



Audit Report Number No. 2006-14

City of Richmond
Audit of City Council District Capital Project
Accounts
Fiscal Year 2005

Prepared by
CITY AUDITOR
Richmond, Virginia

Submitted to
The Honorable Members of City Council
March 29, 2006

The Honorable Members of City Council
Richmond City Audit Committee
City of Richmond, Virginia 23219

City Auditor's Report

SCOPE

We conducted a due-diligence audit of the City Council District Capital Project Accounts, covering Fiscal Year 2005. We reviewed and evaluated selected projects for compliance with City disbursement policies. Further, we reviewed the process in accordance with specific Policies and Procedures, dated February 23, 2004, which were established for the creation of the nine Council District Capital Accounts.

Our understanding of the future of the Council District Capital Accounts is that once all budgeted projects are completed, there will be no additional funding for District Accounts. Capital projects will be handled in accordance with the existing policies covering the Capital Improvement Program.

OBJECTIVE

Our audit objective was to ascertain whether Council District Capital Project accounts were properly managed based on City Policy.

METHODOLOGY

We conducted our audit in accordance with Government Auditing Standards for Performance Audits issued by the Comptroller General of the United States. During the course of our work, we reviewed supporting documents, evaluated the internal control structure, and conducted other appropriate tests. We believe that our audit provides a reasonable basis for our conclusions regarding the internal control structure and our recommendations.

The management of the City of Richmond, Virginia, is responsible for maintaining the financial records of the City. It is also responsible for establishing and maintaining a system of internal accounting control and management control. In fulfilling this responsibility, management is required to assess the expected benefits and related costs of control procedures.

BACKGROUND

The Council District Project Accounts were developed to provide a resource within the Capital Budget for unforeseen capital needs in each Council district. During April 2004 an ordinance was adopted to transfer and appropriate funds in the amount of \$4,254,445 from the Capital Improvement Program Budget into nine new Council District Capital accounts.

Policies and Procedures, dated February 23, 2004 (the Policy), were established to ensure the proper management of the Capital account activity. The funds from this account could be used for unforeseen capital needs in City neighborhoods. These needs may include but are not limited to, curb, gutter, sidewalk, and drainage improvement and other capital projects that would improve neighborhoods and make them safer. All projects identified by a Council Member for expenditure must meet specific criteria as capital expenditures and must be approved specifically by a resolution adopted by the Council. Appropriations would be made to the City of Richmond's Capital Improvement Plan, Council District Project Accounts at the beginning of each Fiscal Year, upon adoption of the Capital Improvement Plan Budget. The total appropriated amount was divided equally among all the Council Districts, unless specifically noted in the Adopted Capital Budget Document.

CONCLUSIONS

We observed that due to the decentralized manner in which Capital Projects are managed throughout the City, communication from one agency may not be representative of other agencies involved in this process. For instance, capital projects are generally managed by the Departments of Public Works, Public Utilities and Parks, Recreation and Community Facilities. As such, each agency is responsible for providing updates of project status. Due to the limited dollar amount of remaining Council District Capital Accounts, we did not explore each agency's project management and communication style. However, in the upcoming fiscal year, we will consider an audit of the Capital Improvement Program on a City-wide basis.

During the course of our work, we sampled both completed projects and projects that were still under construction. While there were different agencies involved in the overall project management for the Council District Capital Accounts, our sample was limited to work managed by the Department of Public Works since this department performed the majority of the work. We held interviews with staff and reviewed project disbursements. Additionally, we surveyed Council members. Based on the results of our work, we concluded that:

- Internal controls surrounding the disbursement approval and payment process appeared adequate. The audited disbursements met the established criteria for capital expenditures.
- Based upon the Council surveys, we noted that Council members appeared to be dissatisfied with the communication of project status and delays. Responses indicated that communication and coordination was often lacking and information was not always consistent. Further, the process to communicate project delays, at times, appeared to be an inadequate.

We discussed the responses to our survey with DPW management and note that DPW management had the impact of hurricane Gaston to deal with when prioritizing capital projects. We also discussed the communication mechanisms with DPW management and observed that the communication process has undergone some enhancements since the establishment of the Policies and Procedures, dated, February 23, 2004.

- We noted that DPW provides a high-level informational report on the City's Web site for all capital projects and upcoming construction projects.
- We also observed that due to the inquiries it was receiving, starting July 2005, DPW revised its monthly report into a "dashboard" format report, which includes all Capital Projects. However, due to the high level of reporting, we observed that while this report includes target completion dates, it does not include detailed explanations of delays. DPW management has indicated that a Capital Project staff member now attends the regularly scheduled Council Informal Sessions to answer questions about project details. Further, specific Council requests for additional information can be honored on an as-needed basis. Additionally, DPW management has indicated that it was not management's intent to exclude information on project delays. DPW management is currently exploring the option of including an additional column in the monthly "dashboard" report to allow space for information on delays.
- Finally, we observed that since July 2005, DPW has not provided Council with financial summary reports of Council District Capital Projects, pursuant to the Policy. We believe that this is a vital source of information that should be provided on a consistent basis to ensure that Council members are apprised of project disbursements and available balances.

RECOMMENDATION:

DPW management should continue with the monthly financial reporting of the Council Capital District Projects to ensure that Council members are keep abreast of project budgets and expenditures.

MANAGEMENT RESPONSE:

DPW will resume monthly financial reporting, as required. Additionally, DPW staff worked with the Auditor's Office to develop a new formatted monthly report, using suggestions provided by Council members during Audit's survey procedures.

We would like to thank the departmental management and staff for their cooperation and assistance during this audit.

This report is intended for the members of the Richmond City Council, the Audit Committee, the City and departmental management; it is a matter of public record.

Respectfully submitted,

Randi L. Ricco-Clifford, CPA, CIA, CGAP
Interim City Auditor

March 17, 2006



City Auditor Report Evaluation Form

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Please rate the following elements of this report by checking the appropriate box.

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Suggestions for our report format: _____

Suggestions for future studies: _____

Other comments, ideas, thoughts: _____

Name (Optional): _____

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