list-style-type: none"> ✓ The PeopleSoft Projects Management Module has controls that prohibit deficit spending and the expenditure of funds from a capital project when the completion date has already passed. These controls became effective when the Financials System went live on July 1, 2001.

Table Legend: • Issue addressed in the original audit ✓ Issue addressed and resolved ◇ Management responsibility

We appreciate the cooperation of the Office of Budget & Policy and the assistance provided in this Audit Follow Up.

Appointed Official Response

City Manager's Response:

We appreciate the update by the City Auditor's Office. We have made significant progress in addressing the issues brought forth in the original audit. Implementation of the PeopleSoft Projects Module has provided us with improved controls for project management. We will continue to monitor capital projects to ensure compliance with the city policies related to capital projects.

Copies of this Final Audit Follow Up or audit report #0018 may be obtained from the City Auditor's web site (<http://talgov.com/citytlh/auditing/index.html>), via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (dooley@talgov.com).

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