Audit Follow up

As of March 31, 2002

CITY OF TALLAHASSEE

Sam M. McCall, CPA, CIA, CGFM
City Auditor

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

Report #0216   **May 17, 2002**

Summary

The Office of Budget & Policy is implementing the PeopleSoft Projects Management Module that should address the issues identified in our previous Audit of Open Capital Projects (#0018). The scheduled implementation date to have departmental staff trained and fully implement the Module has now been moved to December 2002.

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, should address the action plan steps contained in the audit. A review of active capital projects, dated April 29, 2002, showed that as of March 31, 2002, PeopleSoft controls were not being effectively implemented. In 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 of $35,484, and three projects had a zero balance. However, we noted a slight regression as of March 31, 2002. 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, a 111% increase in the number of projects and a 139% increase in the amount of the deficits. Twelve active projects had a zero balance compared to three a year ago.

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 #0216

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, and March 31, 2002.

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
• Departments are not submitting revised completion dates for approval and input into the financial management system in a timely manner.	✗ We noted some improvement as of March 31, 2001; 32 projects out of the 575 projects were open past their due dates; 9 projects had deficit balances totaling $35,494; and 3 projects had a zero balance. However, as of March 31, 2002, we noted a slight regression. For example, 32 out of 747 active capital projects were open past their due dates; 19 projects had deficit balances of $84,800; and 12 projects had zero balances. The Office of Budget & Policy is still implementing the PeopleSoft Projects Management Module within the PeopleSoft Financials System. The goal is to have departmental staff trained and fully implement the Projects Module by December 2002.
• Oversight over capital projects at the Assistant City Manager and Appointed Official level needs to improve.	✓ 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.
• Controls are needed for expenditure or transfer of funds from a capital project that is open beyond its scheduled completion date.	✓ 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. These controls were manually overridden for transactions related to salaries and wages to ensure that employee payroll was not delayed. In February of 2002, the decision to override these controls was revisited and transactions denied due to past due dates or negative balances are now posted to a suspense account within the respective departments' operating budget for review and disposition.

Table Legend: • Issue addressed in the original audit   ✓ Issue addressed and resolved   ✗ Issue not resolved

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

Appointed Official Response

City Manager Response:

We appreciate the update by the City Auditor's Office. Two of the three recommendations have been completed and the third is targeted to be completed in December.

Copies of this 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 (dooleym@talgov.com).

Audit Follow Up conducted by:
Jim Carpenter, Audit Manager
Sam M. McCall, CPA, CIA, CGFM, City Auditor